

St. Louis Equal Housing and Community Reinvestment Alliance

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

MEMBER

ORGANIZATIONS

December 21, 2010

Center for the
Acceleration of
African American
Business

Robert J. Carmona
Deputy Regional Director
Federal Deposit Insurance Corporation
2345 Grand Boulevard, Suite 1200
Kansas City, MO 64108

Community Action
Agency of
St. Louis County

Citizens Coalition
to Fight Eminent
Domain Abuse

Re: CRA performance evaluation of Fortune Bank, Arnold, MO

Dear Mr. Carmona:

Human
Development
Corporation

The St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) would like to provide public comment on Fortune Bank, of Arnold, MO, pursuant to the Community Reinvestment Act (CRA). The bank is scheduled for a performance evaluation during the fourth 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 Fortune Bank, and we urge the FDIC to further investigate during the bank's evaluation.

Justine Petersen

Lemay Housing
Partnership

Metropolitan St.
Louis Equal
Housing
Opportunity
Council

Fortune Bank is not adequately serving low- and moderate- income borrowers and communities, based on our analysis of lending data and the bank's assessment area. Though Fortune Bank is primarily a commercial lender, there is no publicly available data for that lending. We believe the Home Mortgage Disclosure Act (HMDA) data provides information that reflects the bank's broader customer base and services, which demonstrates low levels of service to low- and moderate- income borrowers and communities.

Missourians
Organizing for
Reform and
Empowerment

MoKan

NAACP St. Louis

North County
Churches Uniting
for Racial
Harmony and
Justice

According to the HMDA data from 2007 to 2009, Fortune Bank originated 2.88% of loans to low-income borrowers and 6.58% to moderate-income borrowers. These percentages are unsatisfactory compared to the aggregate lending and the population demographics of the bank's area. From 2007 to 2009, the aggregate in Jefferson County originated 8.99% of HMDA loans to low-income borrowers and 24.16% to moderate-income borrowers. In Jefferson County, the family population consists of 16.8% low-income families and 21.2% moderate-income families, according to the Census 2000.

Ready, Aim,
Advocate!
Committee

In the last three years, the bank originated 13.58% of HMDA loans for properties located in low-income census tracts and 27.16% of loans to moderate-income census tracts. A majority of the bank's lending is for non owner-occupied properties and to borrowers that did not report income characteristics, namely businesses and non-natural persons. We are concerned that the bank's lending to low- and moderate- income census tracts is not benefiting the residents of those communities and is thus not adequately serving the community.

St. Louis
Community Land
Trust

Union Sarah
Community
Corporation

Additionally, commercial lending within low- and moderate- income census tracts is unsatisfactory. The bank's last CRA performance evaluation states that only one commercial loan out of the thirty sampled loans was originated to a business located in a moderate-income census tract. We do not consider this level of lending to be reasonable, and believe the bank has done a poor job of serving low- and moderate- income borrowers and communities.

Wellston
Community
Support
Association

St. Louis Equal Housing and Community Reinvestment Alliance

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We are also concerned with the bank's assessment area, based on the amount of lending outside of the assessment area and the exclusion of low- and moderate- income geographies and geographies with high minority populations. Currently, the bank has designated all of Jefferson County and portions of St. Louis County as their assessment area. The portion of St. Louis County includes 38 census tracts, with no low-income census tracts and only two moderate-income census tracts. Additionally, 35 of the census tracts have less than 10 percent minority population. St. Louis County, as a whole, has 3 low-income census tracts, 29 moderate-income census tracts, and 28 predominately minority census tracts with 50% or higher minority population. The City of St. Louis, an area excluded from the assessment area, has 39 low-income census tracts, 49 moderate-income census tracts, and 65 predominately minority census tracts, out of 113 total census tracts.

Interestingly, these excluded areas are receiving a majority of the bank's home mortgage loans. Nearly 70% of HMDA loans over the last three years were originated outside of the bank's assessment area, predominately to the excluded portions of St. Louis County as well as to the City of St. Louis. A graphic representation of the bank's HMDA lending shows a substantial amount of loans originating to areas in North St. Louis County and South St. Louis City (see attached map). We are concerned that this unusual lending pattern is not benefiting the residents of those communities, and believe it to be in violation of the CRA regulations.

Under the CRA regulations, a bank's assessment area must "include the geographies in which the bank has its main office, its branches, and its deposit-taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans." Additionally, a bank's assessment area "may not reflect illegal discrimination and may not arbitrarily exclude low- or moderate-income geographies" (12 CFR 228.41). Fortune Bank's assessment area appears to exclude the areas in which a *majority* of home mortgage loans are originated, as well as excludes areas with high minority populations and low- to moderate-income geographies, specifically in St. Louis County and the City of St. Louis. We believe the bank must expand their assessment area to all of St. Louis County and the City of St. Louis in order to better reflect the bank's activities and to better commit to serving low- and moderate- income communities and communities of color.

We also have fair lending concerns with Fortune Bank, and we urge the FDIC to further investigate the bank's policies and practices for minority customers.

According to HMDA data from 2007 to 2009, the bank originated only one loan to an African American borrower, representing 0.41 % of all loans. The bank received only five applications from African American borrowers, which is significantly less than population demographics of the bank's assessment area. In the last three years, the bank did not receive any loan applications from Hispanic borrowers. The bank's extremely low market penetration within minority communities is concerning, and we urge the FDIC to review the bank's marketing strategy and treatment of minority customers. Three of the applications from African Americans were denied, resulting in a 60% denial rate for black borrowers. In comparison, the denial rate for white borrowers was 7.37%. Additionally, the one loan originated to an African-American borrower was reported as a high cost loan. Of all home mortgage loans, 8.23% were reported as high cost loans. While we recognize the limited picture provided through the HMDA data, we are concerned with any disparities in denial rates and high cost loans with minority applicants and we urge the FDIC to conduct a thorough fair lending investigation.

Fortune Bank's parent company, Fortune Financial, received \$3.1 million in funding through the Troubled Asset Relief Program (TARP) in April 2009. The institution has yet to repay that assistance. We believe that institutions receiving TARP assistance have a duty to "affirmatively further fair housing" with the use of these funds, and we are concerned that Fortune Bank may not be fulfilling that obligation.

We urge the FDIC to further investigate our concerns and to consider them during the bank's CRA performance evaluation. We feel that Fortune Bank has a poor record of lending to low- and moderate- income communities

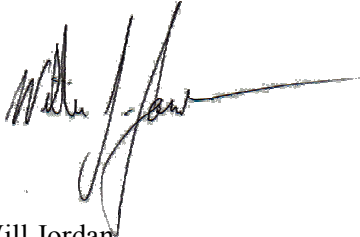
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and borrowers, as well as not adequately serving minorities. We urge the FDIC to require the bank to create an affirmative CRA plan that improves the bank's services to low- and moderate- income communities, as well as communities of color. Our coalition stands ready to partner with the bank to create that plan.

Sincerely,



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



Jackie Hutchinson
Human Development Corporation (HDC)



Dr. Rance Thomas
North County Churches Uniting for Racial
Harmony and Justice



Lynn Oldham
Missourians Organizing for Reform and
Empowerment (MORE)



Adolphus M. Pruitt
NAACP St. Louis



Yaphett El-Amin
MoKan



Rose Eichelberger
Ready! Aim! Advocate! Committee



Eddie Davis
Center for the Acceleration of African
American Business (CAAAB)