St. Louis Equal Housing and Community Reinvestment Alliance

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

MEMBER ORGANIZATIONS

Center for the Acceleration of African American Business

Community Action Agency of St. Louis County

Community Resource and Development Organization

Consumers Council of Missouri

Citizens Coalition to Fight Eminent Domain Abuse

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

October 5, 2011

Federal Reserve Bank of Richmond
Attn: Adam M. Drimer, Assistant Vice President
701 East Byrd Street
Richmond, VA 23261-4528

Re: Opposition to Capital One's application to acquire ING Direct

Dear Mr. Drimer:

The St. Louis Equal Housing and Community Reinvestment Alliance (SLEHRCA) would like to offer public comment on the application of Capital One Financial Corporation to acquire ING Direct, pursuant to the Community Reinvestment Act. SLEHCRA is a coalition of non-profit and community organizations that are 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 laws.

Representatives of our coalition testified at the public hearing in Chicago on September 27, and we stand in solidarity with the National Community Reinvestment Coalition regarding this issue. We request that Capital One Financial Corporation's proposal to acquire ING Direct be denied. We have serious concerns about the impact of the deal on consumers, communities and the economy.

The following concerns justify this request:

1.) Lack of meaningful commitment to all communities Capital One serves. Capital One provides credit cards, auto loans, and mortgages to customers across the country, including a significant amount of business in the St. Louis area. However, Capital One's lack of branch offices has exempted them from CRA obligations in the St. Louis area, as well as other areas that make up a majority of the bank's business. Additionally, the bank's CRA evaluation does not include an evaluation of their credit card lending. The St. Louis region faces significant barriers to accessing safe and sound quality financial products. According to the FDIC National Survey on Unbanked and Underbanked Households, the St. Louis metropolitan area has 7.5 percent of the population that are unbanked and 22.4 percent of the population that are underbanked. Within the African-American population in St. Louis, the survey found that 31 percent are unbanked and 34 percent are underbanked, which is the highest percentage of African-Americans that are unbanked and underbanked in the country. Overall, our community is concerned with the lack of mainstream financial services and Capital One has not demonstrated a commitment to serving underserved communities in St. Louis and across the country.

2.) Serious concerns about Capital One's business practices. We are concerned that recent changes to Capital One's business policies have led to a pattern of discriminatory lending. For example, in 2010, Capital One implemented a policy that cut off Federal Housing Administration (FHA) loans to borrowers with credit scores between 580-620 even though FHA fully guarantees these loans. Capital One's denial has a disparate impact by race in violation of our nation's anti-discrimination laws. In fact, there are active lending discrimination complaints against Capital One. A review of CRA exams, Home Mortgage Disclosure Act data, and small business loan data demonstrate significant inconsistencies in the performance of the two banks in making services and branches available to low- and moderate-income communities.

3.) Serious concerns about the potentially predatory nature of Capital One's banking and lending practices. Attorneys General in Minnesota, West Virginia and California have each investigated Capital One for engaging false and misleading credit card marketing. Additionally, the Missouri Attorney General's consumer complaint division received 553 complaints from 2008 to the present about Capital One bank. Comparatively, they received only 4 complaints about ING Bank over the same period of time. These complaints about Capital One involved high interest rates and rate changes without cause, high over the limit fees, charges for unsolicited insurance and memberships, deceptive collection practices, charges incurred years after an account was closed, harassment by collectors, and many other personal examples of how Capital One misled and took advantage of their customers.

4.) Capital One's pattern of disinvestment from low- and moderate-income areas and communities of color. This lending pattern is demonstrated by their small business lending record. Capital One's small business lending in the St. Louis region declined by nearly 80 percent from 2008 to 2010, according to their CRA disclosure, which is severely felt by small businesses in low- and moderate-income neighborhoods. Capital One's small business lending under the Small Business Administration 7(a) lending programs, a major source of business loans for minorities, women and veterans, has essentially evaporated over the past four years. In 2006, Capital One had roughly $22 billion in assets and did $228 million in 7(a) lending. By 2010, it had grown to over $96 billion in assets, but astonishingly made less than $600,000 in 7(a) loans. Small businesses are the backbone of our economy and they have been the principal catalyst for the economic recovery in the previous two recessions. Capitol One's abandonment of a major small business lending market for women, minorities and veterans at such a crucial time does not warrant an expansion.

5.) Too-Big-to-Fail. Capital One's proposed acquisition would make Capital One the fifth largest bank in the United States. Carefully examining this aspect of the deal represents the first true test of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") requirement that the Federal Reserve Board analyze systemic risk. Less than three years ago, the Department of Treasury deemed Capital One to be so intertwined in the American financial markets that the pending collapse of other financial institutions required a $3.55 billion injection of taxpayer dollars to buffer the bank's balance sheet. Federal Reserve Board Governor Daniel Tarullo set this standard for the growth of firms like Capital One: "The regulatory structure for SIFIs [Systemically Important Financial Institutions] should discourage systemically consequential growth or mergers unless the benefits to society are clearly significant." We have not seen a clear delineation of significant benefits. More products and more ATMs are not "clearly significant" benefits to society. Instead, they amount to little more than the natural consequences of merging any two previously distinct financial institutions. And, often after a merger, we have seen branches close.

We respectfully urge the Federal Reserve Board to deny Capital One's proposal to acquire ING Direct. We believe the deal would expand practices that are not beneficial to consumers, communities and the economy. Thank you for this opportunity to comment.

Sincerely,

Will Jordan
Metropolitan St. Louis Equal Housing
Opportunity Council

Lucille Walton
Community Resource and Development
Organization

Rose Eichelberger
Ready! Aim! Advocate! Committee

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