

St. Louis Equal Housing and Community Reinvestment Alliance

c/o EHOOC · 1027 S. Vandeventer Avenue, 6th floor · St. Louis, MO · 63110 · www.slehcra.org

MEMBER

ORGANIZATIONS

September 23, 2010

Center for the
Acceleration of
African American
Business

Glenda Wilson
Community Affairs Officer
Federal Reserve Bank of St. Louis

Community Action
Agency of St. Louis
County

P.O. Box 442
St. Louis, MO 63166

Citizens Coalition
to Fight Eminent
Domain Abuse

Dear Ms. Wilson:

Human
Development
Corporation

The St. Louis Equal Housing and Community Reinvestment Alliance (“SLEHCRA”) would like to offer public comment on First Bank, of Creve Coeur, Missouri, pursuant to the Community Reinvestment Act (“CRA”). The bank is scheduled for a performance evaluation during the third quarter of 2010. SLEHCRA is a coalition working to increase investment in low-income and minority communities by ensuring that banks are meeting their obligations under the Community Reinvestment Act and fair lending regulations. We have some concerns with First Bank’s performance in the St. Louis metropolitan area, and we urge the Federal Reserve to further investigate our concerns in the bank’s examination.

Justine Petersen

Metropolitan St.
Louis Equal
Housing
Opportunity
Council

First Bank is a relatively large bank within the St. Louis market, capturing 3.4 percent of the market share of deposits and listed as the 8th largest depository bank, as of June 2009. The bank currently operates 56 branches within the metro area, and has designated the entire St. Louis metropolitan area as their Assessment Area. Considering their size and capacity, it is reasonable to compare their lending performance to that of the aggregate and the demographic percentages.

Missourians
Organizing for
Reform and
Empowerment

We are concerned with First Bank’s performance to low- and moderate- income borrowers and communities, according to HMDA data, small business lending data, and branch locations.

MoKan

NAACP St. Louis

North County
Churches Uniting
for Racial Harmony
and Justice

According to the Home Mortgage Disclosure Act (HMDA) data for the St. Louis metropolitan area, First Bank’s lending to low- and moderate- income borrowers is consistent with the aggregate lending performance. From 2006 to 2009, the bank originated 11.05 percent of loans to low-income borrowers and 23.38 percent to moderate-income borrowers. In comparison, the aggregate lending within the metropolitan statistical area originated about 10 percent of loans to low-income borrowers and 22.3 percent to moderate income borrowers¹. The demographics of the metropolitan area consist of 19.4 percent low-income families and 18.4 percent moderate-income families, according to 2000 census data for family populations.

Ready, Aim,
Advocate!
Committee

Red Brick
Community Land
Trust

The bank’s lending to low- and moderate- income geographies is less satisfactory when compared to the aggregate lending data and demographics. The bank’s last CRA performance evaluation noted these weaknesses, specifically in HMDA and consumer lending to low- and moderate- income areas.

Union Sarah
Community
Corporation

From 2006 to 2008, the bank originated 1.53 percent of home mortgage loans to low-income census tracts and 8.09 percent to moderate income census tracts. These

Wellston
Community
Support
Association

¹ Note: the aggregate lending data is from 2006 to 2008. Aggregate data for 2009 is not yet available.

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percentages are inadequate compared to the aggregate data, which originated 2.51 percent to low-income tracts and 16.09 percent to moderate income tracts. The metropolitan area includes 56, or 10.2 percent, low-income census tracts and 134 moderate-income census tracts, or about 24.3 percent of the total geographies.

Other types of lending, including small business and consumer lending, also shows inadequate percentages of loans to low- and moderate- income geographies. According to the CRA disclosure data from 2006 to 2008, the bank originated only 2.66 percent of small business loans to low-income census tracts and 14.23 percent of loans to moderate-income census tracts. In comparison, there are 4.8 percent of businesses located in low-income census tracts and 18.4 percent located in moderate-income census tracts, according to Dunn and Bradstreet data in the bank's 2008 performance evaluation.

Information about the bank's total consumer lending is also included in the bank's public CRA file. In 2007 and 2008, the bank originated 1.96 percent of consumer loans to low-income census tracts and 12.48 percent to moderate income tracts in all assessment areas.

First Bank's services are inadequately accessible to low- and moderate-income borrowers and communities. Out of First Bank's 56 total locations in the St. Louis metropolitan area, only two are located in low-income census tracts. Only three locations are in moderate-income census tracts. The bank received a Low Satisfactory rating on the service test for the St. Louis MSA because of limited dispersion of service delivery systems in low- and moderate- income areas, which is noted to have a negative impact on accessibility of those services². The specific limited services in the City of St. Louis are also noted, as the bank only has two locations within the City, which has a significant portion of low- and moderate-income population and geographies.

We also have fair lending concerns with First Bank, as seen in low market penetration to minority borrowers, high denial rate disparities, and disparities in high cost loans between minority borrowers and white borrowers. We urge the Federal Reserve to conduct a thorough fair lending review of First Bank's policies and procedures.

According to the Home Mortgage Disclosure Act (HMDA) from 2006 to 2009, First Bank originated only 3.10 percent of loans within the St. Louis metropolitan area to African-American borrowers. A year-to-year comparison shows that percentage has been decreasing over the last four years. In comparison, the St. Louis aggregate data from 2006 to 2008 originated 10.26 percent of loans to African Americans. The population of the metropolitan area consists of 18.31 percent African-Americans, according to the 2000 Census.

Similarly, Asian borrowers received only 0.82 percent of HMDA loan originations and Hispanic borrowers received 0.53 percent of loans within the last four years. In comparison, the aggregate originated 1.35 percent of loans to Asian borrowers and nearly 1 percent (0.98) percent of loans to Hispanic borrowers. The population of the St. Louis metropolitan area consists of 1.43 percent Asians and 1.52 percent Hispanics, according to the 2000 census.

We are also concerned with the high denial rates of minority applicants compared to the denial rates for white applicants. In the last four years, African-American applicants were denied 43.78 percent of the time, compared to a 13.14 percent denial rate for white borrowers. The denial rate for Asian applicants is 30.67 percent, and for Hispanic applicants is 28.26 percent. Though we recognize limitations in the HMDA data, this disparity is striking.

² First Bank 2008 CRA performance evaluation, page 36.

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Likewise, we are concerned about the disparities in high cost loan originations. In the last four years, 20.13 percent of African American borrowers received high cost loans, compared to only 5.42 percent of white borrowers receiving a high cost loan. 4.76 percent of Asian borrowers and 11.11 percent of Hispanic borrowers received a high cost loan. Again, this disparity between minority borrowers, especially African Americans, and white borrowers is striking, and we urge the Federal Reserve to thoroughly investigate these disparities.

It is our understanding that First Bank has had a relationship with mortgage brokers that could be affecting these results. In February 2009, the Metropolitan St. Louis Equal Housing Opportunity Council (EHOC), a member organization of SLEHCRA, met with representatives from First Bank in St. Louis. EHOC had investigated First Bank as part of a report entitled *Bailing Out of Community Reinvestment* that looked at eight banks in the St. Louis area that had already applied for or were considering applying for the U.S. Treasury's Capital Purchase Program. EHOC relayed our concerns of low market penetration to minority borrowers, denial rate disparities between minority and white applicants, and disparities in loan pricing to minority borrowers. The only explanation provided to us was First Bank's use of mortgage brokers. The bank officers assured us that certain controls were in place to ensure all applications were treated fairly. We deduced, then, that a significant number of minorities were accessing First Bank mortgage products through these brokers, and that the decisions of the brokers must be affecting the bank's HMDA data.

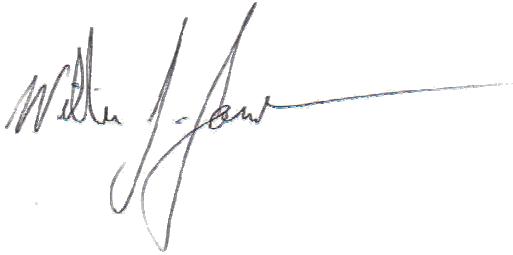
Members of our coalition met again in August 2010 with representatives from the bank in St. Louis. They informed us that First Bank is ending their relationship with mortgage brokers. If our assumptions are correct about minority borrowers accessing First Bank products through these brokers, then we may see changes in the bank's lending data for minority applicants and borrowers. We encourage the Federal Reserve to examine the previous relationships First Bank had with these mortgage brokers, and ensure compliance with all fair lending laws.

It is our hope that First Bank can establish better strategies for reaching out to low- and moderate- income communities, as well as communities of color. When we met with representatives from the bank in August, our coalition provided them with a proposal that outlined ways to improve their performance in low-income and minority communities based on our concerns. We encouraged them to engage with minority media outlets for advertising and marketing, to include in their long-term plans opening an additional branch in a predominately minority census tract, and to create a special financing program for qualified low-income borrowers. Representatives from the bank informed us that they recently assigned four new loan officers to specifically work in North St. Louis County and St. Louis City, and we applaud the bank's affirmative strategy to attract customers from those areas. We hope the bank continues with other strategies to better meet the needs of these communities. Our coalition stands ready to partner with the bank in creating and implementing these strategies.

We ask the Federal Reserve to consider our concerns with First Bank's performance as it relates to their CRA performance evaluation and compliance with fair lending regulations. Please contact us should you have any questions.

Sincerely,

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Will Jordan,
Metropolitan St. Louis Equal Housing
Opportunity Council (EHOc)



Rose Eichelberger,
Ready! Aim! Advocate! Committee



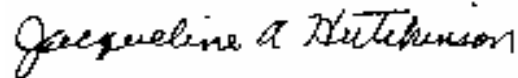
Lynn Oldham,
Missourians Organizing for Reform and
Empowerment (MORE)



Rob Boyle,
Justine Petersen



Aldophus M. Pruitt, II,
NAACP St. Louis



Jacqueline Hutchinson,
Human Development Corporation (HDC)



Rance Thomas,
North County Churches Uniting for Racial
Harmony and Justice

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