



FAIR HOUSING CENTER OF CENTRAL INDIANA, INC.

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July 14, 2022

Michael Hsu, Acting Comptroller
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

Jerome Powell, Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: OPPOSE – Proposed Bank of Montreal/BMO Financial Group (BMO Harris) Acquisition of BancWest Holding Inc. and Bank of the West

To Acting Comptroller Hsu and Chairman Powell:

The Fair Housing Center of Central Indiana (FHCCI) is a nonprofit organization that works to ensure equal housing opportunities by eliminating housing discrimination through advocacy, enforcement, education, and outreach. As part of our mission, the FHCCI has been active in challenging discriminatory housing practices and educating the public about the prevalence of such practices and the systemic history thereof.

We oppose this merger because BMO Harris is one of the **lowest** mortgage lending performers in the Indianapolis/Marion County, Indiana market as it relates to serving Black home seekers. We cannot support a merger which would expand their reach and result in additional negative impact upon so many unserved Black households and neighborhoods. As we will point out in our comments, mergers rarely benefit communities already suffering from a history of redlining, racial covenants, and other discriminatory practices.

The FHCCI is a member of the National Community Reinvestment Coalition (NCRC). In February 2022, the FHCCI was part of a series of regional meetings arranged by NCRC with BMO Harris leadership to review and discuss concerns with the proposed merger and BMO Harris' current lending practices. In coordination with NCRC, the FHCCI advocated for a comprehensive and impactful Community Benefits Agreement (CBA) that would include specific actions to assist residents of the Indianapolis, Indiana Metropolitan Statistical Area and counteract previous inadequate mortgage practices.

Although the timing of the merger announcement and original public comment deadline did not allow the FHCCI to conduct a comprehensive analysis of BMO Harris' lending practices for Indianapolis, Indiana at that time of the February 2022 meeting, I shared with BMO Harris personnel a number of concerns we had identified. This document provides an expansion of our previously identified comments and additional information as to the

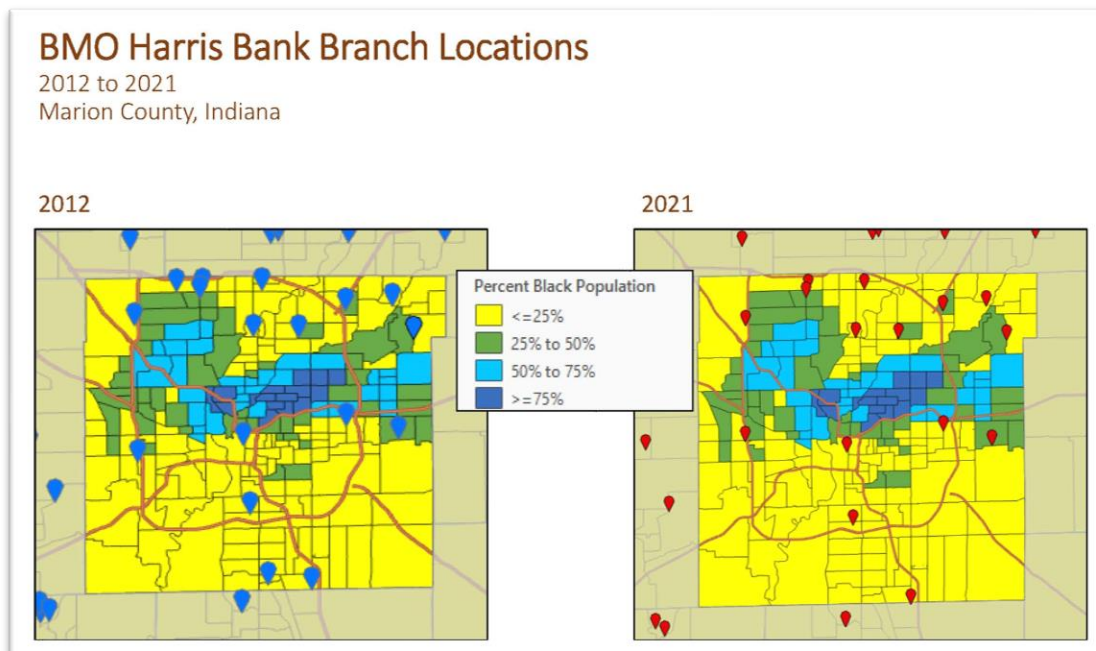
FHCCI's substantial problems with BMO Harris' lending practices in the Indianapolis/Marion County, Indiana market.

Marion County is home to a population of more than 950,000 residents. Its population has grown steadily from around 900,000 in 2010. The City of Indianapolis (less the exempted cities of Beech Grove, Lawrence, Southport, and Speedway) is the 15th largest city in the United States with a population of 887,642 (2020 Census). The most recent Census data available for Marion County has 54.5% of the population as white (non-Hispanic) while 28.6% is Black, 10.5% is Hispanic, and 3.4% is Asian. While those metrics might indicate a healthy level of diversity, the County is noticeably segregated by race and ethnicity. In Marion County, Indiana, BMO Harris is a Top 50 mortgage lender. Overall, they received 2,332 applications and originated 1,125 mortgage loans totaling \$126,015,000 in originations during 2018 to 2021.

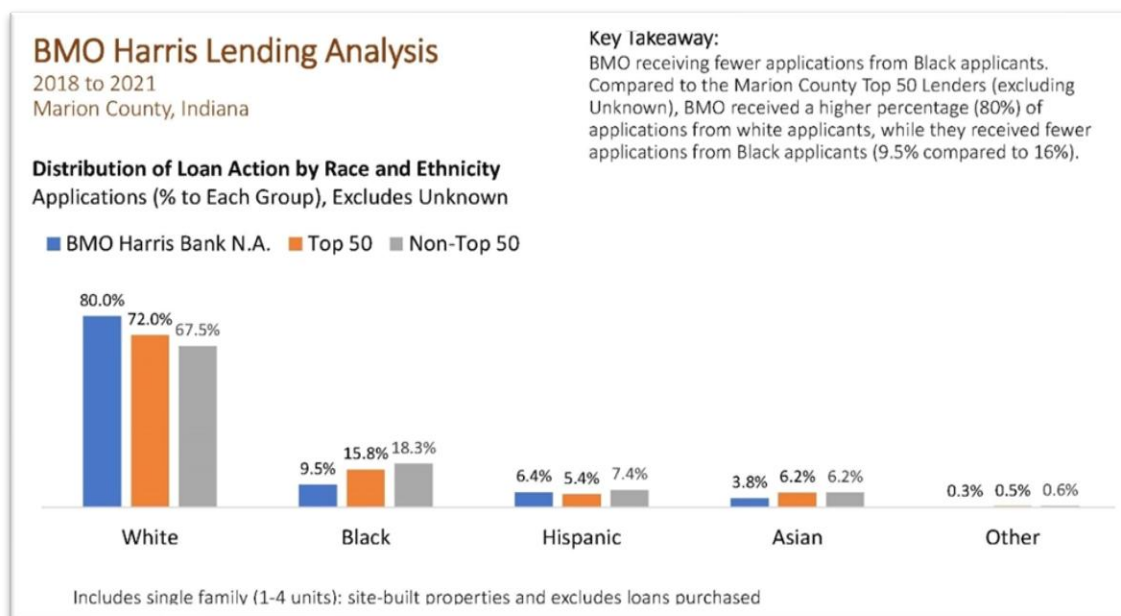
Note: The City of Indianapolis makes up the vast majority of Marion County with only four small cities not being part of the consolidated city-county government. Consequently, in this document, we use Marion County and City of Indianapolis interchangeably.

Bank Branches: For several years, there has been a consolidation of lenders and the creation of increased financial deserts across the City of Indianapolis, most specifically in Black neighborhoods. In January 2022, the FHCCI released a report, [*The State of Fair Housing in Indiana Report – Mortgage Lending in Marion County 2018-2020*](#). We identified that bank branches had closed by nearly 23% across the State of Indiana. In Marion County/City of Indianapolis, the bank branch closure rate was 29%, nearly twice the national rate (16%) and much higher than the overall Indiana rate. In Marion County neighborhoods of color from 2011 to 2021, branches closed at a rate of 35% in Black neighborhoods in comparison to 27% in majority white neighborhoods. In 2021, there were 50% more bank branches per capita in majority white neighborhoods than in Indianapolis communities of color. Mergers have played a significant and devastating role in these closures.

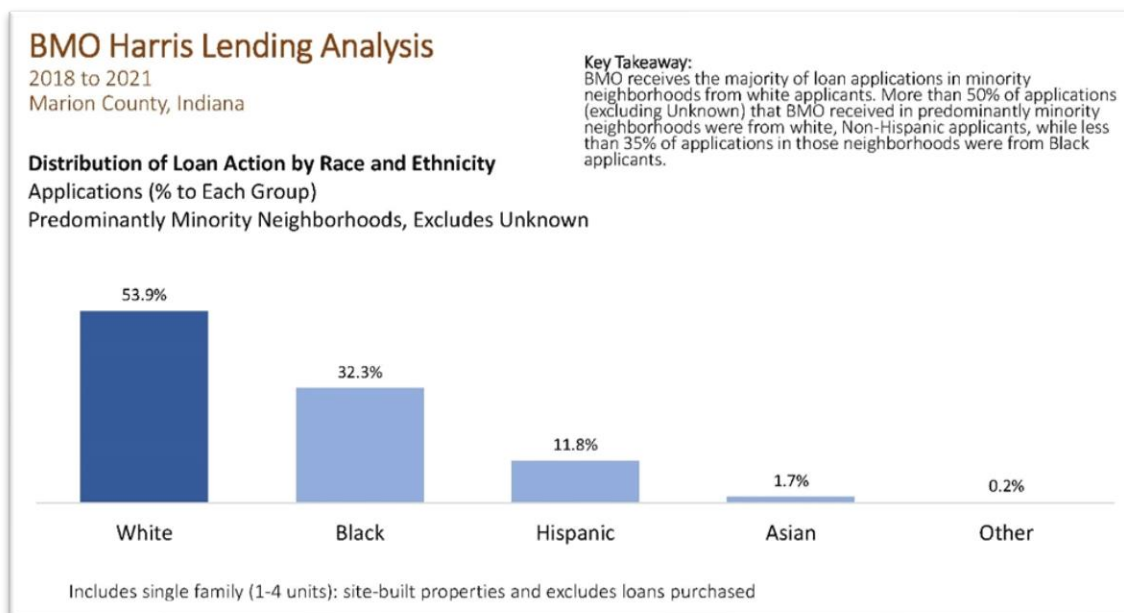
For BMO Harris, this is particularly evident. For Marion County (highlighted in yellow), BMO Harris, today, has no bank branches in Indianapolis majority Black neighborhoods. In 2012, BMO Harris also had no bank branches in Indianapolis Black neighborhoods outlining BMO Harris' long-term systemic neglect in serving Black home seekers.



Mortgage Loan Applications: In Marion County from 2018 to 2021, BMO Harris received only 9.5% of its applications from Black applicants compared to 15.8% for its fellow Marion County Top 50 Lenders and 18.3% by all other lenders. Over 80% of BMO Harris applicants were white, compared to 72% of their Top 50 peers and 67.5% for other lenders. These low numbers, coupled with its lack of banking branch presence in neighborhoods of color, in a city with a Black population of nearly 30%, indicates a significant lack of outreach to Black applicants.

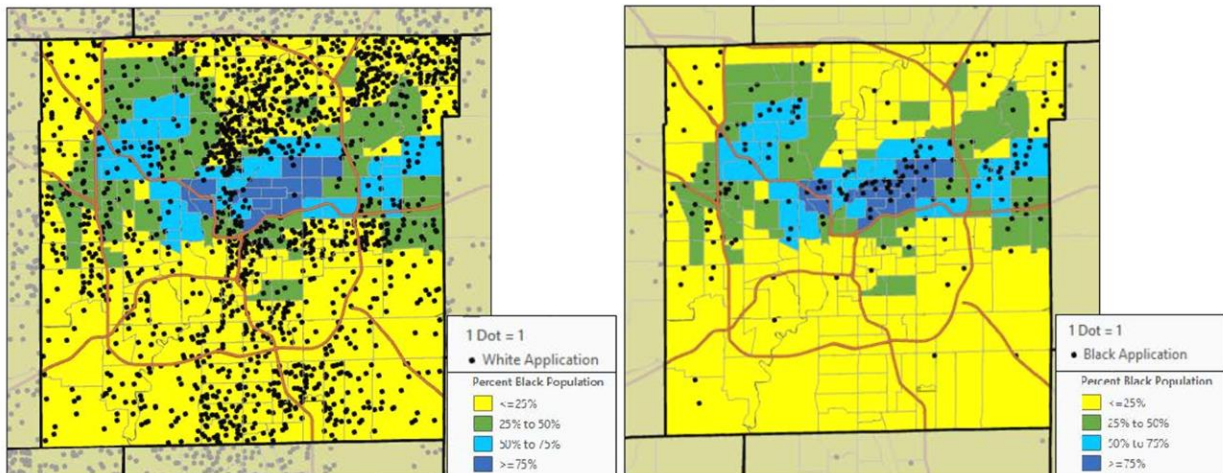


Looking more closely at mortgage applications, even when BMO Harris receives applications for home seekers in majority Black Indianapolis neighborhoods, most of those application are from white applicants. In 2018 to 2021, in Indianapolis' Black neighborhoods, nearly 54% of applications received by BMO Harris were from white applicants while only 32% were from Black applicants. This provides even further evidence of BMO Harris' lack of outreach to Black home seekers.



BMO Harris

Volume of Loan Applications by Borrower Race (2018 to 2021)
Percent Black Population



Mortgage Loan Originations: BMO Harris originated a low percentage of mortgages between 2018 to 2021 to Indianapolis Black borrowers. Compared to its peers, BMO Harris originated only 5.3% of its loans to Black borrowers compared to 13.5% for its Top 50 peers and 15% for all other Marion County lenders. BMO Harris originated nearly 87% of its mortgage loans to white borrowers.

BMO Harris Lending Analysis

2018 to 2021
Marion County, Indiana

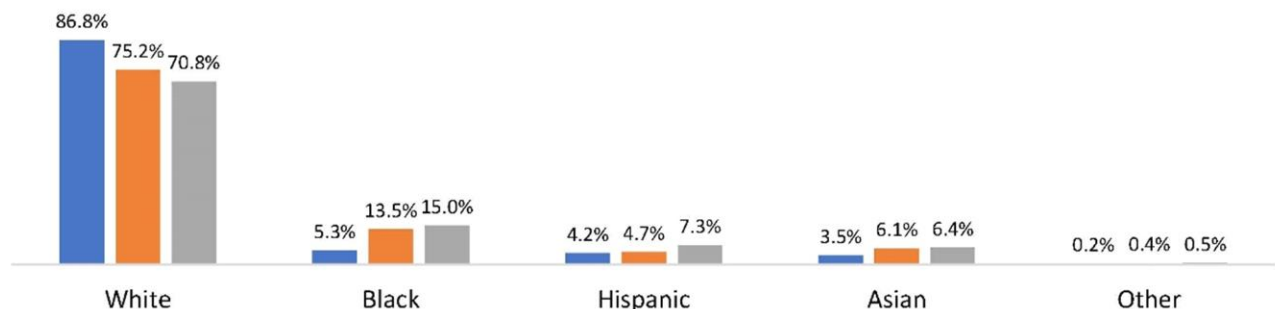
Key Takeaway:

BMO originated much fewer loans to Black borrowers compared to other lenders. Just over 5% of BMO's originations (excluding Unknown) went to Black borrowers which is almost a third of the rate of originations to Black borrowers than all other lenders in the Top 50 (14%).

Distribution of Loan Action by Race and Ethnicity

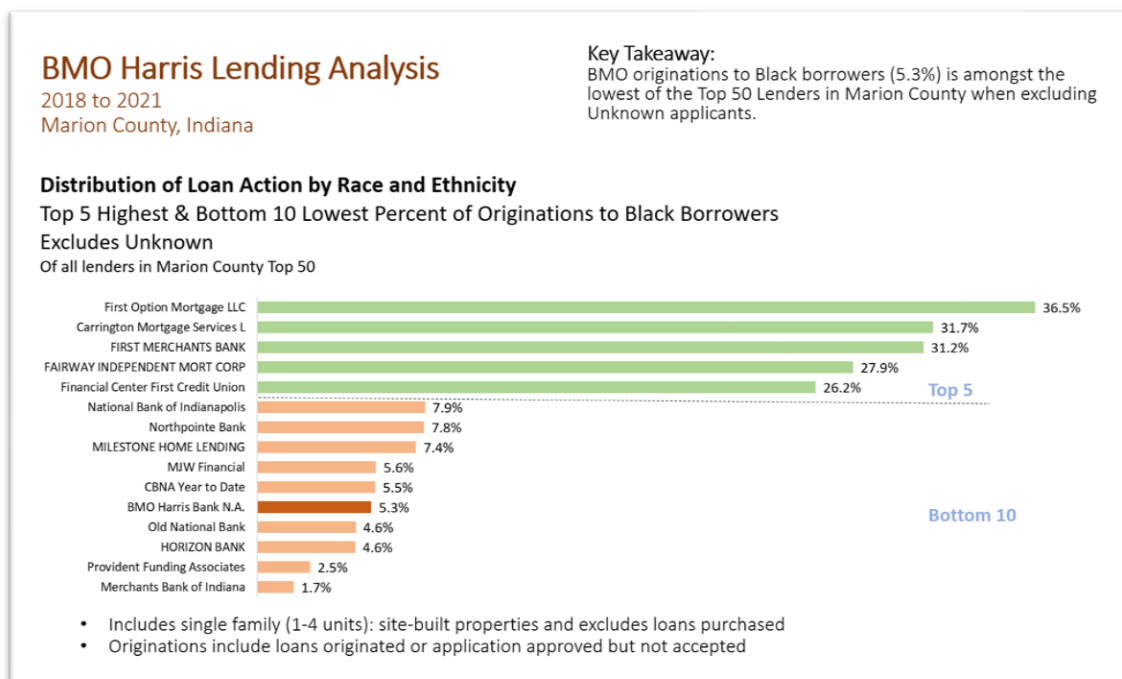
Originations (% to Each Group), Excludes Unknown

■ BMO Harris Bank N.A. ■ Top 50 ■ Non-Top 50

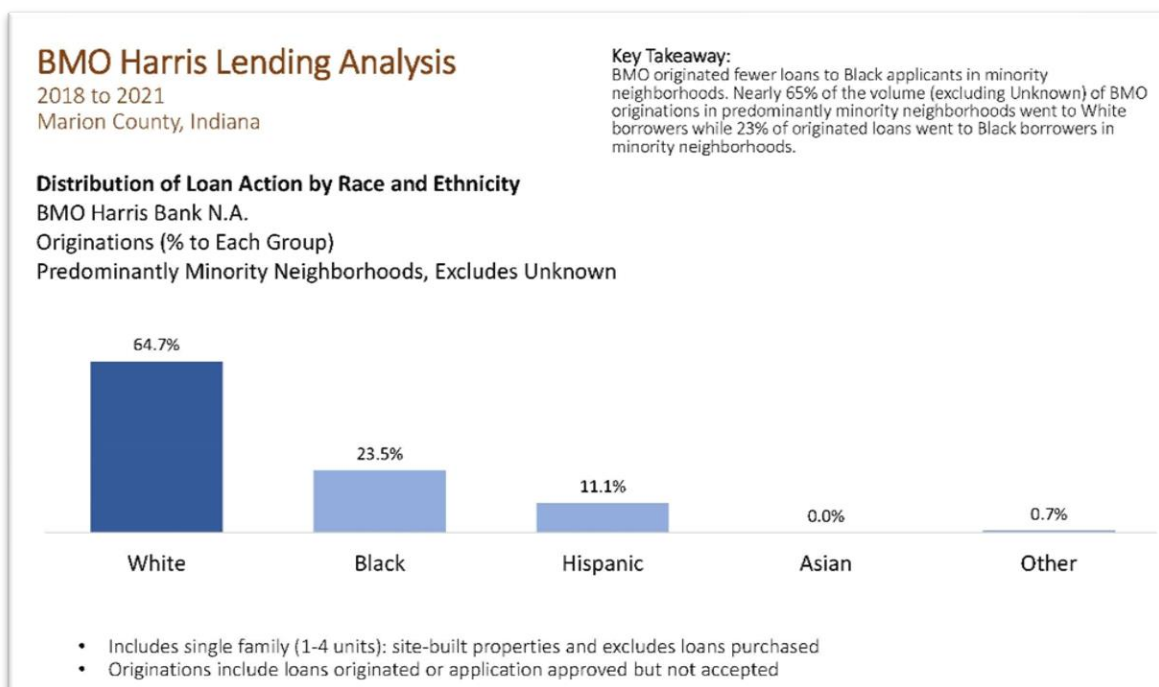


- Includes single family (1-4 units); site-built properties and excludes loans purchased
- Originations include loans originated or application approved but not accepted

In fact, BMO Harris had the *fifth lowest* origination rate (5.3%) for Indianapolis Black borrowers among Marion County's Top 50 Lenders during 2018 to 2021 - in a city with a Black population of nearly 30%.



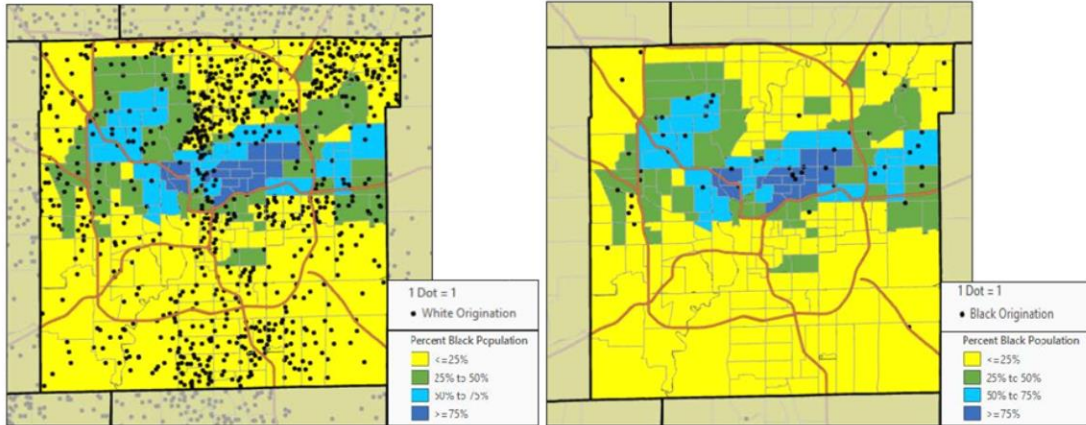
As with applications, even when reaching a home seeker in a majority Black Indianapolis neighborhood, BMO Harris made the majority of their loans to whites. Almost 65% of BMO Harris' loan originations in neighborhoods of color went to white borrowers with 23.5% going to Blacks and 11.1% to Hispanics.



BMO Harris

Volume of Loan Originations by Borrower Race (2018 to 2021)

Percent Black Population



Mortgage Denials: In the denial of a mortgage opportunity, BMO Harris has one of the highest denial rates (56.1%) among the Top 50 Lenders for Blacks based upon data from 2018 to 2021 for Marion County. In fact, only one other Top 50 lender had a higher denial rate for Black borrowers.

BMO Harris Lending Analysis

2018 to 2021

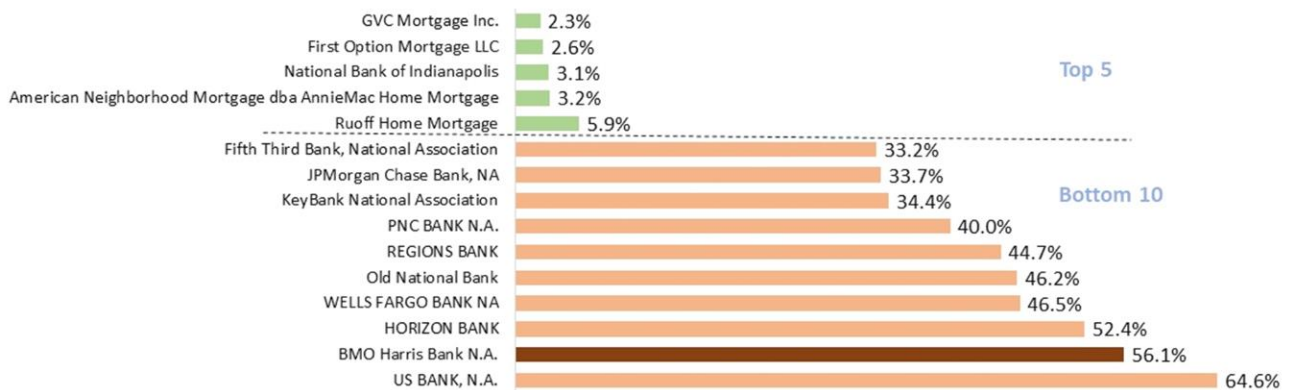
Marion County, Indiana

Key Takeaway:

BMO denial rate for Black applicants (56%) is amongst the highest of the Top 50 Lenders in Marion County.

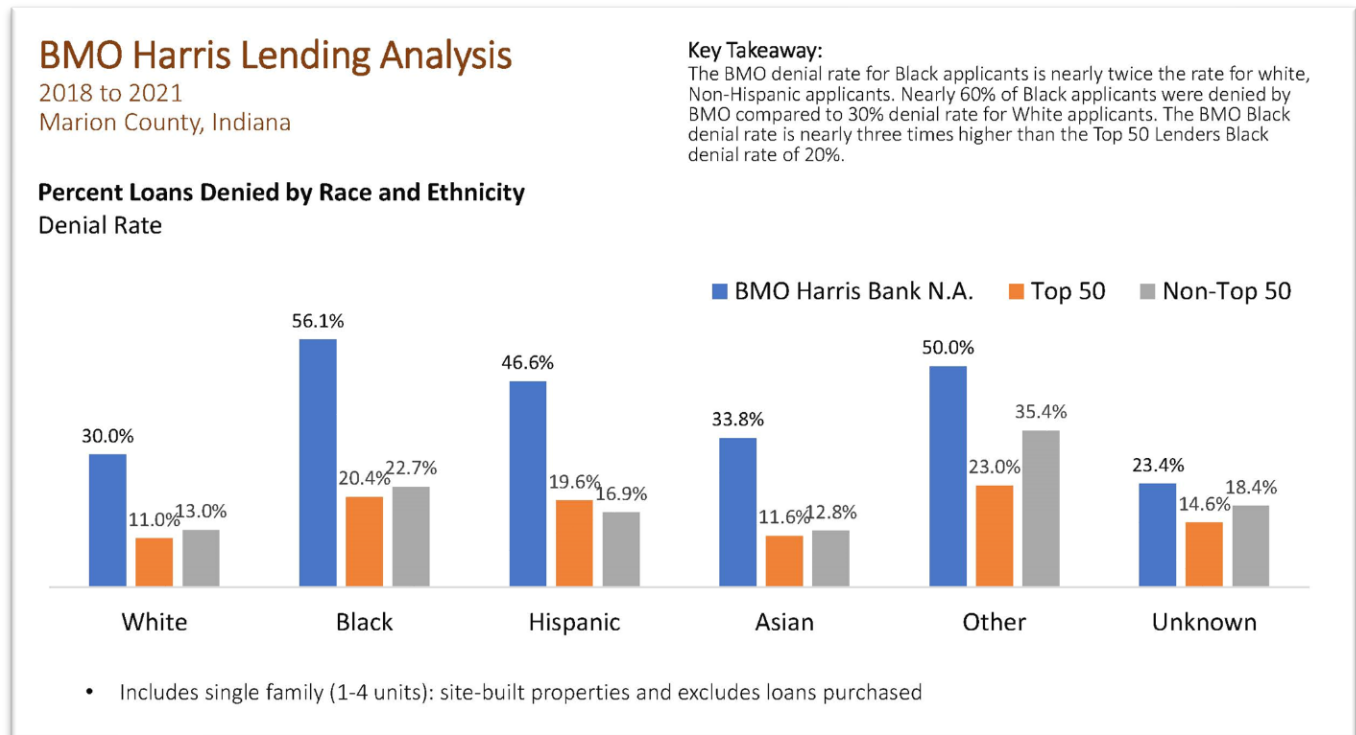
Distribution of Loan Action by Race and Ethnicity

Top 5 Lowest & Bottom 10 Highest Denial Rate for Black Borrowers



Includes single family (1-4 units): site-built properties and excludes loans purchased

In evaluating how BMO Harris denial rates compared across race and ethnicity for those it serves in Marion County, it denied Black applicants at nearly twice the rate of white applicants (56% for Blacks to 30% for whites). BMO Harris' denial rate of 56% for Blacks was nearly three times the denial rate of its fellow Top 50 Lenders (20%).



As outlined in this fair housing analysis, BMO Harris does an extremely poor job in meeting the needs of Black home seekers in Marion County. In fact, they are at or near the bottom for performance as compared to their peers.

The FHCCI will remain opposed to the merger until the bank has a) responded satisfactorily to how it will address the concerns raised in these comments, and b) whether BMO Harris will engage in a community reinvestment commitment that addresses the needs of Black home seekers in Marion County/Indianapolis, IN, an agreement that is reviewed and accepted by the FHCCI. Below are goals to counteract deficiencies and inequities by BMO Harris in the Indianapolis, Indiana market:

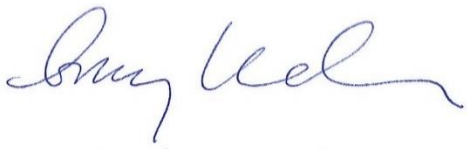
- Addition of two loan production branch locations in majority Black neighborhoods.
- Addition of at least four full service bank branch locations in majority Black neighborhoods.
- Designation of at least three Mortgage Loan Officer (MLO) assignments in majority Black neighborhoods.
- Creation of a Special Purpose Credit Program (SPCP) targeting Black home seekers with a (1) goal of distributing at least \$3 million in loan subsidies (subsidies would allow for up to \$20,000 per home to support down payment assistance, PMI premiums, closing cost assistance, and other costs); and (2) goal of \$40 million in home mortgage originations for owner-occupied single-family housing, over three years.
- Distribution of \$15 million over three years to nonprofit developers through low-cost loans to support affordable multifamily development in majority white neighborhoods or census tracts.
- Allocation of at least \$5 million to area nonprofits and/or community development organizations for homeowner repair programs to assist in counteracting displacement and/or gentrification. Such programs should not require liens on homeowner's assisted – only grants or forgivable grants.

- Conduct a redlining assessment through the hiring of an independent third party consultant or law firm to complete a detailed evaluation of the Bank's activities as they relate to fair lending and lending to Black and Hispanic applicants and in majority-Black and Hispanic census tracts in Indianapolis, Indiana and the Indianapolis MSA.
- Mandatory annual training of at least two hours in length for all employees, bank-wide, by an independent third party reviewer on subjects of fair housing, fair lending, implicit bias, redlining, racial covenants, block busting, etc.
- Establish a formalized process for reconsideration of low appraisal values for homes in formerly redlined or majority Black neighborhoods; work to advance opportunities and access for appraisers of color; and become a champion for addressing bias in the appraisal process.
- Appropriate at least \$400,000 annually for three years for targeted advertising.
- Designate at least \$500,000 over three years for direct mailers to majority Black and LMI areas for increased awareness and marketing of home mortgage opportunities.
- Provide \$4 million in charitable donations to area nonprofits for capacity building for BIPOC organizations, fair housing/lending education, homeownership programs, neighborhood stabilization housing efforts, and/or housing legal services.

The Fair Housing Center of Central Indiana urges regulators to require that BMO Harris meet the mortgage needs of Indianapolis/Marion County residents of color. A strongly negotiated Community Benefits Agreement with monitoring and oversight may be an effective mechanism to ensure compliance. These changes will greatly benefit BMO Harris because fair housing and fair lending are good business. We look forward to the opportunity to work with BMO Harris to hold them as an example in how to be a fair housing leader.

If there are any questions, I can be reached at 317-644-0673 x1001 or anelson@fhcci.org. Thank you in advance for consideration of this important matter.

Sincerely,



Amy Nelson
Executive Director

cc: Colette A. Fried, Federal Reserve Bank of Chicago (via email)
Jason Almonte, Office of the Comptroller of the Currency (via email)