WOODSTOCK INSTITUTE

Advancing Economic Security and Community Prosperity

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December 14, 2021

Mr. Joe Dively
Chairman and Chief Executive Officer
First Mid Bank & Trust
1421 Charleston Avenue, PO Box 499
Mattoon, IL 61938

Dear Mr. Dively,

Woodstock Institute received your correspondence dated November 16, 2021, regarding our objections to the acquisition by First Mid Bancshares of Mattoon, IL (First Mid) of Delta Bancshares Company and its subsidiary, Jefferson Bank and Trust Company, in St. Louis, MO (Jefferson Bank).

We apologize for any confusion regarding the collaboration of SLEHCRA and Woodstock Institute in analyzing First Mid's lending data and subsequent conversations about your institution's fair lending performance and redlining. As you may know, Woodstock has a long history of performing various forms of analysis related to Community Reinvestment Act (CRA), Home Mortgage Disclosure Act (HMDA), Equal Credit Opportunity Act (ECOA) and Fair Housing Act (FHA) data. As such, it is not unusual for organizations like SLEHCRA to reach out to Woodstock for our thoughts and, when appropriate, assistance. However, while our interests and those of SLEHCRA are aligned broadly, Woodstock's objectives as it relates to this merger are at a different level.

SLEHCRA represents local advocacy at its best while Woodstock's activities reflect our systemic view of the regulatory framework that allows for what we consider to be poor performance. SLEHCRA can leverage your current discussions for the future benefit of the bank and the community it is chartered to serve. Woodstock's interest is to address the systemic lack of appropriate regulatory enforcement as it relates to ECOA, FHA and CRA. First Mid is not alone in getting the regulatory equivalent of "social promotion" on Fair Lending and CRA. Here in the MidWest, Old National Bank's lending data shows similar discrepancies and also received a passing grade on both their Fair Lending and CRA exams. Neither First Mid nor Old National have been well served by the low standards of their regulatory agencies, but that is exactly Woodstock's point and the reasoning behind our protest of this application.

While it is unlikely that the Federal Reserve will choose to publicly disagree with the Office of the Comptroller of the Currency's (OCC) CRA and Fair Lending assessments irrespective of how egregious the performance, we are hopeful that the Biden Administration's executive order on advancing racial equity and support for underserved communities through the Federal government may provide the courage necessary to do so. As such, the conversation we are interested in having is with the agencies that are evaluating your performance as appropriate, if not above average. This is a very different discussion than the one you are having with SLEHCRA about the future of the bank and the benefit of the communities you both serve.

Specific to your November 16, 2021, response, it should be noted that community development lending and investment activity is not the same as lending to historically disenfranchised borrowers. For many financial institutions, investing in multi-family affordable housing with debt and/or equity, provides favorable CRA consideration while, at the same time, shielding them from actually providing banking services to customers who are people of color or who reside in majority minority census tracts. While commendable in the amount of community development lending activity, your institution's lack of lending to historically disenfranchised borrowers and communities in multiple markets over multiple years is contrary to the intent of the CRA.

We take exception to your characterization of our analysis as flawed. First, you conflate our analysis with the analysis that SLEHCRA did. The two are separate and distinct looks at the publicly available data. We do not feel it appropriate for us to address issues you may have with the SLEHCRA analysis, such as the choice of peer institutions. That may be an issue relevant to analysis of CRA performance, but Woodstock's interest is on the fair lending implications and the lack of diligence on the part of regulatory agencies, which is not about what other lenders may be doing.

We stand behind our work, and the numbers are what the numbers are. In the St. Louis region, your assessment area includes Madison and St. Clair counties. In those two counties combined, 19.3 percent of the population is Black and 15.7 percent of census tracts have a majority Black population. Between 2018 and 2020, Black applicants comprised 2.1 percent of mortgage applications and 1.7 percent of mortgage originations at First Mid. Omitting 2020, as you suggest, Black applicants represented 2.1 percent of applications and 2.0 percent of originations. Between 2018 and 2020, only 0.3 percent of your applications came from majority Black census tracts. Omitting 2020, your performance improves to 0.6 percent of applications from majority Black census tracts. You did not originate a single mortgage in a majority Black census tract in any of those three years. In the other counties we examined, your performance is not substantially better.

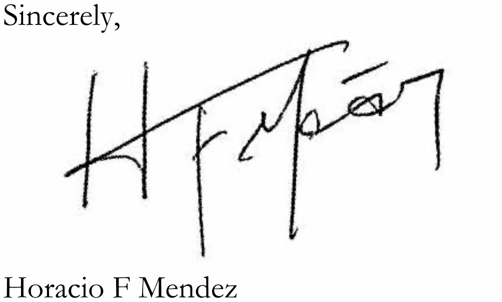
Two other comments you offer are problematic. First, you state that "The Bank's residential mortgage loans generally have been ancillary offerings to its commercial loan clients." That statement suggests that your commercial lending to Black residents in its service areas may have been as deficient as its mortgage lending.

Second, you point out that the OCC considered the Bank's distribution of mortgage loans to be "good" or "excellent." That rating is one of the reasons why Woodstock is so concerned with the systemic lack of appropriate regulatory enforcement as it relates to ECOA, FHA and CRA. Also, we must point out that the OCC's Community Reinvestment Act Performance Evaluation of First Mid, dated November 13, 2018, for the distribution of loans by income level of the geography in the St. Louis MMSA AA stated,

> ". . . we concluded the geographic distribution of the bank's home mortgage loan originations and purchases is poor in the St. Louis MMSA. . . . [W]e concluded the geographic distribution of the bank's origination and purchases of small loans to businesses is poor in the St. Louis MMSA." (p. 14).

Woodstock's analysis shows a multi-year pattern of behavior that raises fair lending concerns. The fact that a regulatory agency could look at the same publicly available data as Woodstock and not see any reason for concern is as troubling as the behavior itself. Both are reasons why Woodstock submitted its letter.

Sincerely,



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