



Maryland Consumer Rights Coalition

October 18, 2017

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New York Regional Office
Federal Deposit Insurance Corporation
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Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
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RE: Application filed by Howard Bank, Inc., to acquire 100 percent of the voting shares of, and thereby merge with, First Mariner Bank, and thereby indirectly acquire voting shares of First Mariner Bank

Dear Chairman Gruenberg and Director Hatheway:

On behalf of the Maryland Consumer Rights Coalition and the undersigned community organizations, we request that Howard Bank's proposed acquisition of First Mariner Bank include a forward-looking community benefits plan. This plan should detail how Howard Bank will address concerns with their lending and Community Reinvestment Act (CRA) performance, and how this transaction will serve the needs of the underserved throughout their footprint. We would look forward to meeting with Howard Bank to discuss critical needs and opportunities for Howard Bank to be a leader in serving its communities. We also request that the FDIC condition approval of this acquisition on the successful implementation of a community benefits plan.

The Need for a Community Benefits Plan

In the context of any merger that creates advantages and increased market power for the bank, it should not be sufficient for a bank's application to state a general commitment to the goals of the Community Reinvestment Act (CRA) and refer to their most recent CRA performance evaluation. CRA performance evaluations are backwards-looking and do not represent an ongoing commitment to meeting the needs of the local communities in which they do business.



The regulators understand this difference and thus distinguish between the CRA and the “convenience and needs” factor.

Bank merger regulation requires federal and state regulators to evaluate how the proposed transaction will meet the convenience and needs of the community after a merger is approved. We believe that banks should be more explicit in how they demonstrate this, and that the regulators should require it via a community benefits plan. These plans should be developed in collaboration with local community organizations and demonstrate a significant and proactive commitment to LMI families and communities of color, particularly Black communities that have suffered decades of disinvestment throughout the footprint served by Howard Bank and First Mariner.

There is growing acceptance among regulators that a prospective, detailed commitment from the bank in the form of a community benefits plan should be required from banks at the time of mergers and acquisitions. Most recently, the Federal Reserve referenced a community benefits plan that the National Community Reinvestment Coalition (NCRC) and KeyBank agreed to as evidence of how an expanding KeyBank would be serving “convenience and needs” and addressing concerns raised during their merger approval process.¹ Other examples from 2014 and 2015 include the Office of the Comptroller of the Currency’s (OCC) approval of two mergers (Valley National-1st United and Sterling-Hudson Valley) conditional upon each bank writing a publically available community benefits plan that had to be approved and monitored by the OCC.² Later in 2015, the OCC and the Federal Reserve also approved the CIT-One West merger with multiple conditions, including requiring CIT to present a revised, public plan to be approved and monitored by the OCC.³

This is a trend that will make the CRA more effective, help banks to better plan and understand their reinvestment obligations, and create more community development benefits for the

¹ Federal Reserve Approval of KeyBank-First Niagara Merger. Available online at <https://www.federalreserve.gov/newsevents/press/orders/orders20160712a1.pdf>

² OCC Approval of Valley National-1st United Merger. Available online at <http://www.occ.gov/topics/licensing/interpretations-and-actions/2014/crad163.pdf> OCC Approval of Sterling-Hudson Valley Merger. Available online at <http://www.occ.gov/topics/licensing/interpretations-and-actions/2015/crad167.pdf>

³ OCC Approval of CIT-OneWest Merger. Available online at <http://www.occ.treas.gov/news-issuances/news-releases/2015/nr-occ-2015-105a.pdf> Federal Reserve Approval of CIT-OneWest Merger. Available online at <http://www.federalreserve.gov/newsevents/press/orders/orders20150721a1.pdf>



community. Regulators must continue this trend and raise the bar by requiring a forward looking, multi-year community benefits plan for every merger and acquisition.

Past Performance

We have concerns regarding the home purchase, small business lending, and CRA performance of Howard Bank and First Mariner.

Home Purchase Lending

Howard Bank

From 2012 to 2016, 40% of the home loans originated by Howard Bank in Baltimore City were for African-American borrowers, despite the fact that 60% of the population of Baltimore City is African American. During this same period, 50% of the home loans originated by Howard Bank in Baltimore City were for White Borrowers, despite the fact that only 28% of the population in Baltimore City is White. In other words, Howard Bank's originations under-represented African-Americans as a proportion of the population and over-represented White borrowers.

We are also concerned with the denial disparities between White and African-American borrowers in Baltimore City that applied to Howard Bank for home loans. African-American borrowers were nearly four (3.68) times more likely to be denied than comparable White borrowers. Hispanic/Latino borrowers are three times more likely to be denied than comparable White borrowers. Another concern is that Howard Bank was twice as likely to deny borrowers in LMI and Minority census tracts as other similarly situated borrowers.

These same trends persist in Howard Bank's home lending throughout the Baltimore-Towson-Columbia MSA. African-American borrowers' originations lagged behind their percentage of population in the MSA area by nearly 5%. Minority tract originations lagged behind their percentage of the population by nearly 10%.

Denial disparities persist in Howard Bank's denials throughout the Baltimore-Towson-Columbia MSA. African-American borrowers are 1.75 times more likely to be denied than comparable White borrowers. Similarly, borrowers from LMI and Minority tracts were 1.35 and nearly twice (1.99) times more likely to be denied than similar White borrowers.



First Mariner

First Mariner's home lending record is more troubling than Howard Bank's. From 2012 to 2016, 21% of the home loans originated by First Mariner Bank in Baltimore City were for African-American borrowers, despite the fact that 60% of the population of Baltimore City is African American. During this same period, 53% of the home loans originated by First Mariner Bank in Baltimore City were for White Borrowers, despite the fact that only 28% of the population in Baltimore City is White. In other words, First Mariner Bank's originations under-represented African-Americans as a proportion of the population and over-represented White borrowers.

We are also concerned with the denial disparities between White and African-American borrowers in Baltimore City that applied to First Mariner Bank for home loans. African-American borrowers were five times more likely to be denied than comparable White borrowers. Hispanic/Latino borrowers are nearly four (3.59) times more likely to be denied than comparable White borrowers. Another concern is that First Mariner Bank was five times as likely to deny borrowers in LMI census tracts as other similarly situated borrowers.

As troubling as First Mariner's data is when comparing its lending internally, it is even more disturbing to measure First Mariner's home lending against all other lenders in Baltimore City. Compared to other lenders, First Mariner received only 23.49% of applications from African-American borrowers, a low number in a city where 60% of the population is African-American, and 6% below other lenders. Furthermore, only 20.74% of originations are from African-American borrowers, 5.28 % below all lenders

These same trends persist in First Mariner Bank's home lending throughout the Baltimore-Towson-Columbia MSA. African-American borrowers' originations lagged behind their percentage of population in the MSA area by more than 16%. Minority tract originations were lagged behind their percentage of the population by more than 15%.

Denial disparities persist in First Mariner Bank's denials throughout the Baltimore-Towson-Columbia MSA. African-American borrowers are twice as likely to be denied than comparable White borrowers. Similarly, borrowers from LMI tracts were nearly twice (1.93 times) more likely to be denied than similar White borrowers.



Small Business Lending

Howard Bank

We compared Howard Bank's and First Mariner's small business lending in 2016 to all non-credit card lenders in select markets and found the following issues.

- In Baltimore City, 62.05% of loans from non-credit card lenders went to businesses in LMI census tracts, yet only 47% of Howard Bank's small business loans were in LMI census tracts. This indicates that Howard Bank trailed behind non-credit card lenders by 14.4 percentage points (PP) in lending to businesses in LMI census tracts.
- Howard Bank also trailed all non-credit card lenders in loans with gross annual revenue under one million dollars by 10 PP.
- In the Baltimore-Towson-Columbia MSA, Howard Bank trailed non-credit card lenders by 2.88 PP in small business lending in LMI census tracts.
- Howard Bank also trailed all non-credit card lenders by 10.2 PP in lending to businesses with gross annual revenue under one million dollars.

First Mariner

- In the Baltimore-Towson-Columbia MSA, First Mariner Bank trailed non-credit card lenders by 5.93 PP in small business lending in LMI census tracts.
- First Mariner Bank also trailed all non-credit card lenders by 2.10 PP in lending to businesses with gross annual revenue under one million dollars.

We expect a community benefits plan to specifically indicate how Howard Bank will improve its performance in these assessment areas and how it will meet and/or exceed peer performance in these areas.

Conclusion

Due to the reasons stated above, we request that the approval of this merger be conditioned on a community benefits plan created with local groups. Until Howard Bank comes up with a significant community benefits plan, my organization and the undersigned groups oppose this merger. We would look forward to meeting with Howard Bank to discuss opportunities for the financial institution to improve its performance, as well as a discussion of how working with our organization and community members could help the bank reach more underserved customers



Maryland Consumer Rights Coalition

and markets. Thank you for considering this request. If you have any questions about this letter, feel free to contact Marceline White at marceline@marylandconsumers.org or 410-624-8980.

Sincerely,

Marceline White, Executive Director
Maryland Consumer Rights Coalition

Laurence F. Campbell, President
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Robert Strupp, Executive Director
Baltimore Neighborhoods, Inc.

Philip LaCombe, Co-Chairperson
Better Waverly Community Organization

Johnette Richardson, Executive Director
Belair-Edison Neighborhoods, Inc.

Dan Ellis, Executive Director
Neighborhood Housing Services of Baltimore

Mark J. McLaurin, Political Director
Service Employees Int'l Union

Gregory Friedman, Community Engagement Officer
Citizens Planning and Housing Association

Gerard Joab, Executive Director
St. Ambrose Housing Aid Center

Donna Hurley, Executive Director
Housing Options & Planning Enterprises, Inc.



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Rick Davis, Executive Director
Eastside Community Development Corporation

Dr. Lawrence Brown, BRACE Member
Baltimore Redevelopment Action Coalition for Empowerment

John C. Shaw, CEO/President
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Elizabeth Briscoe, Executive Director
Action in Maturity, Inc.

Debra Gardner, Legal Director
Public Justice Center

Robin McKinney, CEO
CASH Campaign of Maryland

Chris Ryer, Executive Director
Southeast CDC

Odette Ramos, Executive Director
Community Development Network of Maryland, Inc.

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People for Change Coalition



Maryland Consumer Rights Coalition

CC:

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Appendix

Howard Bank's Home Purchase Lending in Baltimore City Compared to All Other Lenders in 2016

HOWARD BANK											
Baltimore City											
Applicant Characteristic		Population	Originations			Application Rate			Denial Rate		
			All Lenders	Howard Bank	% Point Difference	All Lenders	Howard Bank	% Point Difference	All Lenders	Howard Bank	% Point Difference
Race/Ethnicity	White	28.04%	54.77%	50%	-4.77%	49.95%	47.04%	-2.91%	551	6	-4.13%
	Black	63.28%	26.03%	40.27%	14.25%	29.60%	42.59%	13%	878	20	-8.78%
	Hispanic/Latino	4.18%	3.27%	2.26%	-1.01%	3.41%	2.59%	-0.82%	86	1	-7.71%
	Asian	2.32%	3.58%	4.75%	1.17%	3.55%	4.63%	1.08%	59	2	-1.78%
	Minority	71.96%	34.49%	47.96%	13.37%	39.24%	50.74%	12.50%	1057	24	-7.52%
Income	LMI Applicant		47.83%	57.01%	9.19%	50.55%	59.63%	9.08%	1247	26	-6.45%
Tract	Applicant in LMI Tract	37.66%	55.10%	58.60%	3.50%	59.03%	61.67%	2.63%	1415	26	-6.31%
	Applicant in Minority Tract	72.96%	46.13%	50%	3.87%	50.09%	53.52%	3.43%	1246	23	-6.69%

Howard Bank's Home Purchase Lending in Baltimore MSA Compared to All Other Lenders in 2016

HOWARD BANK											
Baltimore MSA											
Applicant Characteristic		Population	Originations			Application Rate			Denial Rate		
			All Lenders	Howard Bank	% Point Difference	All Lenders	Howard Bank	% Point Difference	All Lenders	Howard Bank	% Point Difference
Race/Ethnicity	White	60.00%	61.66%	69.60%	7.94%	58.49%	67.60%	9.11%	4337	29	-3.74%
	Black	28.39%	14.48%	11.83%	-2.65%	16.03%	12.77%	-3.27%	2746	11	-9.43%
	Hispanic/Latino	4.57%	3.94%	3.11%	-0.84%	4.09%	3.04%	-1.05%	532	2	-7.14%
	Asian	4.51%	7.26%	2.96%	-4.30%	7.46%	3.40%	-4.06%	881	1	-8.32%
	Minority	40.00%	27.39%	18.71%	-8.68%	29.42%	20.36%	-9.05%	4382	15	-8.28%
Income	LMI Applicant		33.41%	32.32%	-1.09%	34.50%	32.64%	-1.86%	4730	29	-6.34%
Tract	Applicant in LMI Tract	10.61%	15.65%	12.87%	-2.78%	16.84%	13.07%	-3.77%	2560	11	-7.90%
	Applicant in Minority Tract	32.54%	19.32%	17.53%	-1.79%	20.73%	17.93%	-2.80%	3025	11	-8.76%

First Mariner's Home Purchase Lending in Baltimore City Compared to All Other Lenders in 2016

1ST MARINER											
Baltimore City											
Applicant Characteristic		Population	Originations			Application Rate			Denial Rate		
			All Lenders	Howard Bank	% Point Difference	All Lenders	Howard Bank	% Point Difference	All Lenders	Howard Bank	% Point Difference
Race/Ethnicity	White	28.04%	54.77%	52.59%	-2.18%	49.95%	47.59%	-2.36%	551	2	-3.97%
	Black	63.28%	26.03%	20.74%	-5.28%	29.60%	23.49%	-6.10%	878	5	-4.65%
	Hispanic/Latino	4.18%	3.27%	6.67%	3.40%	3.41%	6.63%	3.22%	86	1	-5.76%
	Asian	2.32%	3.58%	2.22%	-1.36%	3.55%	3.61%	0.06%	59	0	-9.78%
	Minority	71.96%	34.49%	30.37%	-4.12%	38.24%	35.54%	-2.70%	1057	7	-4.41%
Income	LMI Applicant		47.83%	48.89%	1.06%	50.55%	48.19%	-2.36%	1247	5	-8.28%
Tract	Applicant in LMI Tract	37.66%	55.10%	57.78%	2.68%	59.03%	60.24%	1.21%	1415	8	-6.12%
	Applicant in Minority Tract	72.96%	46.13%	51.11%	4.98%	50.09%	53.91%	3.52%	1246	6	-7.91%



Appendix (con't.)

1st Mariner’s Home Purchase Lending in Baltimore MSA Compared to All Other Lenders in 2016

1ST MARINER											
Baltimore MSA											
Applicant Characteristic		Population	Originations			Application Rate			Denial Rate		
			All Lenders	Howard Bank	% Point Difference	All Lenders	Howard Bank	% Point Difference	All Lenders	Howard Bank	% Point Difference
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	Applicant in Minority Tract	32.54%	19.32%	17.53%	-1.79%	20.73%	17.93%	-2.80%	3025	11	-8.76%

Notes about this analysis:

- All information taken from the CRA performance evaluations from 1st Mariner and Howard Bank included in the merger application.
- Lending information refers to all owner occupied, 1-4 family dwelling, home purchase loans secured by a first lien originated by Howard Bank and First Mariner in the specified time period compared to the originations of all owner occupied, 1-4 family dwelling, home purchase loans secured by a first lien originated by all other lenders in that specific geography during the same specified time period.
- Our analysis focused on home purchase lending because we want to evaluate how well Howard Bank and First Mariner are providing access to homeownership, which is crucial to an individual's or family's ability to grow wealth.
- “Hispanic/Latino” refers to families/borrowers that identify as Hispanic or Latino
- “Minority” includes Black or African Americans, Asians, and Hispanics as well as Native Americans, other racial groups and bi-racial families/borrowers. The only population not included in this label would be “Non-Hispanic White.”
- “Minority Tract” refers to 50% or greater minority population.
- “LMI Applicant” refers to low- and moderate-income, and low is < 50% MSA/MD median income, and moderate is 50-79.99% MSA/MD median income.
- “LMI Tract” refers to low- and moderate-income census tract, and low is < 50% MSA/MD median income, and moderate is 50-79.99% MSA/MD median income.