Metropolitan St. Louis
Equal Housing Opportunity Council
1027 South Vandeventer Avenue, 6th Floor
St. Louis, Missouri 63110

800-555.3951
314.534.5800
Fax: 314.534.2551
MO Relay (TTY) 800.735.2966
IL Relay (TTY) 800.526.084

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Contact: Elisabeth Risch, 314-534-5800 ext. 7012
Mira Tanna, 314-534-5800 ext. 7016

New Report Shows that Credit for Minority and Low-Income Communities Has Declined Precipitously

St. Louis, Mo. – The Metropolitan St. Louis Equal Housing Opportunity Council (EHOC) released a report today entitled "Redlined: A Fair Lending Analysis of the St. Louis Metropolitan Area," that examines home mortgage lending trends over the past three years to low-income and minority communities. The report also examines the performance of the top ten home mortgage lending institutions and their services.

The report finds that low-income and minority communities have experienced substantial declines in lending while lending to upper-income and white communities have increased significantly from 2007 to 2009. Specifically, lending to low-income neighborhoods has decreased by over 60 percent while lending to upper-income neighborhoods has increased by 46 percent. Predominately minority communities have seen a decrease in lending by 68 percent, compared to a 24 percent increase in lending to overwhelmingly white areas. These predominately minority communities have significantly less access to bank services and branches. There are seven zip codes in St. Louis City and St. Louis County that do not have a single full-service bank branch, all of which have a predominately African-American population and have a total combined population of 102,219. In contrast, there are six zip codes with a predominately white population that have at least one bank for every 1500 persons.

African-American borrowers have also experienced a significant decrease in lending. Since 2007, lending to African-Americans decreased by nearly 50 percent, while lending to white borrowers increased by 22 percent. Loan originations to African-American borrowers represent only 4.73 percent of all loan originations in 2009, compared to the 17 percent of black households in the metro area. African American borrowers and neighborhoods are still more likely to be denied a loan and are still more likely to receive a high cost loan than a white borrower or neighborhood.

This report examined the performance of the ten largest mortgage lenders in the St. Louis MSA: U.S. Bank, Wells Fargo, Pulaski Bank, Bank of America, USA Mortgage, Heartland Bank, MetLife Bank, Regions Bank, Countrywide Bank, and JP Morgan Chase Bank. Wells Fargo had the lowest market penetration to low- and moderate-income borrowers. JP Morgan Chase Bank had the lowest market penetration to African-American borrowers. Regions Bank had the highest denial rate disparity based on race, with blacks denied 4.63 times more than white borrowers. African Americans applying for loans with JP Morgan Chase Bank, Bank of America, and Wells Fargo were more than 3 times more likely to receive high cost loans than white borrowers.

All but three lenders (USA Mortgage, Heartland, and MetLife) received a combined $80 billion in taxpayer-funded aid through TARP. Bank of America / Countrywide, Wells Fargo, U.S. Bank and J.P. Morgan Chase received a combined $121 million in incentive payments for loan modifications through HAMP, yet a majority of loan modifications for all but U.S. Bank failed. U.S. Bank had only started 14,019 modifications, a mere 4 - 6% of what the other three HAMP lenders have started.

"More than three decades after the Community Reinvestment Act was passed to prohibit redlining, and 43 years after the Fair Housing Act was passed, mortgage lending disparities have begun to widen again. Financial institutions--particularly those taking taxpayers funds--should examine how they can better serve these communities," says executive director Will Jordan. EHOC is a member of the St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA), a coalition working to increase investment in low-income and minority communities.

The full report is available for download at www.slehcra.org, or by contacting Elisabeth Risch at erisch@ehoc-stl.org or at 314-534-5800 ext. 7012.

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