

August 12, 2021

Board of Directors**Chair****Byna Elliott**
JP Morgan Chase**Vice-Chair****Bobbi Ball****Treasurer****Manuel Jimenez**
Marquette Bank**Secretary****Michael Seng**
John Marshall Law School**Members****Natalie Abatemarco**
Citi Community Development**Ravi Aurora**
MasterCard**Calvin Bradford**
Calvin Bradford & Associates, Ltd.**Eva Brown**
U.S. Bank**Louis Caditz-Peck**
Lending Club**Thomas FitzGibbon, Jr.**
Evergreen Bancgroup**Staci Glenn Short**
Huntington Bank**Jesus Hernandez, PhD**
JCH Research**Vivienne Lee**
Common Future**Juan Carlos Linares**
Association House of Chicago**Horacio Mendez**
Woodstock Institute**Matthew Roth**
IFF**Audra Wilson**
Shriver Center on Poverty Law**Founder****Sylvia R. Scheinfeld**
1903-199067 E. Madison, Suite 2108
Chicago, Illinois 60603-3014
Phone: (312) 368-0310
Fax: (312) 368-0316
www.woodstockinst.org

Mr. John O'Brien
Director for District Licensing
Office of the Comptroller of the Currency
425 S. Financial Place, Suite 1700
Chicago, IL 60605

RE: Application by Old Second National Bank to acquire West Suburban Bank

Dear Mr. O'Brien:

It is with a sense of cautious optimism that we welcome the news of West Suburban Bank's pending acquisition by Old Second National Bank (OSNB). While there are opportunities for improvement within OSNB's provision of financial products and services to the low- and moderate-income (LMI) communities it is chartered to serve, West Suburban's lack of innovation and responsiveness to those communities, and its meager compliance with the Community Reinvestment Act (CRA) leaves us to believe that any change is good change if the result is to bring the combined CRA effort to OSNB's level.

Communicating Your Strategy

While the integration and/or replacement of banking platforms, systems and products are the common risks associated with acquisitions, the shift in culture represented by this transaction is of particular concern. West Suburban bank has differentiated itself for years as a laggard in providing financial products and services to low- and moderate-income communities. When financial institutions encounter challenges and obstacles in providing loans to small businesses or mortgages to low- and moderate-income borrowers, they turn to investments and services with the goal of either compensating for the low performance or to build the foundation for future loan origination. West Suburban has under-performed on both counts. As such, we request that OSNB's acquisition of West Suburban include a forward-looking strategy that describes how the new, larger financial institution's culture will continue OSNB's better performance under the CRA and not be lowered to West Suburban's less-than-satisfactory level. This strategy could be as formal as a documented community benefits plan or as informal as a discussion with its CRA partners in the community. Woodstock would be happy to work with you on either strategy.

West Suburban Performance

West Suburban Bank's lending performance was assessed by the Federal Deposit Insurance Corporation (FDIC) in its most recent CRA exam as "low satisfactory" on lending, investment and service activity. These individual ratings were gracious given that West Suburban is not a Satisfactory bank:

- It has no innovative or responsive credit products to speak of;
- Only half of the mortgage loans originated in LMI markets are to LMI borrowers ... meaning that West Suburban is financing displacement and gentrification; and

- Only seven percent of their small business lending activity is in LMI communities.

With this low level of performance, a financial institution would need to compensate with a significant purchase of CRA qualified loans or the origination of a significant amount of community development loans to avoid a “Needs to Improve” Lending Test rating. Instead, the bank originated sufficient community development loans to meet the relatively low bar set by other banks in the region.

Investment and service activity by West Suburban did not compensate for its poor lending performance. Reliance on mortgage-backed securities and a certificate of deposit in a Community Development Financial Institution (CDFI) highlights the lack of effort, creativity and responsiveness to local financial service needs by this institution to go beyond the bare minimum necessary to pass regulatory muster. As highlighted in Woodstock’s June 10th virtual discussion, being physically present in the community is a critical element in building relationships that lay the foundation for the provision of responsive and responsible financial services.

Old Second Performance

OSNB’s lending performance, while much better than West Suburban’s, highlights a few areas where improvement could be made. Housing affordability is a challenge for every institution in the market where OSNB operates. The low mortgage origination numbers in both geographic and borrower distribution has been addressed by other institutions through the deployment of mortgage teams targeted to these communities and borrowers. Armed with subsidies and grant programs like the I-Refi program, down payment assistance and Escrow Advance, mortgage originations can and should increase closer to the threshold of owner-occupied housing units. Through its long-standing relationship with financial institutions, CDFIs, non-profit organizations and local / state agencies, Woodstock Institute can provide access and introductions to partners that can assist OSNB in bridging this lending gap, should such assistance be welcomed.

Expectation

The acquisition of a similarly situated bank in the same market raises the likelihood of reduced staff and closed branches. We would like to be informed well in advance of any reductions in force or branch closures and of the impact that such actions may have on LMI communities. We would also like to know your plans to mitigate the negative aspects of such actions. The assimilation of cultures from one institution with a strong commitment and successful track record in CRA compliance, to another with a record of doing the bare minimum necessary to pass regulatory scrutiny, raises the possibility that the merged institution may not meet the standard set by OSNB’s history. We would like to know what the goals of the new institution will be with respect to the borrower and geographic distribution of mortgage and small business lending, what percentage of Tier 1 capital will be dedicated to community development lending and investment activity, and how the new institution will address issues of affordability in their high-cost markets.

Thank you for considering this request. If you have any questions about this letter, feel free to contact me at 312-368-0310 ext. 2026 or hmendez@woodstockinst.org.

Sincerely,



Horacio F Mendez
President & Chief Executive Officer
Woodstock Institute