



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 1, 1997

Mr. Michael Shea
Executive Director
ACORN Housing Corporation
117 W. Harrison
Chicago, Illinois 60605

Dear Mr. Shea:

This is in response to your letters dated June 2, and 3, 1997, on behalf of ACORN Housing Corporation ("AHC"), relating to the application and notice by Mercantile Bancorporation Inc., St. Louis ("Mercantile"), to acquire Roosevelt Financial Group, Inc., Chesterfield ("Roosevelt"), and thereby acquire Missouri State Bank and Trust Company, St. Louis, and Roosevelt Bank, a federal savings bank, Chesterfield, all in Missouri.^{1/} Your comments were not received in time to be presented to the Board when it considered the proposal and have been treated as a request for reconsideration.^{2/}

Your comments contend that a lending program benefitting low- and moderate-income borrowers in Kansas City, Missouri, that is offered by

^{1/} Mercantile Bancorporation Inc., 83 Federal Reserve Bulletin __ (1997) (Order dated June 4, 1997) ("Mercantile Order").

^{2/} AHC is an affiliate of the Association of Community Organizations for Reform Now ("ACORN"). ACORN filed comments during the public comment period that were reviewed by the Board before it approved the proposal. Your comments have been treated as a request for reconsideration of the Mercantile Order, consistent with the Board's practice before the effective date of the recent revisions to Regulation Y to consider supplemental comments received after the close of the public comment period.

Roosevelt in cooperation with AHC will be terminated by Mercantile.^{3/} You also request a public hearing in Kansas City to demonstrate the benefits of the Roosevelt/AHC lending program. The Board's Rules of Procedure provide that a request for reconsideration must present "relevant facts that for good cause shown, were not previously presented to the Board." 12 C.F.R. 262.3(k). The members of the Board have considered your request in light of this standard and all the facts of record.

The Board previously has noted that, although communications between depository institutions and community groups provide a valuable method of assessing and determining how an institution can best address the credit needs of the community, neither the Community Reinvestment Act ("CRA") nor the Agency CRA Statement^{4/} requires that a depository institution enter into agreements with any organization, and that agreements between banking organizations and community groups are private arrangements that are not enforceable by the Board.^{5/} Instead, the Board's review of an applicant's CRA performance record focuses on the policies and programs that the applicant has in place to serve the credit needs of its communities. For the reasons discussed in detail in the Mercantile Order, the Board concluded that Mercantile's record of performance under the CRA was consistent with approval.

The Board also concluded that a public hearing or meeting was not required under the BHC Act or otherwise warranted in light of all the facts of

^{3/} You also believe that the decision to terminate the agreement is evidence that Mercantile controlled Roosevelt before the proposal was approved. Your comments present no facts to demonstrate that Mercantile has exercised a controlling influence over the management or policies of Roosevelt, and the record of the application, including reports of examination assessing the record of management for compliance with applicable laws and regulations, does not support your contention.

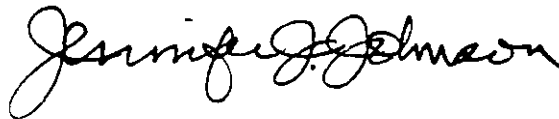
^{4/} 12 U.S.C. § 2901 *et seq.*; Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act, 54 Federal Register 13,742 (1989).

^{5/} See Fleet Financial Group, 82 Federal Reserve Bulletin 50 (1996).

record. Your request for a public hearing disputes the weight that should be accorded to, and the conclusions that the Board should draw from, the facts of record, but does not identify disputed issues of fact that are material to the Board's decision in the Mercantile Order.

Your comments have been presented to the members of the Board to determine whether reconsideration or a public hearing or meeting is warranted. For the reasons discussed above and in the Mercantile Order, and in light of all the facts of record, no member of the Board has requested that the Mercantile Order be reconsidered or modified in any manner or that your request for a public hearing or meeting be granted. Accordingly your requests for reconsideration and a public hearing are hereby denied.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jennifer J. Johnson".

Jennifer J. Johnson
Deputy Secretary of the Board

cc: Mr. Jon W. Bilstrom
Mercantile Bancorporation Inc.
Federal Reserve Bank of St. Louis