

November 15, 2000

Ms. Joanne Lewellen
Consumer Affairs Officer
Federal Reserve Bank of Minneapolis
P.O. Box 291
Minneapolis, MN 55480-0291

Dear Ms. Lewellen:

I am writing from the Woodstock Institute in Chicago. Woodstock is a 27-year-old nonprofit organization dedicated to promoting community reinvestment and economic development in lower-income and minority communities. The Institute would like to call to your attention some concerns related to the merger of Firststar Bank and US Bancorp.

We are very concerned about the CRA assessment area defined by Firststar Bank in Illinois, where, according to the last CRA Performance Evaluation, Firststar has 41 branches. None of the branches are in low-income areas, and only two are in moderate-income tracts. Fully 44% of Firststar's branches are in upper-income tracts, and the Bank has violated the CRA regulation by defining its assessment area in such a way that primarily allows it to only be responsible to middle and upper-income (MUI) areas. The Bank has arbitrarily defined its assessment areas (Firststar names ten separate assessment areas); of 473 census tracts, only 4 are low-income and 45 are moderate-income.

Firststar has branches in the counties of Cook, Lake, DuPage, McHenry, Will, and Kane, and therefore its assessment area should be 6-county metropolitan Chicago (see attached map). Among other criteria, the FFIEC's large bank CRA examination procedures mandate that a bank's assessment area:

- Consist of one or more MSAs or contiguous political subdivisions (i.e., counties, cities or towns);
- Include the geographies where the institution has its main office, branches and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated or purchased a substantial portion of its loans;

- Does not reflect illegal discrimination; and
- Does not arbitrarily exclude low- or moderate-income area(s) taking into account the institution's size and financial condition.

In addition, the procedures state that “if an assessment area does not coincide with the boundaries of an MSA or political subdivision,” as Firststar’s do not, regulators must “assess whether the adjustments to the boundaries were made because the assessment area would otherwise be too large for the institution to reasonably serve, have an unusual configuration, or include significant geographic barriers.”

Firststar’s assessment areas as they have been defined violate all of these criteria. The Bank has not included the entire MSA that it serves and has arbitrarily excluded LMI areas. There is no reason that Firststar cannot serve this region. We ask that you change the assessment area to include the 6-county region and evaluate the Bank's performance based on the correct assessment area before this merger is approved.

Further, the Institute has analyzed Firststar’s 1999 lending record in the 6-county Chicago area, which we believe to be reflective of the appropriate assessment area for the Bank. We find the Bank’s lending to low and moderate-income (LMI) communities to be very low. For home purchase loans, the LMI-MUI market share ratio is only 0.58, meaning that the Bank is making roughly half the effort in LMI areas as it is in MUI communities. Similarly, the LMI-MUI ratio for refinance loans is 0.66 and the LMI-MUI market share ratio for home improvement loans is 0.71. In 1999, Firststar made very few multi-family loans (16) in the Chicago area. The Institute believes that the Bank has set up its assessment area this way precisely because it is not performing in lower-income areas.

We are also concerned about the Bank's lending to minority borrowers, especially considering the Bank's presence in the Austin community on Chicago's west side and its downtown Chicago location. For home purchase loans, Firststar’s black-white market share ratio is only 0.29; the Bank is not even making a third the effort in lending to blacks as it is to whites. Firststar’s home purchase lending to Latinos doesn't fare much better; the Latino-white market share ratio is 0.35. Moreover, in refinance lending, the black-white market share ratio is only 0.41. This is particularly troubling given the large numbers of predatory lenders who are heavily marketing refinance loans to African-Americans on the west and south sides of Chicago.

Finally, we request that the Federal Reserve Board thoroughly examine the lending practices of one of the affiliates of US Bancorp, New Century Mortgage, for evidence of any abusive or predatory mortgage lending. Over the years, we have watched predatory lending destroy the hard work of community reinvestment and neighborhood revitalization. If this merger is approved we ask that at the very least the regulatory body require Firststar/US Bancorp to adopt the following fair lending principles:

- Prohibition on the financing of single-premium credit insurance;
- Limitation on points (including yield spread premiums) to 3% of the total loan amount;
- Prohibition on prepayment penalties on high-cost loans;
- Sufficient steps to prevent abusive fees to mortgage brokers (yield spread premiums) for high-cost loans;
- Prohibition on mandatory arbitration clauses for high-cost loans;
- Assurances that borrowers receive the most affordable interest rate for which they qualify; and
- Prohibition on repeated refinancings (flipping) with no benefit to the borrower.

Please take the above into consideration upon reviewing this merger. Thank you.

Sincerely,
Malcolm Bush
President