



Metropolitan St. Louis  
**Equal Housing Opportunity Council**  
1027 South Vandeventer Avenue, 6<sup>th</sup> Floor  
St. Louis, Missouri 63110

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**Individual Presentation by Elisabeth Risch**  
**CRA Interagency public hearing**  
**August 12, 2010**  
**Federal Reserve Bank of Chicago**

Good afternoon. My name is Elisabeth Risch and I work at the Metropolitan St. Louis Equal Housing Opportunity Council. We are a nonprofit fair housing organization that works in the St. Louis metro area in Missouri and Illinois.

Our organization started working with the Community Reinvestment Act with the release of a report entitled *Bailing Out on Community Reinvestment* in December 2008 that examined the CRA performance of eight banks in St. Louis that had applied for or were considering applying for funds through the US Treasury's Capital Purchase Program. Based on the widespread racial and income disparities we found, we convened the St. Louis Equal Housing and Community Reinvestment Alliance, known as SLEHCRA.

We are a coalition of fourteen non-profit organizations working to increase investment in low-income and minority communities by ensuring that banks are meeting their obligations under the Community Reinvestment Act. Throughout the past year we have regularly submitted public comment letters on banks CRA performance evaluations and applications for banks operating in the St. Louis metro area.

From what we've seen of the banking environment in St. Louis, it is absolutely necessary to improve and strengthen CRA for the benefit of providing fair and equitable resources and services for our entire community.

Our organization has a number of recommendations for the improved CRA regulation that are particularly relevant to our work in St. Louis.

**1. Geographic Coverage**

The Assessment Areas of institutions on CRA exams must be expanded to include the geographies where the bank is doing a significant amount of lending. The current regulation of basing assessment areas on branch locations is not sufficient in addressing how the institution is fully meeting the credit needs of the community. Instead, banks need to be evaluated in all areas where they have a significant presence and make a significant number of loans based on their market share.

In St. Louis, geographical disparities within banking services have been and continue to be a significant issue of concern. St. Louis has racial and income differences that vary between counties in the metropolitan area. For example, the City of St. Louis is a separate county from St. Louis County and includes more of the low- and moderate- income geographies and areas of



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high minority populations. We have a number of cases where banks completely exclude the City of St. Louis from their assessment area while including the surrounding higher wealth and mostly white counties, even while they do a significant amount of lending within the City. One such case appeared to draw the line of their Assessment Area in the shape of a bowtie that excluded most of the predominately minority and low-income areas. The regulatory agencies cannot accept this kind of gerrymandering to avoid serving the low- and moderate- income communities. This takes us back to the days of redlining, which is precisely why CRA was originally enacted.

## **2. Considerations for lending and services to minorities:**

The CRA regulation needs to include consideration of service and lending to minorities. The fair lending test, while helpful in identifying some discriminatory practices, does not account for an institutions lack of service to minorities.

St. Louis has a banking atmosphere that has continuously excluded minority borrowers and communities. There are widespread disparities in terms of bank locations, assessment areas, and lending for minorities. Many banks have lending percentages well below the aggregate performance. But, taken on a whole, the aggregate data shows inadequate lending to minorities throughout the entire metropolitan area.

Low percentages of loan applications and originations signal to us a lack of marketing and service to minority borrowers and communities. Reforming the CRA regulation to consider service and lending to minorities on CRA exams would provide these communities fair and equal access to mainstream financial services.

## **3. Affiliate activities:**

CRA evaluations must include the activities of all of a company's affiliates. In order to fully evaluate an institution's lending patterns, we need to see the broader picture of all related transactions.

## **4. CRA ratings and exams**

Banks have consistently received Satisfactory ratings on their performance evaluations. Nationally, 98 to 99% of banks have received a passing rating. In St. Louis it's clear that not all banks are of satisfactory standards. For example, one bank that we referred to the Department of Justice because they had not approved a single mortgage loan to an African American borrower in five years, even though their assessment area covered almost all of St. Louis County and parts of St. Louis City, was receiving Satisfactory ratings. The bank with an assessment area that resembled a bowtie also was receiving Satisfactory ratings. When we discussed with them our



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concerns about their assessment area, we were consistently told: “Our regulator approved it.” We recommend additional ratings, harsher scrutiny, and more rigorous exams for all banks.

## **5. The Role of Community Organizations**

As a relatively new coalition working on CRA issues, we have been frustrated with some of the regulatory responses to our public comments. We would like the regulators to engage with community groups in a meaningful and transparent way throughout the process of CRA examinations. We recommend the regulators include a substantive summary of public comments received within a bank’s performance evaluation. More accurate dates of CRA performance evaluations should be posted. Email addresses should be published on websites for each regulator’s regional director to receive public comments. Further, we ask the regulators to defer processing of bank applications during a fair lending investigation by HUD or the DOJ. We ask the regulator not to make decisions on applications until fair lending complaints are resolved.

We applaud and encourage the regulatory agencies in their rulemaking for a stronger CRA, and I thank you for the opportunity to speak today.

Thank you.