

April 27, 2004

Ms. Paulette Myrie-Hodge
Regional Director Illinois
Federal Reserve Bank of Chicago
230 S. LaSalle St.
Chicago, IL 60604-1413

Dear Paulette:

I am writing from Woodstock Institute regarding the ongoing CRA examination of Marquette Bank. For over 30 years, Woodstock Institute has worked locally and nationally to promote reinvestment and economic development in lower-income and minority communities. Woodstock convenes the Chicago CRA Coalition, a coalition of Chicago area organizations working for increased investment by financial institutions in the region's underserved communities.

Our analysis of Marquette Bank's 2002 lending shows extreme disparity between the bank's lending to minorities and whites. For example, within its limited yet diverse assessment area in 2002, Marquette Bank was the 10th largest home purchase lender to white borrowers, but was not in the top 60 for home purchase lending to African-Americans and not in the top 30 to Hispanics. Table 1 shows the bank's market share ratios (MSRs) for 2002 mortgage lending by borrower race/ethnicity. Marquette's African-American/White MSRs are alarmingly low for home purchase lending (.18) and refinance lending (.26) and quite bad for home improvement lending (.49). Their Hispanic/White MSRs are slightly better, but still very bad for home purchase (.39) and refinance lending (.34). Conversely, the bank's lending numbers by income of borrower are quite good with LMI/MUI MSRs for home purchase, home improvement, and refinance lending near or above 1.0.

Table 1
Marquette Bank Lending by Borrower Characteristic in Assessment Area, 2002

Loan Purpose	2002 Market Shares		MSR LMI/MUI	2002 Market Shares			Market Share Ratios	
	LMI	MUI		Black	Hispanic	White	Blk/Wht	Hisp/Wht
Home Purchase	1.15%	1.04%	1.10	0.32%	0.69%	1.75%	0.18	0.39
Home Improvement	7.31%	6.96%	1.05	4.21%	8.70%	8.66%	0.49	1.00
Refinance	1.79%	1.84%	0.97	0.65%	0.84%	2.50%	0.26	0.34

An examination of Marquette's 2002 applications and denial rates indicates that the bank's problems with lending to minorities stems both from disparate denial rates and marketing problems. Table 2 shows:

Table 2
Denial Rates for Marquette Bank and All Lenders in Assessment Area, 2002

Loan Types	<u>White</u>			<u>African American</u>		
	<u>Denial Rates</u>		Marquette Applications	<u>Denail Rates</u>		Marquette Applications
	Assessment Area	Marquette Bank		Assessment Area	Marquette Bank	
Home Purchase	6.5%	1.9%	208	21.7%	0.0%	12
Home Improvement	21.1%	11.3%	150	46.3%	49.0%	49
Refinance	8.8%	0.0%	704	26.6%	11.9%	42

- In 2002, the bank denied 2 percent of white home purchase applicants and 0 percent of black home purchase applicants, but only accepted 12 applications from African-Americans compared to 208 by white applicants.
- For refinance lending, the bank denied 12 percent of African-American applicants. This number is well below the assessment area average denial rate for African-Americans of 26.6 percent, but the bank only accepted 42 applications from African-Americans. Conversely, the bank had a 0 percent denial rate to white applicants in 2002, but accepted 704 applications, nearly 17 times the number of applications from African-Americans.
- For home improvement lending, Marquette denied 49 percent of applications by African-Americans, a number above the assessment area average of 46 percent. For whites, the bank denied 11 percent of home improvement applications by whites, a number well below the area average of 21 percent.

The above analysis indicates that Marquette Bank has disparate denial rates and marketing practices for white and African-American borrowers. Except in the case of home improvement lending to African-Americans, Marquette had denial rates generally lower than the assessment area average. However, the disparities between the denial rates of white and African-American applicants are large. The one instance where denial rates were lower for African-Americans is in home purchase lending where only 12 applications from African-Americans were taken compared to 208 for whites. These disparate denial rates are not an example of Marquette Bank aggressively pursuing “riskier” African-American borrowers, leading to higher denials. The bank accepted 17 times more home purchase and refinance applications from whites than African-Americans.

One of the most significant community development problems in minority neighborhoods is a lack of access to prime mortgage lending. As a result, these communities are over-reliant on subprime lenders who have been shown to target minority borrowers for higher cost loans regardless of the borrower’s income or credit history. A recent Woodstock Institute report shows that subprime loans lead to foreclosure at well over 20 times the rate of prime loans. For this reason, it is very troubling that Marquette Bank, a significant prime lender in its assessment area, has such disparities between its

Ms. Paulette Myrie-Hodge
Federal Reserve Bank of Chicago
April 29, 2004
Page 3

lending to white and minority borrowers, particularly African-Americans. We feel Marquette Bank should receive a Substantial Noncompliance on its CRA Lending Test and that the bank's lending practices should be investigated for fair lending violations by the Federal Reserve and Department of Justice.

We ask you to fully consider our comments and recommendations when evaluating Marquette Bank's CRA performance.

Sincerely,

Geoff Smith
Project Director

GS/bab

cc: Bob Keely, Marquette Bank
U.S. Department of Justice