



# St. Louis Equal Housing & Community Reinvestment Alliance

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## **Report to the Community:**

An Examination of SLEHCRA's Impact on  
Community Investment in the St. Louis Metro Area

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St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) is a coalition of non-profit and community organizations working in the St. Louis area to increase investment in minority communities, regardless of income, and in low- and moderate-income communities, regardless of race.

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## Executive Summary

The St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) is a coalition working to increase investment in minority communities, regardless of income, and in low- and moderate-income communities, regardless of race, as required by the Community Reinvestment Act (CRA) and fair lending laws.

SLEHCRA does this by conducting analysis of banks' CRA activities, writing public comment letters to be considered by federal regulators in CRA evaluations and applications, and engaging in dialogues with banks about their performance in providing services to all parts of our community. Since 2009, SLEHCRA has evaluated the performance of 42 banks operating in the St. Louis region and has written 38 public comment letters, including the first public comment letter ever to be received by the St. Louis field office of the Office of the Comptroller of the Currency.

SLEHCRA's work and collaboration with banks has led to banks investing more in underserved communities in St. Louis, including the following commitments:

- \$14.5 million has been committed by banks for community development activities.
- 3 new bank branches are opening in Pagedale, Olivette, and Jennings.
- Banks have created 11 new banking products, including the development of 7 new deposit products like second-chance checking accounts, 8 new affordable mortgage products, and 4 additional products such as small dollar loans and credit-building products.
- Financial education resources and partnerships have increased with banks committing \$550,000 in increased financial education and participating in more events with community organizations.
- Banks have increased outreach to low-income communities and predominately minority communities with \$660,000 committed to increasing marketing and advertising, particularly to African-American and Hispanic communities.
- Increased diversity and community development within bank staff and directors, including more than 16 new positions created for CRA and Community Development, six banks increasing diversity among bank employees, and three banks adding members to their board of directors.
- More banks have developed significant partnerships with nonprofits and community organizations, providing financial support and investments, financial education resources, and partnership programs.

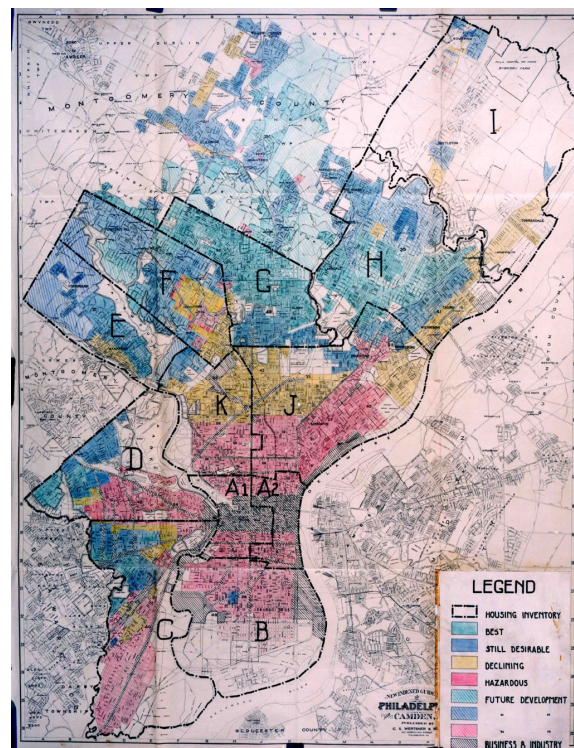
This increased accountability for bank performance by SLEHCRA has also contributed to federal regulatory agencies increasing their enforcement of CRA and fair lending laws. Two banks have received 'Needs to Improve' CRA ratings, the first below satisfactory CRA rating for an institution based in St. Louis since 1994. Six banks have revised their CRA service area to include more low- and moderate-income areas and areas with predominately minority populations. Both the U.S. Department of Justice and the U.S. Department of Housing and Urban Development have investigated and resolved fair lending cases originating from SLEHCRA's work. Following two letters from SLEHCRA, the U.S. Treasury increased oversight of those two banks under the bailout program by appointing members to the board of directors, the first of such action by the U.S. Treasury.

More than ever, financial institutions are stepping up to help strengthen our communities and provide families with access to opportunities. SLEHCRA is committed to continuing this work by partnering with financial institutions, regulators, and community partners to together move forward towards a stronger shared community.

## Historical Background

### *Redlining in the U.S.*

Racial discrimination in housing has been in existence in the U.S. since its very formation. It is generally accepted that redlining in the U.S. started with the New Deal's Home Owner's Loan Corporation (HOLC)<sup>1</sup> in the 1930s. HOLC instituted practices of mapping urban residential areas based on lending and insurance risks. In those maps, low income and minority neighborhoods were generally marked as red or *hazardous*, to signify that they were unsafe for investment. Even though lower-income Jewish and other minority neighborhoods were generally labeled as hazardous areas, the label was mostly used for African American neighborhoods. It is important to note that even though this was the first recorded instance of redlining, financial institutions had already been discriminating against minority communities and individuals for some time. Below is the now-infamous HOLC map of Philadelphia, often used as a staple of redlining.



**An example of redlining in a HOLC map<sup>2</sup>**

### *Discrimination in St. Louis*

St. Louis suffers from a long history of racial segregation, redlining, and urban blight. In 1916, a zoning ordinance was put on the ballot that sought to limit the residence of African Americans to certain blocks within the city. This ordinance, which was introduced by the St. Louis Real Estate Exchange

<sup>1</sup> HOLC was created by the U.S. Congress in 1933 to prevent foreclosures through refinancing home mortgages that were in default.

<sup>2</sup> Taken from [http://cml.upenn.edu/redlining/HOLC\\_1936.html](http://cml.upenn.edu/redlining/HOLC_1936.html)

(SLREE), won by an overwhelming majority. However, it was struck down a year later in the Supreme Court ruling Buchanan v. Warley (1917). Later on, the St. Louis Real Estate Exchange began enforcing racial segregation in the city through the regulation of real estate transactions. In both 1923 and 1941, St. Louis Realtors reached an agreement to not sell property to African Americans in white neighborhoods. Through this practice, St. Louis realtors effectively maintained and further enhanced the segregated nature of the city.

Another method by which racial segregation was further maintained in St. Louis was through the establishment of restrictive covenants by housing developers and homeowners associations. These covenants restricted the ownership of properties in certain neighborhoods to white individuals. In 1948 St. Louis moved to the forefront of the legal fight over restrictive covenants with the case of Shelley v. Kraemer. In this case, the United States Supreme Court held that restrictive covenants were invalid based on the Fourteenth Amendment.

### *Progressive Federal Regulation*

In 1968 and 1977, two federal acts were passed that were designed to counter housing discrimination and redlining. The Fair Housing Act (Title VIII of the Civil Rights Act, 1968) made it unlawful to discriminate in the sale, rental, and financing of dwellings based on race, color, sex, national origin, and religion. The Fair Housing Act was amended in 1988 to include protections on the basis of familial status and disability. The Community Reinvestment Act (CRA) of 1977 is a regulation that encourages depository institutions to meet the credit needs of all parts of the community, including low- and moderate-income neighborhoods.

Currently three federal agencies are responsible for regulating banks according to the CRA. These entities are the Federal Reserve, the Federal Depository Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC). These regulators periodically evaluate a bank's CRA performance for lending, services, and investments to low- and moderate-income borrowers and communities. The bank is assigned a rating of 'Outstanding,' 'Satisfactory,' 'Needs to Improve,' or 'Substantial Noncompliance.'

Regulators must consider input from the community regarding the needs of the community and a bank's performance in meeting those needs. The community has the opportunity to provide public comments regarding a bank's performance and the needs of the community. Public comments are considered during CRA evaluations and during mergers and acquisitions. The CRA has been most effective in increasing lending and services to low- and moderate-income communities when the community engages and organizes to advocate for outstanding CRA compliance and performance.

### *CRA Advocacy in St. Louis*

Prior to the formation of SLEHCRA, there was little action surrounding CRA advocacy and enforcement among community organizations in St. Louis. However, there is a history of CRA advocacy in St. Louis around the 80's. Justine Petersen was a legendary individual that began advocating for banks to increase lending to low- and moderate-income communities in the 1980's and 1990's. She successfully negotiated the first CRA agreements with banks such as Boatman's Bank and Mercantile Bank.

"Petersen was one of the nation's path breaking organizers in community reinvestment. Working for ACORN in the 1980s and early 1990s, she negotiated hundreds of millions of dollars in lending packages for low-income and minority home ownership in St. Louis. She believed that the large banks, which had abandoned the poorest neighborhoods, could learn to serve these areas and also make a profit in doing so." – Sherradan, Michael, "Two Missourians Who Made A Difference" St. Louis Post Dispatch, 7/22/1996, page 07B.

Justine Petersen and her work with ACORN marks the beginning of the legacy of CRA work in St. Louis. SLEHCRA, formed years later, continues the work of Petersen to increase lending and financial services to underserved communities.

Despite the legal and regulatory attempts, as well as the activism surrounding those attempts to create more inclusive urban environments, redlining and racial discrimination still remain major issues in many cities. St. Louis, currently one of the most segregated cities in the country<sup>3</sup>, still remains at the forefront of the legal battle against redlining.

## The Formation of SLEHCRA

The mission of the St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) is to promote investment in low- and moderate-income communities, regardless of race, and in minority communities, regardless of income, as required by the Community Reinvestment Act and fair lending laws. SLEHCRA was formed in 2009 over concerns that many low-income communities and minority communities did not have equal access to mainstream financial services and that redlining was still a major issue in the area.

A study by Casey, Glasburg, and Beeman<sup>4</sup> further strengthened the case for creating an entity in St. Louis that regulated banks' CRA activity. The authors compared community development investments and lending between cities that had different levels of involvement by community groups around community reinvestment issues. The study compared community development activity in St. Louis, which at that time had no community organizations involved with CRA advocacy, to community development activity in Cleveland, a city with a strong history of community involvement with CRA.

They concluded that the stronger engagement of Cleveland's community groups in CRA activity led to more lending and investments in low- and moderate-income communities than in St. Louis. According to the study, "This might suggest that community activism may be a significant factor in reinvestment success in cities, particularly as it relates to reducing disparities in access to credit for members of racial and ethnic groups."

The authors shared their findings with the Metropolitan St. Louis Equal Housing and Opportunity Council (EHOC) in 2007. EHOC, a non-profit fair housing organization, was working to enforce fair housing laws and the obligation to affirmatively further fair housing among financial institutions as required by the federal Fair Housing Act. Other community organizations working in low-income communities and in minority communities also experienced the disparity and lack of bank services and products within these communities. Together, these community organizations and non-profits formed SLEHCRA to be a new coalition that would hold banks accountable for CRA and fair lending performance. Currently, SLEHCRA has 13 organizations as members. Membership is open to non-profit or community organizations operating in the St. Louis region.

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<sup>3</sup> Business Insider: The 22 Most Segregated Cities in America <http://www.businessinsider.com/most-segregated-cities-in-america-2011-3?op=1>

<sup>4</sup> Casey, C., Silfon, D., Beeman, A. (2011). Racial Disparities in Access to Mortgage Credit: Does Governance Matter? *Social Science Quarterly*, 92 (3).

## SLEHCRA's Endeavors

Since its inception in 2009, SLEHCRA has made a continuous effort to engage all banks active in the St. Louis area on matters relating to the Community Reinvestment Act (CRA) and the Fair Housing Act. SLEHCRA is working to increase investment in minority communities, regardless of income, and low- and moderate-income communities, regardless of color, by ensuring that banks are meeting their obligations under the CRA and fair lending laws.

SLEHCRA does this by conducting analysis of banks' CRA activities, writing public comment letters to be considered by federal regulators in CRA evaluations and applications, and engaging in dialogues with banks about their performance in providing services to all parts of our community.

When a bank is scheduled for a CRA evaluation or has an application to acquire or open a new branch location<sup>5</sup>, SLEHCRA sends out an introductory letter informing the bank about our coalition and encouraging a dialogue about how to work together to address needs in our shared community. Information is requested on products and services, assessment area designations, and the most recent lending data, if applicable. SLEHCRA informs banks that we will be conducting an analysis of their performance in meeting the needs of all parts of the community. The analysis uses publicly available data and information to evaluate a bank's lending, products, branch locations, and other services in low-income communities and minority communities.

SLEHCRA works to engage with the bank in a discussion about concerns, if any, and begin developing relationships and partnerships to increase activity in underserved communities and meet the credit needs of all parts of the community. Discussions with banks always include recommendations and ideas for partnerships that increase bank customers in areas previously underserved.

Based on the analysis of the bank, SLEHCRA writes public comment letters to highlight any areas of concern and applaud any best practices. Public comment letters are submitted to the bank's regulator for consideration in their CRA performance evaluation or application to acquire or merge. The public comment letter is also sent to the bank.

In cases where banks have particularly egregious performance and have not been responsive to SLEHCRA's concerns, additional enforcement actions are taken by filing fair lending complaints with the U.S. Department of Housing and Urban Development (HUD) or the Department of Justice. In these cases, EHOCA served as the complainant and the legal representative of SLEHCRA.

Throughout the process of analysis and engagement, SLEHCRA works to develop relationships with banks that are willing to make commitments and partner with SLEHCRA to implement changes that benefit the community.

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<sup>5</sup> The federal regulators post quarterly CRA exam schedules, accessible online. Links to each regulator's exam schedule can be found at <http://www.ffiec.gov/cra/examinations.htm>.



## Methodology

The findings in this report were compiled through a variety of quantitative and qualitative methods that capture some of the changes within the banking industry in St. Louis over recent years. It should be noted that not all changes are a direct result of SLEHCRA's formation and continuing work. Many factors contribute to reasons why banks are choosing to develop new products. Nationally and locally, more organizations and institutions are committed to addressing financial disparities in our community. SLEHCRA recognizes and applauds these efforts, and is committed to working with these organizations to better increase access to financial services for underserved communities.

### Formal Agreements

To date, five banks have made formal written commitments to increase CRA and fair lending activities. Four of these agreements are a result of a fair lending complaint filed with a federal agency. First National Bank of St. Louis settled a case with the U.S. Department of Housing and Urban Development in December 2010. Midwest BankCentre settled a case with the Department of Justice in June 2011. Enterprise Bank and Trust settled a case with the U.S. Department of Housing and Urban Development in September 2011. Reliance Bank entered into a voluntary CRA Agreement with SLEHCRA to resolve a fair lending complaint in November 2011. Montgomery Bank created a voluntary Letter of Intent in February 2012 with SLEHCRA in the promise of committing to outstanding CRA work.

Through these formal agreements, the aforementioned banks made pledges to improve their CRA and fair lending activities through specific steps such as introducing new loan products, new checking/savings accounts, hiring additional staff, and funding different community initiatives.

### Questionnaires

For the purpose of collecting data on new banking practices or new developments with banks active in the St. Louis area related to CRA or fair lending, we devised a questionnaire that addressed three general practices: 1) New loan or checking/savings account products; 2) New positions at the bank related to CRA or for the purpose of diversifying staff; 3) New partnerships with community members or agencies; The questionnaire was sent to the banks that had been previously contacted with regard to CRA and services to low-income and minority communities. Of those contacted, five banks responded.

### HMDA Data

HMDA data was received from 4 banks that had formal agreements with SLEHCRA. The data was analyzed to determine changes in lending to minority and low-income individuals and communities over the last few years of the banks' recorded activity.

### Advertising Data

Data on financial institutions that advertised in the St. Louis American was obtained through a request for information to the St. Louis American.

### Other Information

Participation in the St. Louis Unbanked Taskforce was obtained through a request to the convener of the Taskforce and list of email addresses on Taskforce notices. Participation in Metropolitan Saint Louis CRA Association was obtained by an organizational fact sheet.

Other information on new bank partnerships, investments, grants, and new hires was obtained through public news releases on the St. Louis Business Journal, St. Louis Post-Dispatch, and others.

## Findings: Contributions to Community Reinvestment

Since 2009, SLEHCRA's work has made a significant impact in the community and the provision of financial services to underserved communities. Evidence of these changes can be seen in banks' responses to community reinvestment obligations, and in the increased activity of these banks in providing additional and necessary services to the communities in which they serve. The following discussion describes the work of SLEHCRA and the contributions to positive changes to the CRA process, financial services and products, and the culture of banks in serving low-income communities and minority communities.

### CRA Accountability

SLEHCRA's process of regularly evaluating bank performance and participating in the CRA examination process has increased CRA accountability among banks and regulators.

#### Bank Analysis

##### **42 banks analyzed**

SLEHCRA has conducted analysis on 42 banks active in the St. Louis regional area for performance in meeting the needs of low- and moderate-income communities and minority communities. All bank analysis reports are posted on SLEHCRA's website, [www.slehcr.org](http://www.slehcr.org).

In each analysis, SLEHCRA assesses the strengths and shortcomings of each bank's efforts in meeting the requirements of the CRA and Fair Housing Act. This is done through the analysis of publicly available data on a bank's lending and services to low- and moderate-income communities and to minority communities. SLEHCRA uses the Home Mortgage Disclosure Act (HMDA)<sup>6</sup> data to identify lending patterns to borrowers and communities, particularly in evaluating market penetration, denial rates, and high cost lending. SLEHCRA also evaluates locations of branch offices, areas designated as a bank's assessment area, past CRA evaluations, diversity of bank officers and members of the board of directors, and any products that would meet the needs of unbanked or underbanked customers. If applicable, SLEHCRA evaluates small business lending and community development lending and investments provided in the CRA disclosure.<sup>7</sup>

SLEHCRA compiles data and analysis on banks' lending and services to evaluate performance in meeting the credit needs of minority communities and low- and moderate-income communities, comparing a particular bank's performance to the aggregate lending performance and the relevant demographics of the area. SLEHCRA also uses Geographic Information Systems (GIS)<sup>8</sup> mapping tools to visualize banks' existing branches, Assessment Areas, or lending penetration within different census areas.

#### Public Comment Letters

##### **38 Public Comment Letters**

SLEHCRA has submitted 38 public comment letters regarding 33 banks active in the St. Louis area. In each of these comment letters, SLEHCRA's evaluation of a bank's financial activity is made

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<sup>6</sup> HMDA, which was enacted by Congress in 1975, requires most lending institutions to report public loan data. More information about HMDA can be found through the FFIEC at [www.ffiec.gov/hmda](http://www.ffiec.gov/hmda)

<sup>7</sup> Only banks that meet the asset threshold designated by the Federal Financial Institutions Examination Council (FFIEC) are required to submit small business, small farm, and community development lending data through the CRA Disclosure. In 2011, the asset threshold was \$1.122 billion.

<sup>8</sup> GIS is a system used for capturing, analyzing, and displaying all forms of geographic data

public. Any concerns with a bank's lending activity relating to CRA or the Fair Housing Act as well as any positive lending practices are noted here. These letters are submitted to the banking regulators for consideration in an upcoming CRA performance evaluation or an application from a bank to merge, acquire, or open a new branch location. A bank can have more than one comment letter if they have had multiple CRA exams or multiple applications subject to CRA and public comments, or if there have been changes in the bank's lending practices that are noteworthy. SLEHCRA releases new comment letters for a bank that has shown to have changed its practices in a positive way.

*SLEHCRA submitted the first public comment letter ever to be received by the St. Louis field office of the Office of the Comptroller of the Currency.*

## **Meetings with Banks**

### **SLEHCRA has met with 21 banks active in the St. Louis Metropolitan area.**

In these meetings, SLEHCRA's evaluation of the bank's lending practices are discussed, and if a bank needs to improve on their practices regarding fair lending and/or CRA, some positive steps are recommended to that institution. SLEHCRA has met with some banks multiple times. So far, these meetings have led to voluntary agreements and partnerships between a number of banks and SLEHCRA.

## **CRA Ratings**

### **Two Needs to Improve Ratings**

Nationally, 98 to 99 percent of CRA evaluations resulted in an above satisfactory rating, either 'Satisfactory' or 'Outstanding.' As a result of SLEHCRA's public comment letters and additional enforcement actions for serious fair lending violations, two St. Louis area banks received 'Needs to Improve' ratings. First National Bank of St. Louis received a Needs to Improve CRA rating on their evaluation by the Office of the Comptroller of the Currency in October 2009. Midwest BankCentre received a Needs to Improve rating by the Federal Reserve Bank of St. Louis in their CRA examination released in March 2011. These are the first below satisfactory ratings in the St. Louis area in nearly two decades.<sup>9</sup>

## **Changes in Assessment Areas**

### **Six Revised Assessment Areas**

In the last three years, six banks have revised their Assessment Areas to include more low- and moderate-income neighborhoods and predominately minority communities. Assessment Areas are designated by the bank as the area in which the regulator evaluates how they meet the needs of the community. According to the federal regulations, assessment areas generally must contain whole geographies, must reasonably reflect the areas in which a bank does service, and must not arbitrarily exclude low- and moderate-income census tracts or reflect illegal discrimination<sup>10</sup>.

Since 2009, First National Bank of St. Louis, Midwest BankCentre, Enterprise Bank and Trust, Reliance Bank, Montgomery Bank, and Citizens National Bank of St. Louis have all revised their Assessment Areas to include more areas of low- and moderate-income census tracts or predominately minority census tracts. Generally, these additions reflect the inclusion of the entirety of St. Louis County; St. Louis City, Missouri; and St. Clair County, Illinois. These areas contain the majority of the low- and moderate-income census tracts in the St. Louis region and have high predominately minority populations.

<sup>9</sup> The last financial institutions based in St. Louis area to receive Needs to Improve ratings were in 1994. CRA ratings can be found online at [www.ffiec.gov/craratings/default.aspx](http://www.ffiec.gov/craratings/default.aspx)

<sup>10</sup> Federal Reserve, Regulation BB, 12 CFR 228.41

## CRA Commitments

Banks have significantly increased the commitments and activities that benefit low- and moderate-income communities and predominately minority communities.

**\$14.5 Million Pledged in Community Development Commitments from Banks.** These commitments include loan products, financial education commitments, advertising and outreach, and other activities that increase bank activities in low- and moderate-income communities and minority communities. This figure represents both current activity and activity committed to over the next five years, both through formal CRA agreements described below and in other commitments from banks outside of formal written agreements with SLEHCRA.

### Five Agreements with Banks

To date, SLEHCRA's activism has led to formal written agreements between five banks active in the St. Louis area and SLEHCRA or another regulatory agency. Through these formal agreements, the indicated banks made pledges to improve their CRA and fair lending activity through specific steps such as introducing new loan products, new checking/savings accounts, hiring additional staff, and funding different community initiatives.

- First National Bank of St. Louis conciliated a fair housing complaint with the U.S. Department of Housing and Urban Development in December 2010. The agreement includes revising the bank's assessment area, opening a new branch in predominately African-American census tract, and a total of \$2.75 million in increased lending, financial education, outreach, and assistance for mortgage loans over the next three years.
- Midwest BankCentre settled a fair lending complaint by the Department of Justice in June 2011 through a consent order. Midwest BankCentre committed to opening a new branch in a predominately minority area and pledging \$1.45 million over the next five years in increased financial education, outreach, and loan assistance.
- Reliance Bank created a voluntary Agreement with SLEHCRA in order to resolve a fair housing complaint with HUD. As part of the Agreement, Reliance Bank committed over \$2 million in loan programs and financial education resources over the next three years. Additionally, Reliance Bank committed to increasing diversity among bank staff and board of directors, increase outreach to underserved communities, and develop new deposit and loan products.
- Enterprise Bank and Trust conciliated a fair housing complaint with the U.S. Department of Housing and Urban Development through a settlement agreement in September 2011. Enterprise Bank and Trust committed to opening a new branch, revising their assessment area, increasing staff in community development areas, increasing financial education, and pledging \$3 million in loans, investments, and outreach to predominately minority communities over the next three years.
- Montgomery Bank voluntarily committed to a three-year Letter of Intent in partnership with SLEHCRA in February 2012. This commitment demonstrates Montgomery Bank's proactive commitment to the community. The commitment includes a total of \$3.15 million in loans, support for financial education, and continued marketing and outreach to low-income communities and minority communities. Montgomery Bank committed to increasing participation in community outreach events and representation on non-profit board of directors.

## Branch Locations

### **Three New Bank Branches**

In response to SLEHCRA's encouragement of new outreach to minority and low income communities in the St. Louis area and in accordance with official agreements with SLEHCRA, three local banks have opened or are in the process of opening new branches in underbanked communities.

*Midwest BankCentre is in the process of opening a new branch in Pagedale, MO. Pagedale is a majority African American community that has never had a full-service bank branch. Midwest BankCentre agreed to build a new branch in a majority minority census tract in their settlement with the Department of Justice, and this promise will be realized in the fourth quarter of 2012. This full-service branch will be located at the Rosie Shields Manor, 6810 Page Avenue. This is a new senior living facility that is being developed by Beyond Housing.*

*First National Bank of St. Louis opened a new branch at 10704 Florissant Avenue, Jennings, MO in March 2012. This branch is located in an area with 87 percent minority population and in a moderate-income census tract.*

*Enterprise Bank and Trust opened a new full-service branch in June 2012 at 1281 N. Warson Road, Olivette, MO. This location was previously an administrative service center that was not open to the public. Enterprise Bank and Trust opened this office into a full-service bank facility to serve the 68 percent minority population in this moderate-income census tract.*

## CRA Personnel

### **16 New Community Focused Positions**

Since 2009, St. Louis area banks have created at least 16 new positions relating to CRA or community development. Eleven of these new positions were filled by African American individuals. These positions were created at 10 financial institutions. The newly created positions at banks responsible for CRA or community development are essential to ensure that financial institutions are indeed meeting the needs of the community. These professionals develop relationships with organizations and leaders within the community, and they work to provide financial products and resources that meet their community needs. In the creation of these new positions, financial institutions are investing in professionals who will work to engage the community and bring the spirit of CRA into the bank's business. CRA and community development positions are essential in a bank's commitment to the community, particularly low- and moderate-income communities and communities of color.

### **Six Banks Increased Diversity**

At least six banks have increased the diversity among bank staff with over 18 staff hired in various positions. These banks have committed to increasing diversity among bank staff in order to better reflect the demographics of the St. Louis area. Banks have committed to finding diverse applicants for new hires.

### **Three Banks Added Members to Board of Directors**

Since 2009, at least three banks have added members to their Board of Directors that increases diversity among the Board or adds a community development perspective.

*In January 2011, the St. Louis Post-Dispatch reported that Chris Krehmeyer, the President and CEO of Beyond Housing, was elected to the Board of Directors of Midwest BankCentre and the bank's holding company, Midwest BankCentre, Inc.*

### **New CRA Association**

The creation of a new nonprofit for community development banking professionals in St. Louis was announced in June 2012. This new entity, the Metropolitan St. Louis CRA Association, is a membership organization for CRA Officers of financial institutions. The Association currently has 19 member institutions, all of which SLEHCRA has engaged in some capacity regarding their CRA and fair lending performance. SLEHCRA supports the Association in building capacity for CRA Officers at St. Louis area financial institutions, and is ready to partner with the Association to achieve our shared goals.

## **New Banking Products**

### **\$9.9 Million Pledged in New Loan Products**

Since 2009, financial institutions have committed to \$9.9 million in loan products and programs for low- and moderate-income communities and minority communities. This includes commitments for loans originated to qualified borrowers in low- and moderate-income neighborhoods or in communities with predominately minority populations. Some banks have committed to providing direct assistance to qualified borrowers in the form of down payment or closing cost assistance grants, lower interest rates, or the development of products that consider the credit needs of underserved borrowers.

*In June 2011, Citizens National Bank of St. Louis announced a commitment of \$1.25 million in home mortgage loans for their HOPE loan program, which is specifically designed to assist low- and moderate-income borrowers and families in the City of St. Louis. In partnership with Beyond Housing, qualified borrowers will receive homebuyer education and assistance with down payment funds<sup>11</sup>.*

### **New Loan Originations**

On an aggregate level, no significant difference has been found between lending to minorities before and after SLEHCRA began engaging with financial institutions and the CRA process. However, when examining banks individually, Midwest BankCentre and First National Bank of St. Louis have shown considerable improvement in two consecutive years. It is important to note that a thorough analysis of the changes in lending practices of most of these banks will not be possible at least until the release of the banks' 2012 HMDA data. The table below shows the change in loan originations for African American and Hispanic borrowers, according to HMDA data for Midwest BankCentre and First National Bank of St. Louis.

**Table 1 - Loan Originations to Hispanic and African American Borrowers**

	<b>Settlement Date</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Midwest BankCentre</b>	6/28/11	1	0	10	32
<b>First National Bank</b>	12/16/10	19	43	46	58

<sup>11</sup> "Citizens National Bank dedicates \$1.25M to low-income home loans," *St. Louis Business Journal*, June 20, 2011. <http://www.bizjournals.com/stlouis/news/2011/06/20/citizens-national-bank-dedicates.html>

## 11 New Products Created

Since 2009, at least 11 new banking products have been created by banks that are designed to address needs of the community. These products include features that consider the needs of individuals that are not typically using mainstream financial institutions and are designed to help build assets and opportunities for these families and communities. The types of products being created include retail or deposit products, mortgage loans, and other types of loans.

- **7 New Deposit Products**

At least seven new deposit products have been created for customers that are considered unbanked or underbanked. These products include totally free checking accounts and savings accounts, with no minimum amount to open and no fees associated with maintenance of the accounts. Second chance checking accounts have also been developed in order to provide accounts for customers that have previously had issues with checking accounts. These products are transitional, so that customers are provided with a way to move into mainstream financial products.

*Reliance Bank recently developed a Community Checking Account and Community Savings Account products. These accounts have no minimum balance to open and no monthly service fees. The checking account includes free online or mobile access, free debit cards, one free box of checks per year, optional overdraft protection, and no fees for ATM use. Financial education is provided as part of opening these accounts.*

- **8 New Mortgage Products**

At least eight new mortgage products or programs have been developed that are affordable and designed for underserved communities. This includes products for first-time homebuyers or home improvement loans. These products incorporate affordable interest rates, often below market, and features that provide access to homeownership for individuals and families like subsidies for down-payment or closing costs assistance. Some of these products include underwriting with greater considerations for alternative credit, like considering utility payments or a case-by-case consideration of the circumstances behind lower credit scores. Such factors are designed to provide greater access to low- and moderate-income borrowers that are ready to be homeowners. All products incorporate strong financial education or home-buying counseling into the product offering.

*Montgomery Bank offers a New Start Affordable Housing mortgage loan that benefits low- and moderate-income borrowers and communities<sup>12</sup>. This conventional loan product has no minimum loan amount and considers additional financial qualifications for borrowers to increase access to homeownership for qualified borrowers.*

- **4 New Loan Products**

Other loan products have been created in order to provide alternative sources of credit for borrowers. These products include small dollar loans and credit-building products. These are designed to assist borrowers in accessing opportunities for greater banking services. Credit-building products are designed to increase credit scores to increase access for more affordable financial services, such as a mortgage loan. Small dollar loan products are designed as an alternative product to much more costly payday loans to provide temporary and emergency funds for a borrower.

*Bank of Edwardsville developed a Small Dollar Loan program in order to meet the need in the community for short-term, emergency assistance. With reasonable interest rates, this short-term credit product provides an alternative to payday loans or other quick cash products. Financial education and counseling are also provided through this program.*

<sup>12</sup> Montgomery Bank, Mortgage Lending, [https://www.montgomerybank.com/pg\\_view.aspx?PageID=245](https://www.montgomerybank.com/pg_view.aspx?PageID=245)

## Community Outreach

Banks have increased outreach to low-income communities and minority communities through marketing and advertising.

### **\$610,000 Committed for Outreach**

Banks have committed \$610,000 over the next five years to increase outreach to low- and moderate-income communities and to predominately minority communities. This includes marketing and advertising in print, radio, and other media outlets in African-American and Hispanic communities. In these underserved areas, the increased outreach and education about financial institutions and their products is important to increasing awareness about available products and programs. Advertising in alternative outlets will also allow banks a wider response to job openings from among the underserved population.

*Reliance Bank is sponsoring a Beyond Housing fundraising event in September 2012, and sponsored a radio spot during a radio show hosted by Chris Krehmeyer aired on Hallelujah 1600AM and Majic 104.9FM.*

### **9 Banks Advertising in the St. Louis American**

Since August 2009, 9 banks have started advertising with the St. Louis American (both print and online), resulting in 107 ads by June 2012. SLEHCRA had been in contact with all of the advertising banks, and four of them had formal agreements. According to the St. Louis American, “the St. Louis American is Missouri’s largest, most widely-read weekly newspaper targeted to African Americans. The American publishes 70,000 copies every Thursday, and distributes them, free, at more than 845 locations throughout St. Louis City, St. Louis County, St. Charles County and portions of Illinois. The American now reaches an impressive 40-45% of black households in the St. Louis metropolitan area”<sup>13</sup>.

## Financial Education

Banks have increased financial education resources and activities.

### **\$550,000 Committed for Financial Education**

Since 2009, banks have pledged more than \$550,000.00 in resources for financial education over the next five years. Financial education is essential in increasing financial access for families and communities. These commitments are in the form of increased support for organizations providing financial education regularly, increased financial education classes or events held by banks, and increased staff providing financial education. Financial education incorporates topics such as budgeting, understanding credit scores, saving for college, and starting small businesses.

### **More Partnerships for Financial Education**

Banks have increased partnerships with community organizations for financial education programs. These partnerships are effective because the community organizations are already engaging with individuals and families, and often already providing financial education.

*The Community Action Agency of St. Louis County and City Services has partnered with financial institutions to organize several community outreach events that provide free financial literacy workshops for adults. Clients receive free credit reports, attended workshops on budgeting and fraud prevention, and*

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<sup>13</sup> St. Louis American, About, <http://www.stlamerican.com/site/about/>



*met one-on-one with financial counselors. In addition, CAASTLC City Services created partnerships with banks and the Youth Employment Program. CAASTLC matched its' bank partners to align with its' three service areas: The north office bank partner is US Bank, the central office bank partner is PNC Bank; and the south office partner is Regions Bank.*

*This summer, CAASTLC City Services expanded its financial education for youth to reach more than 150 youth at 3 different summer camp locations. Through partnerships with PNC Bank and Heartland Bank students receive age appropriate financial education. "When are the bankers coming back?" was the question asked by many of the youth – they were really engaged and enjoyed the hands-on activities. They also talked long term about how important it was for them to save and that they would help their parents do a better job of budgeting and spending because they have learned the difference of a need versus a want. CAASTLC is proud to be a part of this collaboration with banks to increase opportunities for our youth.*

## Community Participation

Financial institutions and community organizations have been increasing partnerships and collaborations over the last three years.

### Increased Collaborative Participation

**SLEHCRA's work with banks has contributed to increasing participation in the St. Louis Regional Unbanked Task Force.** The St. Louis Regional Unbanked Taskforce is a collaborative effort of stakeholders working to address the issue of overwhelming numbers of unbanked and underbanked households in the St. Louis metropolitan area. The FDIC conducted a survey in 2009 that found that in St. Louis metro area 7.5 percent of households are unbanked and 22.4 percent of households are underbanked. Additionally, the St. Louis metropolitan area had the highest percentage of African American unbanked and underbanked households in the country, as well as the highest disparity between unbanked and underbanked African American households and unbanked and underbanked White households. Of African American households, 31 percent are unbanked and 34 percent are underbanked. In response to these staggering statistics, the St. Louis Regional Unbanked Taskforce was formed. The taskforce is a collaboration of financial institutions and community organizations. There are currently over 35 financial institutions and community organizations that are members of the taskforce. Of those financial institutions, 23 are banks that SLEHCRA has engaged with regarding CRA and fair lending performance. All five banks that have agreements with SLEHCRA have been attending the Regional Unbanked Task Force meetings since 2011. Among these, two banks started attending within two months of signing their agreement with SLEHCRA.

### Partnerships with Community Organizations

#### 11 New Partnerships with Banks and Community Organizations

Since 2009, at least 11 banks have increased the level and significance of partnerships with community organizations. These partnerships include significant financial resources, programmatic partnerships, and other forms of collaboration. Community organizations that benefited from these bank partnerships include Beyond Housing, Better Family Life, St. Louis Community Credit Union, and SLEHCRA member organizations.

*Beyond Housing has increased bank partners for affordable housing development and home repairs in underserved communities. First National Bank of St. Louis and Midwest BankCentre have both increased partnerships with Beyond Housing. In December 2010, First National Bank of St. Louis*

secured \$300,000 grant through the Federal Home Loan Bank of Des Moines Affordable Housing Program to assist Beyond Housing in providing home repairs in Hillsdale. Midwest BankCentre secured \$200,000 grant also in December 2010 through the Federal Home Loan Bank of Des Moines Affordable Housing Program for Beyond Housing's work in Pine Lawn and providing home repairs.<sup>14</sup> Additionally, in November 2011, Midwest BankCentre partnered with Beyond Housing to secure \$1 million in a grant from Federal Home Loan Bank of Des Moines for affordable housing in Pagedale, Pinelawn, and Hillsdale.<sup>15</sup>

In May 2012, Carrollton Bank and St. Louis Community Credit Union announced a four-year \$800,000 partnership to increase financial opportunities for low- and moderate-income communities in St. Louis.<sup>16</sup> This agreement includes commitments to a new credit union branch, a financial learning center, increased funds for a small dollar loan program, and additional two loan programs. St. Louis Community Credit Union is a designated Community Development Financial Institution (CDFI) that focuses its work in communities underserved by mainstream financial institutions.

Through bank partnerships with SLEHCRA, individual member organizations have benefited through increased resources for programs and projects. Directly through grants provided through SLEHCRA, member organizations have received over \$18,000 in support of program goals and work. These funds have supported the following organizations and programs:

- *Missourians Organizing for Reform and Empowerment* coordinated Move Your Money campaigns to encourage divestment from big banks. The campaign recommended opening new accounts with banks that have Outstanding CRA ratings or that have made formal commitments to the community.
- *Ready! Aim! Advocate! Committee* established 501c3 status, hosted Community Health and Resource Fair, and continued intensive financial education programs for clients.
- *North County Churches Uniting for Racial Harmony and Justice* hosted a summer youth computer camp.
- *Community Action Agency of St. Louis County* supported youth savings program in Ritenour School District, providing a savings match for participants achieving a GED and completing financial education course.
- *Justine Petersen* increased Credit-Building program to provide counseling for low- and moderate-income clients with limited credit files.

## National Discussion about Redlining and Underserved Communities

### **SLEHCRA's work was featured in Bloomberg Businessweek and by Rush Limbaugh.**

On May 5, 2011, Bloomberg Businessweek ran a story highlighting SLEHCRA's work in enforcing fair lending laws with Midwest BankCentre. The article, titled *A Renewed Crackdown on Redlining*, describes SLEHCRA's process of submitting public comment letters about a bank's performance in the community and how, in the case of Midwest BankCentre, the Federal Reserve took notice and action for failure to meet obligations under the CRA and fair lending laws.

<sup>14</sup> Midwest BankCentre news release, December 21, 2010. [http://www.midwestbankcentre.com/downloads/NR-BeyondHousingGrant\\_12-20-10webcopy.pdf](http://www.midwestbankcentre.com/downloads/NR-BeyondHousingGrant_12-20-10webcopy.pdf)

<sup>15</sup> Midwest BankCentre news release, November 23, 2011. [http://www.midwestbankcentre.com/downloads/NR-FHLB\\_11\\_22\\_11.pdf](http://www.midwestbankcentre.com/downloads/NR-FHLB_11_22_11.pdf)

<sup>16</sup> Rivas, Rebecca, "Bank, Credit Union partner in underserved communities." St. Louis American, June 14, 2012.

The Bloomberg Businessweek story was picked up by Rush Limbaugh, who featured the story on his radio show on May 11, 2011. Limbaugh's misinformed perspective was that this work was bringing back subprime mortgages.

These stories brought national attention to SLEHCRA's work. In two weeks surrounding both stories, SLEHCRA's website registered 139 hits from 30 different states.

## Regulatory Environment

The role of the federal regulators in enforcing CRA obligations and fair lending laws has increased since 2009. In addition, more conversations around CRA and fair lending have occurred among regulators because of SLEHCRA's work.

### **CRA Forum Hosted by Banking Regulators**

On May 3, 2012, the three federal banking regulators hosted a CRA Workshop for Community-Based Organizations. This event was hosted jointly by the Federal Reserve Bank of St. Louis, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC). The event consisted of presentations and conversations about the CRA and how community-based organizations can use the CRA to partner with banks to improve communities. Presenters discussed the CRA process, how community groups can engage with the process, and community development loans and investments that could be leveraged from financial institutions. This was the first time the regulators have hosted an open event focused on CRA and community organizations.

### **Meetings with Regulators**

Since SLEHCRA began regularly submitting public comment letters to regulators, the coalition has formally met with two regulators in extensive meetings. In December 2009, the OCC hosted a meeting with members of SLEHCRA to discuss community concerns and bank performance in meeting the needs of the community. This meeting followed the first CRA comment letter that the OCC St. Louis office had ever received. In August 2010, the FDIC hosted a training and discussion with SLEHCRA members about the CRA regulation and process.

### **Enforcement of Fair Lending Laws**

In addition to changes seen in performance of banking regulators as it relates to CRA and fair lending, other federal regulators have also increased enforcement of fair lending laws under the Fair Housing Act and Equal Credit Opportunity Act. The U.S. Department of Housing and Urban Development (HUD) investigated and settled two fair housing complaints, First National Bank of St. Louis and Enterprise Bank and Trust. These complaints were handled by HUD's Office of Systemic Investigations, after EHOCA represented SLEHCRA in filing fair housing complaints. The Department of Justice also investigated and resolved the case against Midwest BankCentre. This complaint was investigated by the Civil Rights Division and was originated by a complaint filed by EHOCA and a referral from the Federal Reserve following SLEHCRA's public comment letter. These three enforcement cases are widely cited as major successes in civil rights and fair lending,

### **U.S. Treasury and TARP**

#### **2 Appointments to Board of Directors by U.S. Treasury**

On March 25, 2011, SLEHCRA sent two letters to Mr. Timothy Massad, the Acting Assistant Director for Financial Stability at the U.S. Department of the Treasury regarding the six consecutive missed TARP payments of First Banks and Centru Financial Corp. According to the TARP provisions for the Capital Purchase Program, the U.S. Treasury has the right to appoint two members to the institution's Board of Directors if they miss six consecutive dividend payments. Both First Banks and Centru Financial Corp.

had missed more than six dividend payments. SLEHCRA urged the U.S. Treasury to exercise this right in the interests of the American taxpayers and our community, and requested that two members be appointed to each First Banks and Centru Financial Board of Directors. The U.S. Treasury had not previously exercised this right.

On July 19, 2011, First Banks, Inc. announced that two members of the Board of Directors had been appointed by the U.S. Department of the Treasury<sup>17</sup>. This announcement by the U.S. Treasury was the first time they exercised the right to appoint directors. On September 26, 2011, Centru Financial Corp. announced that the U.S. Treasury had appointed one member to their Board of Directors.<sup>18</sup>

SLEHCRA's advocacy on this issue of holding bailed out banks accountable to the U.S. taxpayers contributed to the U.S. Treasury's appointment of Board of Directors of these banks operating in the St. Louis market.

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<sup>17</sup> Brown, Lisa. "Treasury Increases Oversight at Clayton Based First Banks" St. Louis Post-Dispatch, July 19, 2011. [http://www.stltoday.com/business/local/treasury-increases-oversight-at-clayton-based-first-banks/article\\_bcf660e-a778-50b3-977a-cfce90a9a7a6.html](http://www.stltoday.com/business/local/treasury-increases-oversight-at-clayton-based-first-banks/article_bcf660e-a778-50b3-977a-cfce90a9a7a6.html), "Treasury Elects Directors to CPP Banks' Boards of Directors" 7/19/11, <http://www.treasury.gov/press-center/press-releases/Pages/tg1249.aspx>

<sup>18</sup> Brown, Lisa. "Treasury names board member to Centru Financial" St. Louis Post-Dispatch, 9/26/11. [http://www.stltoday.com/business/local/treasury-names-board-member-to-centru-financial/article\\_34ab3a4c-e88d-11e0-b14d-001a4bcf6878.html](http://www.stltoday.com/business/local/treasury-names-board-member-to-centru-financial/article_34ab3a4c-e88d-11e0-b14d-001a4bcf6878.html)

## Conclusion

The last three years have shown an increase in the level and activity of bank's involvement in low- and moderate-income communities and in communities of color. More banks are providing affordable financial products, ranging from transitional products designed to bring unbanked and underbanked customers into mainstream financial services to affordable mortgages that provide down payment assistance and include home buying counseling. Financial institutions are committing increased resources to community development through investments and loans that support affordable housing, neighborhood stabilization, and small business development. While many national banks are closing branches in low-income communities, others are committing to opening new full-service branches in areas that have never had a bank. Banks and community organizations are partnering together to address issues and work towards new ways forward.

These commitments and actions demonstrate a revitalized commitment to the underserved communities in the St. Louis area. SLEHCRA's work in holding banks accountable for CRA and fair lending performance has contributed to these changes. SLEHCRA's engagement with the CRA process of analysis and dialogue has contributed to an increased focus on how banks are serving all parts of our community, particularly low- and moderate-income communities and minority communities.

Yet, there is still much work to be done. The most recent statistics from the FDIC's second National Survey of Unbanked and Underbanked Households, released September 12, 2012, shows that overall the percentage of unbanked and underbanked households in St. Louis metro area increased, with an estimated 9.7 percent unbanked households and 20.1 percent underbanked households<sup>19</sup>. Areas like north St. Louis City and East St. Louis, IL still have a severe lack of bank branches and services, while being oversaturated with alternative financial services like payday lenders and check cashers. Mortgage lending data shows striking disparities between minority borrowers and white borrowers in what loans are being provided and on what terms.

In moving forward, SLEHCRA will continue the work of holding accountable banks for increased CRA and fair lending performance. The following recommendations support SLEHCRA's next steps for building stronger partners and continuing accomplishments in community reinvestment:

**Community Organizations Participation:** Non-profits and community organizations are invited to join SLEHCRA. We invite non-profit organizations and community organizations working in the St. Louis metro area to join the coalition as a member organization. Individuals can also participate in SLEHCRA by joining a concerned citizens group.

**Financial Institutions Commitments:** SLEHCRA invites banks to engage in dialogue about ways to improve and strengthen services to all parts of our community. We urge financial institutions to make commitments for increased bank services, products, and investments that benefit low- and moderate-income communities and minority communities.

**Community Reinvestment by Local Governments:** SLEHCRA asks local governments to pass local CRA ordinances to encourage financial institutions doing business with the jurisdiction to have excellent performance in meeting needs of low- and moderate-income communities and minority communities. Resources for responsible banking ordinances are available through the National Community

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<sup>19</sup> "2011 FDIC National Survey of Unbanked and Underbanked Households" Appendix, Page 389.  
[www.economicinclusion.gov](http://www.economicinclusion.gov)

Reinvestment Coalition<sup>20</sup>. Similar ordinances have been passed in the city of Cleveland, San Diego, Pittsburgh, and more.

**Expand the Community Reinvestment Act:** The CRA regulation has not substantially changed since it was first enacted in 1977, although the banking industry has changed dramatically. Federal regulators need to reflect changes in the banking industry by modernizing the CRA, including expanding CRA considerations to race and ethnicity in addition to income levels of borrowers and neighborhoods. SLEHCRA joins with other community organizations in calling on federal regulators to release revised regulations immediately.

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<sup>20</sup> “How Cities Can Pursue Responsible Banking” National Community Reinvestment Coalition. July 2012.  
[http://www.ncrc.org/images/stories/pdf/research/ncrc%20model%20city%20ordinance%20update\\_0712%20final.pdf](http://www.ncrc.org/images/stories/pdf/research/ncrc%20model%20city%20ordinance%20update_0712%20final.pdf)

## SLEHCRA Members

Coalition of Concerned Citizens,  
Alton Area

Center for the Acceleration of African  
American Business (CAAAB)



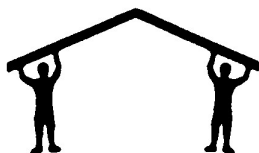
Community Action Agency of St. Louis County and  
City Services

Community Resource and  
Development Organization (CRADO)

Consumers Council of Missouri



Justine PETERSEN



Lemay Housing Partnership



Metropolitan St. Louis Equal Housing & Opportunity  
Council (EHOC)



Missourians Organizing for Reform and  
Empowerment (MORE)



MoKan



NAACP St. Louis

North County Churches Uniting for  
Racial Harmony and Justice



Ready! Aim! Advocate! Committee

