

# St. Louis Equal Housing and Community Reinvestment Alliance

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

## **MEMBER ORGANIZATIONS**

March 25, 2011

Center for the  
Acceleration of  
African American  
Business

Mr. Timothy Massad  
Acting Assistant Secretary for Financial Stability  
Office of Financial Stability  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Community Action  
Agency of St. Louis  
County

Citizens Coalition to  
Fight Eminent  
Domain Abuse

RE: First Banks, Inc. TARP Dividend Payments and Election of Board of Directors

Human Development  
Corporation

Justine Petersen

Lemay Housing  
Partnership

Metropolitan St.  
Louis Equal Housing  
Opportunity Council

Missourians  
Organizing for  
Reform and  
Empowerment

MoKan

NAACP St. Louis

North County  
Churches Uniting for  
Racial Harmony and  
Justice

Ready, Aim,  
Advocate! Committee

St. Louis Community  
Land Trust

Union Sarah  
Community  
Corporation

Wellston Community  
Support Association

Dear Mr. Massad:

The St. Louis Equal Housing and Community Reinvestment Alliance (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 (CRA) and fair lending laws. We regularly evaluate bank's performance and provide public comments on CRA performance evaluations and applications for mergers, acquisitions or new branches. It is our desire to increase accessibility to mainstream financial services for low-income and minority borrowers and communities in the St. Louis metropolitan area.

We urge the U.S. Treasury to appoint members to the Board of Directors of First Banks, Inc., Creve Coeur, Missouri on the basis of their unpaid dividend payments and to appoint SLEHCRA to nominate candidates for the positions.

The U.S. Treasury bought \$295.4 million in preferred stock in First Banks, Inc. on December 31, 2008 through the Capital Purchase Program. In February 2011, First Banks, Inc. missed its seventh consecutive CPP dividend payment and now owes \$28.2 million in skipped dividend payments. Under the provisions for the Troubled Asset Relief Program (TARP) and the Capital Purchase Program (CPP), the U.S. Treasury has the right to appoint two positions to the institution's Board of Directors when an institution misses six dividend payments.

The Treasury has not yet employed the nomination of directors in regards to any of the institutions that have missed six dividend payments, but the department's position is to prioritize that right for institutions with investments exceeding \$25 million, according to the fact sheet on the CPP nomination of board observers and directors. First Banks investment is significantly above that priority level, with \$295.4 million originally and missed dividend payments totaling \$28.2 million. Additionally, First Banks is one of the institutions with the largest skipped dividend payments according to SNL Financial reports.

As Treasury is a substantial shareholder in First Banks, it has the obligation and the power to act on behalf of the interests of the U.S. taxpayers. We ask the U.S. Treasury to exercise this right to improve First Banks board of directors and to appoint SLEHCRA the responsibility of selecting nominees. We believe it is essential that the candidates represent the interests of the public, particularly low-income and minority

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communities as we have some concerns with the bank's record of performance in serving these communities.

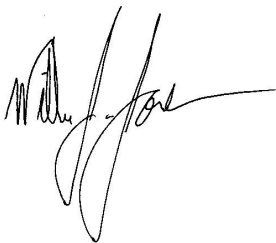
We are concerned with the CRA and fair lending performance of First Bank, specific to their performance in the St. Louis metropolitan area. First Banks, Inc. is the holding company for First Bank and has a large presence in the St. Louis metropolitan area, as well as bank branches in Illinois, California and Florida. Over the last two years, our coalition has met with the bank to propose ways that First Bank could better meet its fair lending and CRA obligations. In February of 2009, representatives of our coalition met with the bank following the release of a report investigating the CRA and fair lending performance of banks that had applied or were considering applying for participation in the U.S. Treasury's Capital Purchase Program (CPP). We expressed specific concerns that the bank had the highest denial rates for African Americans (57%) and Asians (53%) of any bank examined and the highest disparity in denials between white borrowers (17.8% denied) and minority borrowers. African American and Asian borrowers that did receive a mortgage through First Bank were much more likely to receive a high cost loan than white borrowers (40% of African Americans received high cost loans compared to 7.8% of whites). A larger percentage of the bank's loans were in overwhelmingly white census tracts (90% and higher) than any other bank surveyed.

Our coalition met with the bank again in August 2010 respective to their scheduled CRA performance evaluation. We shared with the bank our concerns with their low levels of home mortgage and small business lending to low- and moderate-income communities, and limited accessibility for low- and moderate-income communities to bank branches. We again expressed our fair lending concerns with the bank's low market penetration to African-American borrowers, high denial rate disparities, and disparities in high cost loans between minority borrowers and white borrowers. We delivered a proposal to the bank to improve their performance in these areas, to which we have not had a response.

We believe that the public has significant interest in First Bank's safety and soundness, as well as the bank's ability to meet its CRA and fair lending obligations. We urge you to move forward and to appoint SLEHCRA the right to nominate qualified members to the bank's board of directors that will keep the interests of the public- particularly low-income and minority communities- at heart.

Thank you for your consideration. We look forward to hearing from you.

Sincerely,



Will Jordan  
Metropolitan St. Louis Equal Housing  
Opportunity Council



Lucille Walton  
Wellston Community Support Association

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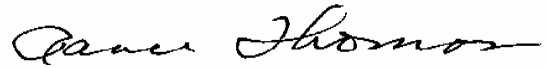
Jackie Hutchinson  
Human Development Corporation




Galen Gondolfi  
Justine Petersen



Rose Eichelberger  
Ready, Aim, Advocate – R.A.A. Committee



Rance Thomas  
North County Churches Uniting for Racial  
Harmony and Justice



Mark Bohnert  
Lemay Housing Partnership



Adolphus Pruitt  
NAACP St. Louis