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October 18, 2021

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RE: Application by First Mid Bancshares to acquire Delta Bancshares Company and Jefferson Bank and Trust

Woodstock Institute submits this comment on the application of First Mid Bancshares, of Mattoon, Illinois, (First Mid) to acquire Delta Bancshares Company, and thereby indirectly acquire Jefferson Bank and Trust Company, both of St. Louis, Missouri (Delta-Jefferson). Our analysis of First Mid's mortgage lending performance shows that First Mid has failed to serve Black individuals and communities in multiple markets within its Assessment Areas for years and, with the proposed acquisition of Delta-Jefferson, First Mid seeks to bring its failure to an even larger stage. The failures are so evident and enduring that they raise serious concerns about First Mid's compliance with the Community Reinvestment Act and fair lending laws and show a possible pattern or practice of redlining. Because of the extraordinary degree to which First Mid failed to serve Black individuals and communities for multiple years, we oppose the merger of First Mid and Delta-Jefferson. We ask the Federal Reserve to deny the merger application, and ask its primary regulator, the Office of the Comptroller of the Currency (OCC), and the Department of Justice to do a thorough review of First Mid's fair lending performance.

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

Woodstock's concerns about First Mid failing to lend to Black borrowers and Black communities in multiple markets are based on analysis of Home Mortgage Disclosure Act (HMDA) data for 2018-2020. Those data indicate that First Mid consistently had a minimal share of applications and originations to Black borrowers and majority Black communities. Woodstock examined First Mid's HMDA data for 2018-2020 for seven counties in five of the metropolitan regions included in First Mid's Assessment Areas. The data for four counties in three of those regions show the following:

In the St. Louis region, the two counties in which First Mid did the most mortgage lending were Madison and St. Clare counties in Illinois, an area which includes East St. Louis. In those two counties combined, First Mid received 1,210 applications and originated 940 mortgages over the three-year period. Twenty-six of those applications, 2.1 percent, were from Black applicants, and sixteen of those originations, 1.7 percent, were for Black applicants. The combined population in the two counties is 18.9 percent Black.

In Madison and St. Clare counties, 19 of 121 census tracts are majority Black. In three years, First Mid received a total of four applications from those majority Black census tracts and did not originate a single mortgage in any of them. To emphasize - there was not a single mortgage origination in a majority Black census tract in Madison and St. Clare counties in three years.

For purposes of comparison, there were 84,013 applications and 46,489 originations in that three-year period in Madison and St. Clare counties. Of those, 6,913 applications (8.2 percent) and 3,483 originations (7.5 percent) were Black borrowers. There were 1,332 applications and 365 originations of mortgages in majority Black census tracts in Madison and St. Clare counties.

In the Champaign region, First Mid did the most lending in Champaign County. In that county, First Mid received 274 applications and originated 208 mortgages over the three-year period. Six of those applications, 2.2 percent, were from Black applicants, and three of the originations, 1.4 percent, were for Black applicants. The population of Champaign County is 13.5 percent Black.

In Champaign County, two of 43 census tracts are majority Black. In three years, First Mid received a total of three applications from those majority Black census tracts and actually originated one mortgage in them.

For purposes of comparison, there were 21,876 applications and 15,361 originations in that three-year period in Champaign County. Of those, 1,391 applications (6.4 percent) and 866 originations (5.6 percent) were Black borrowers. There were 425 applications and 262 originations of mortgages in majority Black census tracts in Champaign County.

In the Peoria region, First Mid did the most lending in Peoria County. In that county, First Mid received 127 applications and originated 98 mortgages over the three-year period. Two of those applications, 1.6 percent, were from Black applicants, and two of the originations, 2.0 percent, were for Black applicants. The population of Peoria County is 17.8 percent Black.

In Peoria County, nine of 48 census tracts are majority Black. In three years, First Mid received a total of two applications from those majority Black census tracts and did not originate a single mortgage in any of them. Again, and to emphasize – there was not a single origination in a majority Black census tract in Peoria County in three years.

For purposes of comparison, there were 21,721 applications and 13,819 originations in that three-year period in Peoria County. Of those, 1,561 applications (7.2 percent) and 883 originations (6.4 percent) were Black borrowers. There were 837 applications and 370 originations of mortgages in majority Black census tracts in Peoria County.

In the Carbondale and Decatur regions, First Mid did the most lending in Jackson, Williamson and Macon counties. The data for those counties for 2018-2020 show very much the same pattern as for the St. Louis, Champaign, and Peoria regions. First Mid received about one-third the percentage of applications from, and made about one-quarter the percentage of originations to, Black borrowers than did other lenders active in those counties. First Mid did, however, make one loan in a majority Black census tract in Macon County in those three years.

The data for any single year in any one region would be bad enough to be of concern. The fact that the data for three years across seven counties in five separate regions show virtually identical results raises serious questions as to whether First Mid has shown a pattern or practice of constructive redlining. In seven counties with 33 majority Black census tracts, First Mid originated a grand total of two mortgages over a three-year period. Over that same period, other lenders managed to originate 1,382 mortgages in those 33 census tracts.

Despite what the data show, First Mid did receive a Satisfactory for its most recent performance examination by the OCC, including an Outstanding for the lending test. Those ratings are perplexing considering that the examination's conclusions with respect to the lending test stated, "[o]verall, the geographic distribution of loans is poor." For mortgage lending, the report stated, ". . . the geographic distribution of the bank's home mortgage originations and purchases is poor in the St. Louis MMSA." It went on to say that the ". . . distribution of First Mid's home mortgage loans in 2015 and 2016 in low and moderate (LMI) geographies was very poor." That rating went up to poor for 2017.

The examination reached similar conclusions with respect to small business loans. First Mid's rating was poor overall, very poor in 2015 and 2016. For small loans to farms, First Mid's rating was poor overall, but it was adequate for 2015 and 2016.

First Mid has a multi-year record of poor geographic distribution of mortgage, small business, and small farm loans, as documented in the performance examination. It has a pattern of mortgage lending that fails to serve Black applicants and virtually excludes any lending in majority Black census tracts. Given that extensive and proven history of failure, First Mid should not be allowed the opportunity to expand its operations, enabling it to fail to serve even more communities.

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, the OCC and the Department of Justice to do a thorough fair lending investigation of First Mid's lending, branching, marketing, and outreach activities.

Thank you for considering this request. If you have any questions about this letter, feel free to contact me at 312-368-0310 ext 2026 or hmendez@woodstockinst.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'H F Mendez', written in a cursive style.

Horacio F Mendez
President & Chief Executive Officer
Woodstock Institute