

October 18, 2021

Colette A. Fried  
Assistant Vice President  
Federal Reserve Bank of Chicago  
230 South LaSalle Street  
Chicago, IL 60604  
Via comments.applications@chi.frb.org

RE: Comment on Application of First Mid Bancshares to acquire Delta Bancshares Company and Jefferson Bank and Trust

Dear Ms. Fried:

The St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) and the National Community Reinvestment Coalition (NCRC) would like to comment on the application of First Mid Bancshares, of Mattoon, Illinois, to acquire Delta Bancshares Company, and thereby indirectly acquire Jefferson Bank and Trust Company, both of St. Louis, Missouri. SLEHCRA and NCRC have serious concerns with First Mid Bancshares and First Mid Bank and Trust's performance under the Community Reinvestment Act and fair lending laws. Our analysis of the bank's home lending and branch locations show significant redlining concerns and a failure to adequately serve Black individuals and Black communities in multiple markets. Because of the severity of our concerns, we oppose the merger of Delta Bancshares and Jefferson Bank and Trust. We ask the Federal Reserve to deny the merger application, and ask the regulators to do a thorough review of First Mid's fair lending performance.

### **First Mid's Failure to Lend to Black Borrowers and Communities**

We have serious redlining concerns in that First Mid is failing to lend to Black borrowers and Black communities in multiple markets. Our concerns are based on analysis of HMDA data over the last few years. First Mid's data indicates below market share in applications and originations to Black borrowers and communities. The bank's data is both significantly behind peers and the demographics of the communities in which they serve.

#### **St. Louis Market**

According to HMDA data in 2020, in the bank's St. Louis assessment area (AA)<sup>1</sup> the bank shows 14 applications (1.89% of the bank's total lending) from Black borrowers and only 7 originations to Black borrowers (1.2%) in 2020. This is out of total 778 mortgage applications and 589 mortgage originations. In contrast, peer lenders report 8.9% in applications to Black

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<sup>1</sup> SLEHCRA used Madison County, St. Clair County, Bond County, Clinton County in IL, and St. Louis City and the entirety of St. Louis County as First Mid's St. Louis Assessment Area. We note that First Mid's current Assessment Area only uses partial St. Louis County.

borrowers and 6.8% originations to Black borrowers. First Mid is lagging behind peers by 7 percentage points in applications and 5.6 percentage points in originations. This is similar in 2019, with First Mid receiving only 4 applications (1.2% of total applications) from Black borrowers and originating only 3 loans (1.2%) to Black borrowers. Peers received 11% of applications and 8% of originations to Black borrowers, meaning First Mid is trailing behind by close to 10 and 7 percentage points, respectively. Considering the population of the St Louis AA is over 25% Black, this is a significant point of concern.

Similarly, the bank's lending to predominantly minority and predominantly Black census tracts is also lagging far behind peers and the demographics. In 2020, the bank received 13 applications (1.7% of total applications) from predominantly minority census tracts<sup>2</sup> and originated 11 home loans to predominantly minority census tracts (1.9% of loans). Peers received 11.6% of applications and originated 9.2% of loans, leaving a 10 and 7.3 percentage gaps, respectively. In 2019, First Mid received 12 applications (3.6%) and originated 7 loans to minority census tracts (2.7%). This is close to 11 percentage points behind peer applications, and 8.5 percentage points behind peer originations, with peers receiving 14.5% of applications and originating 11.2% of loans to predominantly minority census tracts. In the St. Louis assessment area, there are 142 census tracts that are predominantly minority (118 that are predominantly Black). Almost 20% of owner occupied units are in predominantly minority census tracts.

Our analysis shows the gap between First Mid's lending to Black borrowers and predominantly minority communities in the St. Louis region as a statistically significant gap between peers, raising serious fair lending and redlining concerns in the bank's largest mortgage lending markets. The analysis indicates that First Mid would have had to receive 62 more applications from Black borrowers and originate 36 more loans in order to overcome the gap to peers.

### **Champaign, IL Market**

First Mid's home lending in the Champaign, IL assessment area<sup>3</sup> also shows significant points of concern in lending to Black borrowers and predominantly minority census tracts. According to 2020 HMDA, the bank received only 2 applications (1.1% of total loans) and originated only 1 loan to a Black borrower (0.7%). In contrast, peers received 5.4% of applications and originated 4.6% of loans to Black borrowers. First Mid is lagging behind peers by nearly 4 percentage points. In 2019, the bank received 3 applications (2.4%) and originated 2 loans (2.1%) to Black borrowers. Peers received 5.8% of applications and originated 4.5% of loans to Black borrowers, meaning First Mid is lagging behind by 3.4 percentage points and 2 percentage points, respectively. The total Black population in the Champaign assessment area is 11.5% Black, again raising significant concerns that First Mid is failing to lend to Black borrowers. Our analysis identifies a statistically significant difference in First Mid's lending to

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<sup>2</sup> Predominantly minority census tracts means over 50% minority population.

<sup>3</sup> First Mid's Champaign assessment area is Champaign County and Piatt County in IL.

Black borrowers when compared to peers. First Mid would have had to receive 8 more applications and originate 6 more loans to Black borrowers in order to make up that gap.

The bank's lending to predominantly minority census tracts is also behind peers and the demographics. In 2020, the bank received 6 applications (3.3%) and originated 3 loans (2.2% of total loans) to predominantly minority census tracts. This is lagging behind peers by 1.8 percentage points as peers originated 4% of loans to minority census tracts. Similarly in 2019, the bank received 3 applications (2.4%) and originated 2 loans (2.1%) to predominantly minority census tracts, while peers originated 6.5% of loans, meaning First Mid is lagging behind by 4.4 percentage points. Within the Champaign assessment area, there are 8 census tracts that are predominantly minority and 6.2% of owner occupied units are in predominantly minority census tracts.

### **Other Markets**

Based on HMDA data, we have additional concerns with First Mid's lending to Black borrowers and communities in the bank's other primary markets area. In the Peoria IL assessment area<sup>4</sup>, the bank received and originated only 1 loan (1% of all applications) to a Black borrower in 2020, as well as in 2019 with only 1 loan application and origination (1.5% of applications). The bank did not originate any loans to predominantly minority census tract in 2020 or 2019. It received 2 loan applications from predominantly minority tracts in 2020. Not only is this behind peers, this is also far behind demographics. The population in Peoria MSA is 8.6% Black.

In the Decatur IL assessment area<sup>5</sup>, First Mid received and originated only 2 loans (2.2% of all applications) to Black borrowers in 2020 and made zero loans to Black borrowers in 2019. They had 1 loan application from a Black borrower in 2019. This is lagging behind peers by 4.5 percentage points as peers received 6.7% of loan applications from Black borrowers. The Decatur IL assessment area has 17.8% Black population.

In the Carbondale IL assessment area<sup>6</sup>, the bank received 6 applications (3.7% of all loans) and originated 3 loans (2.6%) to Black borrowers in 2020. In 2019, the bank received and originated only 1 loan to a Black borrower (1.4% of all loans). Although the bank's performance is similar to peers, the population of the Carbondale area is 8.8 percent Black.

This is a concerning trend that the bank is failing to adequately serve Black individuals and communities within multiple major market areas. The data suggests that the bank is failing to market, advertise, and do outreach in order to adequately provide loans and other financial

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<sup>4</sup> Peoria assessment area is the Peoria MSA including Peoria, Tazewell, Marshall, Stark, Woodford Counties in IL.

<sup>5</sup> Decatur assessment area is Macon County, IL.

<sup>6</sup> Carbondale assessment area includes Williamson and Jackson County IL

services to Black communities. Considering the bank is proposing to expand further into the St. Louis region, SLEHCRA members cannot support this merger with these fair lending concerns.

### **Branch Locations in Middle- or Upper- Income White Areas**

SLEHCRA is also concerned that First Mid's branch network is concentrated in predominantly white and middle- or upper- income census tracts. This further adds to the concern that the bank is not adequately serving Black individuals and communities.

In the bank's Champaign, IL market area, First Mid has 9 branch locations. Of those, 2 are in moderate-income tracts and only 1 is in a predominantly minority census tract. This is one of the market areas in which we have redlining concerns based on the bank's home mortgage lending gaps.

In the bank's St. Louis market, the bank currently operates 14 full-service bank branches. However, First Mid's merger with Providence Bank, which closed early in 2021, doubled the bank's branches in the St. Louis region from 7 to 14. Prior to the merger, First Mid only had 1 branch in a moderate-income census tract that had a Black population over 15%. The Alton branch is located in a census tract with 36.6% Black population.

Now, including the Providence Bank branches, the branch network includes two branches in LMI areas and only 1 in a predominantly minority census tract. The branch in a predominantly minority tract is located at 1643 S. Jefferson in the City of St. Louis, and was a result of the acquisition of Providence Bank which occurred in early 2021.

Another point of concern is that First Mid is proposing to acquire Jefferson Bank and Trust, the branch network of which is also largely white and in middle- and upper-income census tracts. Jefferson Bank and Trust has 5 total branches, only 1 of which is in a Low Income tract with a 79% Black population. In our discussions with the bank, we were assured the bank has no intention of closing either of the branches in predominantly minority census tracts, both of which are in the City of St. Louis. However, the result of the proposed expanded branch network of First Mid really is concentrated in mostly White, suburban and exurban areas surrounding the urban core of the St. Louis region. It's also important to note that both of these predominantly minority branches are located in areas that have changing demographics and rapid development that is attracting more white and wealthier populations. We anticipate that over the next five to ten years, both of these census tracts will no longer be predominantly minority areas. We are concerned again that this points to a failure of First Mid Bank to adequately serve Black individuals and communities within their existing market areas, as well as in their proposed expansion.

### **Low Levels of Lending to Low- and Moderate-Income Borrowers and Geographies**

SLEHCRA is also concerned about the bank's CRA performance in the St. Louis region. According to HMDA data, First Mid's home lending to LMI borrowers and geographies trails

behind peers and the demographics of the community. In 2020, the bank originated 25.8% of loans to LMI borrowers. In 2019, the bank originated 30.5% of loans to LMI borrowers. This is right at or behind peer lending levels. In lending to LMI census tracts, the bank originated 10.7% of loans to LMI tracts in 2020, and 13.5% in 2019. This is lagging behind peers by 2 percentage points. Of note, the bank's loan volume increased significantly from 2019 to 2020, and yet the share of lending to LMI borrowers and communities dropped.

In the bank's last CRA exam in 2018, the performance evaluation notes the geographic distribution of both home loans and small business loans to LMI Areas is "poor" and "very poor" based on lending in 2015, 2016, and 2017. Despite this, the bank still got a High Satisfactory on the Lending test for the St. Louis Assessment Area and an overall Satisfactory rating. This is a very disturbing conclusion.

The bank's community development investments appear to be the foundation of the bank's CRA program, as stated in the bank's last CRA exam and in our conversations with the bank in which they highlight their community development investment portfolio. While providing CRA-qualified loans and investments is a critical piece of community development and CRA, the intent of CRA is to serve the credit needs of the entire community. We are concerned that First Mid is failing to comprehensively serve the entire community, and failing to adequately provide loans and financial services to low- and moderate-income families and communities.

### **Civil Rights History of Jefferson Bank and Trust**

First Mid is applying to acquire Jefferson Bank and Trust, which holds significant civil rights history in the St. Louis region. In 1963, Jefferson Bank was the site of a major civil rights protest in St. Louis. For seven months, civil rights activists protested the bank's discriminatory job practices and many were arrested, including former Congressman William Clay Sr, Norman Seay, Charles and Marian Oldham, and many other civil rights leaders. This was a significant moment in St. Louis history, the legacy of which continues to be remembered and memorialized today. For a bank with redlining concerns to acquire this legacy adds insult to injury.

### **Recent Merger with Providence Bank**

The bank completed a recent merger with Providence Bank, closing in early 2021. The merger resulted in some additions to First Mid that have likely helped their CRA and fair lending performance recently. Notably, the merger added a branch in a predominantly minority census tract (the S. Jefferson location in the City of St. Louis) and also added diverse personnel that have expertise in community development. While these are positive indications at First Mid, it does not make up for their performance in 2020 and 2019 that point to our redlining concerns.

We are also concerned that the Federal Reserve and the OCC failed to identify these concerning CRA and fair lending patterns during the recent merger acquisition with Providence Bank, as well as a recent transaction in which First Mid acquired a portfolio of loans and deposits from Stifel Bank and Trust. Considering that merger and acquisition reviews should

include careful fair lending evaluations and consideration of how the bank is and plans to meet the convenience and needs of the community, the streak of approvals by the banking regulators is concerning. Likewise, First Mid received a Satisfactory on its last CRA performance exam conducted by the OCC in 2018. The bank received an Outstanding rating on its Lending Test, which is appalling considering the performance exam itself notes lending to LMI geographies in small business and home mortgage is 'poor' and 'very poor.' We ask the Federal Reserve and the OCC to do a thorough review of the examinations that led to these ratings and the approval of mergers.

## Conclusion

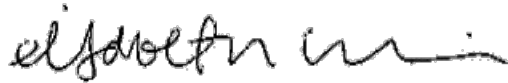
Based on our review of First Mid's data and branch locations, we have serious fair lending concerns that the bank is redlining and failing to serve Black individuals and Black communities in multiple of their market areas. Our concerns with the bank's performance in the St. Louis region are exemplified as they continue to grow and expand in the metropolitan area. If the proposed merger with Delta Bancshares and Jefferson Bank and Trust is approved, the bank will be the 11th largest in deposits in the St. Louis market and have a total of \$6 billion in assets. It is unacceptable for a bank this size and presence to continue to grow without the necessary fair lending oversight and risk management.

SLEHCRA members met with executives from First Mid and Jefferson Bank and Trust on October 1, 2021 and shared with them our concerns. We were struck that the bank, after being presented with data about their low lending to Black borrowers and communities, did not have any response or explanation to their low lending levels. We are concerned that the bank has failed to identify these gaps as serious concerns. In following conversations, members of our coalition have learned more about the bank's operations and are pleased to know additional risk management experience and capacity have recently been added to the team. The bank has also shared with us commitments they are willing to make over the next five years to meet the credit needs of the communities in which they are located. This includes a commitment to maintaining existing branch locations in St. Louis; increasing CRA qualified investments in St. Louis; offering secondary market mortgage products; increasing marketing efforts to diverse populations; having a dedicated community development mortgage lender, a dedicated community development officer, and a community development committee; continuing small business/SBA and community development loans; continuing annual fair lending training; making annual contribution to financial literacy; and regularly meeting with SLEHCRA.

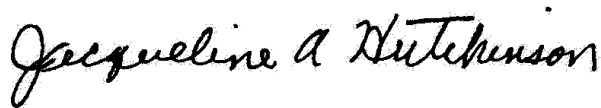
We appreciate these commitments and the ongoing discussion we hope to continue with First Mid. Our coalition members are invested in assisting and partnering with the bank in order to make changes and recommendations that will help the bank increase community involvement and better serve the needs of the community, particularly the low- and moderate-income communities and communities of color. However, we must hold the bank accountable to the serious fair lending issue we see in the bank's performance. The lack of previous oversight, both internally at the bank and by the banking regulators, further indicates a need for accountability.

We ask the Federal Reserve to deny the application of First Mid Bancshares to acquire Delta Bancshares Company and Jefferson Bank and Trust. We also ask the Federal Reserve and the OCC to do a thorough fair lending investigation of First Mid's lending, branching, marketing, and outreach activities.

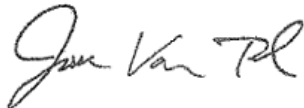
Sincerely,



Elisabeth Risch, Co-Chair, SLEHCRA  
Metropolitan St. Louis Equal Housing and Opportunity Council (EHOC)



Jackie Hutchinson, Co-Chair, SLEHCRA  
Consumers Council of Missouri



Jesse Van Tol  
National Community Reinvestment Coalition

**Additional Sign On Organizations**

Coalition of Concerned Citizens, Alton Area  
Biz By Faith  
Moorish Science Temple of America, #5  
North County Churches Uniting for Racial Harmony and Justice  
O'Fallon Metro East NAACP  
R.A.A.! -Ready, Aim, Advocate! Committee

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