



Florida Minority Community Reinvestment Coalition

October 14, 2009

Federal Reserve System
Board of Governors
Chairman Ben Bernanke
20th & "C" Streets, NW
Washington, DC 20551

Board of Governors
Federal Reserve System
Ms. Beverly Smith
Manager, Applications/Div. of Consumer and Community Affairs
20th and C Street, N.W.
Washington, DC 20551

Florida Community Groups Request Community Reinvestment Act (CRA) Audit of SunTrust Bank and their Affiliates

SunTrust named in litigation/lawsuit by NAACP for making high cost sub-prime loans to higher qualified African American 54 % of the time, compared to 23% for Caucasians....

Dear Honorable Chairman Bernanke and Ms. Smith:

Due to the continued horrific record of compliance to the CRA, FMCRC requests that the Federal Reserve Board conduct a CRA audit of SunTrust Bank and schedule two FRB community hearings in predominant Florida minority communities to allow for full transparency and accountability.

The economic distress of minority communities may be one of the most pressing issues facing minority communities across the United States. The lack of businesses and jobs fuels not only a crushing cycle of increasing poverty but also crippling social problems, such as drug abuse and crime in our minority communities. The establishment of a sustainable economic base together with employment opportunities, wealth creation, role models, and improved local infrastructure is critical to the future well-being of minority communities not only in Florida, but throughout the United States.

In light of today's massive losses in the sub prime market, it is apparent that there is a need for a paradigm shift in regard to community reinvestment and the CRA that will provide greater protection and access to capital for Florida's minority families and businesses. The data below demonstrates neglect by SunTrust Bank to Florida's minority communities.

During the last decade in Florida, SunTrust Bank and its affiliates have exploited Florida as a distant colony and have engaged in global absentee landlord practices that harm the economy of Florida. In Florida, minorities account for over 40% of the population, yet account for fewer than 5% of the GDP which has a negative impact on the overall economy. It is critical that Florida's minority communities and businesses have greater access to capital and resources that will enable them to provide a greater contribution to the Gross Domestic Product of Florida. Without adequate access to capital, this will not be accomplished. The lending practices of SunTrust Bank to minorities in Florida are nothing more than economic segregation of which harms all Florida.

SunTrust Bank received \$3.5 billion of tax payer funds

The Community Reinvestment Act (CRA) is a federal law that requires banks to meet the credit needs of their entire communities, including low-moderate income (LMI) neighborhoods. The CRA Act begins by reciting to Congress three findings. First, banks (SunTrust) are required to serve the "convenience and needs" of the communities in which they are chartered to do business. Second, "the convenience and needs of the communities include credit services." Third, banks (SunTrust) have "continuing and affirmative **obligation(s) to help meet the credit needs of the local communities** in which they are chartered." As the data below demonstrates, SunTrust Bank and Mortgage Company have failed miserably and allowed to do so by your organization.

Banks are fewer in number and larger in size. In Florida, Bank of America, Wells Fargo and SunTrust control (top three) over 60% of Florida deposits. The next five banks have an average of less than 3.5% in deposit share. For this reason, it is critical that the Federal Reserve Board provide a comprehensive CRA Audit of SunTrust Bank that will serve as a benchmark for Florida.

In your CRA examination of SunTrust Bank and their affiliates, the following are key and critical flaws during past CRA examinations:

- 1) The Federal Reserve Board did not consider SunTrust's horrendous lending record according to race of the applicant (s) or the racial composition of the neighborhood in which the properties were located. As the data indicates, SunTrust's record of lending to minorities is not even close to what they represent in almost every city in Florida.
- 2) The Federal Reserve Board does not engage a standardized set of quantitative data or benchmarks when evaluating SunTrust.
- 3) The Federal Reserve Board engages a "subjective" process when giving SunTrust its CRA rating.

- 4) The Federal Reserve Board did not consider the denial rates and applications received by race during the SunTrust evaluation. SunTrust's denial rate for minorities is over 50% higher than whites in most Florida cities.
- 5) The Federal Reserve Board allowed SunTrust Bank to define their geographic area in which they have CRA obligations.
- 6) The Federal Reserve Board has allowed the CEO of SunTrust to be placed on the FRB of Atlanta Board of Directors. This is nothing more than allowing the "fox in the hen house" and providing SunTrust a competitive advantage.
- 7) The Federal Reserve Board had not considered the below par small business lending record to minority small businesses in Florida

SunTrust Bank engages in equity stripping, rate-risk disparities and excessive foreclosures for Florida minority families.

Small businesses comprise 98% of all US businesses and provide 95% of the jobs in our country. For minority communities, small business plays even a greater role in job creation. Small businesses represent over 99% of all businesses in inner city disadvantaged communities and provide 80% of all the jobs in these areas (2008 Greenlining Study). SunTrust Bank again has proven to be a negative influence in lending to both minorities nationally and in Florida. According to 2008 SBA data, the following are highlights of SunTrust Banks economic neglect to minorities:

- 1) Of the top twenty lenders in the United States, SunTrust ranked in bottom two as it relates to SBA lending volume. For Florida, they fell far behind all other major banks.
- 2) In Loan-to-Asset Ratio (number of loans per \$5 billion in Assets), SunTrust Bank ranked last of the top twenty banks.
- 3) In both the number of loans and Loan-to-Ratio for Asians, SunTrust Bank ranked last.
- 4) In number of loans and total dollar amount to Latino's, SunTrust Bank ranked at bottom two.

According to 2006 HMDA data, SunTrust Bank had higher priced mortgage for minorities (White 6.5%, African American 11.4%, Latino 9.0%). This data raise important questions about the lending practice of SunTrust Bank. The data below has identified a clear pattern of disparate outcomes based on race for which SunTrust and the Federal Reserve Board must shoulder some responsibility.

As the following data demonstrates, there is a significant discrepancy between the representation of minorities in key Florida cities, and the percentage of SunTrust loan originations by minorities. It is obvious from the data that SunTrust have targeted minorities for FHA-VA financing due to government guarantee. This strategy brings concern to most minority community leaders due to the lack of effort on the behalf of SunTrust to follow the spirit of CRA which is to increase the credit worthiness of low and moderate income minority families.

SunTrust Mortgage
 FLORIDA MINORITY COMMUNITY
 2008 HMDA (Home Mortgage Disclosure) Report

Data Sources:
 Home Loan Data (FFIEC 2008 HMDA report)
 City Demographics (www.citydata.com)

	<u>African American</u>	<u>Asian</u>	<u>Latino</u>
<i>Tampa-St. Pete-Clearwater</i>			
<i>Percentage of Race in City.....</i>	19.4%	3.5%	10.8%
Percentage of Loan Originations			
Conventional	2.6%	2.3%	6.8%
FHA-VA	6.5%	0.6%	7.1%
Refinancing	3.8%	1.1%	6.0%
<i>Miami-Miami Beach-Kendall</i>			
<i>Percentage of Race in City.....</i>	22.3%	5.4%	65.8%
Conventional	6.8%	2.0%	65%
FHA-VA	25%	0.7%	57%
Refinancing	6.8%	1.8%	70.1%
<i>West Palm Beach-Boca Raton</i>			
<i>Percentage of Race in City.....</i>	32.2%	4.3%	18.2%
Conventional	5.2%	2.6%	10.1%
FHA-VA	9.2%	1.4%	16.3%
Refinancing	7.1%	0.3%	7.8%
<i>Jacksonville</i>			
<i>Percentage of Race in City.....</i>	29.0%	2.7%	4.2%
Conventional	5.3%	2.5%	1.8%
FHA-VA	11.1%	3.2%	5.6%
Refinancing	5.2%	2.7%	3.0%

Orlando-Kissimmee

Percentage of Race in City..... **18.5%** **2.8%** **29.6%**

Conventional	4.7%	2.8%	14.3%
FHA-VA	12.4%	2.8%	15.6%
Refinancing	5.3%	5.1%	12.1%

Gainesville

Percentage of Race in City..... **23.2%** **3.0%** **6.4%**

Conventional	3.9%	3.8%	2.3%
FHA-VA	2.6%	1.7%	3.4%
Refinancing	4.5%	0%	4.5%

Bradenton-Sarasota

Percentage of Race in City..... **15.6%** **2.5%** **11.6%**

Conventional	2.7%	0.6%	4.0%
FHA-VA	8.2%	0.8%	10.7%
Refinancing	1.9%	0.2%	0.8%

Lakeland-Winter Haven

Percentage of Race in City..... **21.3%** **2.3%** **6.4%**

Conventional	3.2%	3.2%	5.1%
FHA-VA	10.6%	1.9%	12.6%
Refinancing	2.9%	0.3%	8.0%

Palm Bay-Melbourne-Titusville

Percentage of Race in City..... **9.3%** **0.6%** **11.5%**

Conventional	4.2%	1.2%	4.6%
FHA-VA	4.5%	0.9%	4.5%
Refinancing	2.1%	0.4%	1.2%

Lack of Diversity at SunTrust:

The diversity at the SunTrust Bank Board of Directors is a direct reflection of its lack of desire to reflect the population in which they serve. Only 17% of the SunTrust Board of Directors is minority with NO Latino or Asian board members. This lack of diversity can also be found at the top management of SunTrust with less than 5% of top management being Latino, Asian or African American.

In 2010, it is imperative for the new Congress and Administration to redefine the Federal Government's role, especially within the Community Reinvestment Act. The current economic state of our country will create a significant increase in financial industry consolidation. If there is not proper oversight of the financial industry as this major shift

occurs, as we have seen in past 10 years, it will have catastrophic results for minority families and businesses in Florida. This will affect all communities as data conclusively shows us that the health of all major metropolitan areas are directly tied to the economic health of its surrounding inner cities.

We thank you for your consideration on this very important issue. If there are any questions or concerns, please contact myself at either (813) 598-6361 or 814 Ponce de Leon, Suite 210 Coral Gables Florida 33134.

Cordially,

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