

April 30, 2020

Ms. Kathy L. Moe
Regional Director
Division of Supervision and Consumer Protection
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, CA 94105

Re: Status Report for Consumer Compliance Report of Examination and Community Reinvestment Act Performance Evaluation Conducted as of January 21, 2020.

Dear Ms. Moe:

Below please find highlights of Valley Republic Bank's first quarterly status update regarding its Community Reinvestment Act Performance Evaluation dated February 19, 2020, issued pursuant to the on-site examination started on January 21, 2020. Attached you will also find the goals and metrics for the Lending and Community Development subcommittees. This quarterly status update will be placed in our CRA public file, which already includes a copy of the CRA Performance Evaluation dated February 19, 2020, as well as the bank's response to the Performance Evaluation.

Since our last communication, the bank has focused on two primary goals related to CRA:

- 1) Establishing goals and metrics for the CRA Committee's Lending and Community Development subcommittees; and
- 2) Seeking ways to support the local community due to the impact of COVID-19. To that end, the bank activated our status as a SBA 7(a) lender to process Paycheck Protection Program (PPP) applications for both customers and non-customers in the community. As of April 17, 2020, the bank had received 900 PPP loan applications from local residents; of those, 264 loans totaling \$150 million were reviewed and submitted to the SBA portal via E-trans. Of the 264 PPP loan applications submitted by the bank, 60% were for loans in amounts of \$350,000 or less and 86% were for loans under \$1 million. Without being able to quantify the gross annual revenue of the applicants, it can't be said that all PPP loans under \$1 million are small business loans as defined by CRA requirements, however these statistics should provide perspective. In addition to processing PPP applications, our Lending teams provided COVID-19-related loan modifications totaling \$55.6 million as of 4/17/20.

The bank's noteworthy CRA activities include:

1. CRA Committee meetings, subcommittee meetings and related meetings

- a) Meetings of the newly-formed CRA Committee were held on 3/27/20 and 4/23/20. Meeting Minutes for each meeting will be submitted for review and approval to the Board of Directors at the May Board Meeting.
- b) Most of the CRA Committee members attended a webinar on 2/28/20 about proposed CRA changes provided by a Senior Executive at ProBank of Austin.

- c) The Community Development subcommittee met telephonically on 3/26/20 with FDIC Senior Compliance Examiner Melissa Myerscough to review current CRA donation and service forms and request general CRA guidance. This subcommittee met informally with CRA Officer Grochowski on several occasions to discuss CRA-related donations and service requests and tracking, revise CD goals and metrics, and recommend metrics for Lending.

2. CRA Education

- a) CRA Officer Grochowski corresponded via email with FDIC Senior Compliance Examiner Ms. Myerscough regarding general CRA topics including adequate CRA tracking processes. CRA Officer Grochowski communicated with both Ms. Myerscough and Mr. Rolin Thomas, FDIC Review Examiner, to request guidance, primarily with regard to COVID-19 and PPP tracking from both loan and service standpoints.
- b) The bank retained the services of Audit One LLC's Insight Risk Consulting to provide additional CRA program education and guidance from a CRA subject matter expert.
- c) A draft version of the bank's CRA training materials was submitted for review at the 4/23/20 CRA Committee meeting. Once approved by the CRA Committee, CRA training will be conducted for all employees and members of the Board Directors. Training is expected to be complete not later than 6/30/20, barring an extended quarantine period due to COVID-19.

3. COVID-19 related activities, including Lending

- a) As mentioned in the CRA activity summary, the bank has processed over \$55 million in COVID-19-related loan modifications for borrowers. The unique needs of each borrower are being considered before agreeing to a change in terms, consistent with safe and sound lending practices. Modifications include loan deferrals of principal and/or interest payments for time periods up to 6 months.
- b) A COVID-19 Credit Authorization form and COVID-19 Loan Modification report have been created to track loan modification details. Ms. Myerscough, Senior Compliance Examiner at the FDIC, recommended inserting a field to track the address of each loan modification, to establish that it is in the bank's assessment area. Subsequent to that recommendation, the address field has been added to the report.
- c) A COVID-19 Service Community Development (CD) worksheet was created to track the number of hours employees spend coordinating COVID-19 loan modifications. Each employee will provide this worksheet to Subcommittee chairperson VP Watkins on a monthly basis. The worksheet requires an employee to provide specific detail about the tasks themselves.
- d) As mentioned in the CRA activity summary, the bank has processed over \$147 million in PPP loans for business customers and non-customers in the community. This herculean effort required the resources of more than 40 employees from planning and implementation to application review and uploading to the SBA portal. This task was especially challenging given the time constraints and the fact that 60% of the bank's personnel is working remotely. The team worked long hours and weekends to serve its community by processing PPP applications.
- e) The bank purchased Abrigo Sageworks software to streamline the underwriting process for PPP loans; this will enable the team to make decisions about PPP loans quickly and safely.
- f) A process is underway to quantify the number of jobs saved through PPP loans. This information will be provided in the July update.

- g) On March 20, 2020, the Grand Island Village branch provided an additional service to customers whereby they could receive a replacement debit card through the drive through; additional equipment was purchased to provide this service.
- h) VRB has waived \$2,372 in ATM fees since the COVID-19 crisis began on 2/15/20.
- i) CEO Geraud Smith and the bank's Directors' Loan Committee (DLC) Chairman Anthony Leggio meet telephonically no less than two times per week for a 60-90 minute meeting during which they review and approve every potential loan modification in detail prior to submitting it to the DLC for review and approval.
- j) The bank will participate in the Main Street New Loan Facility (MSLF). This program is intended to facilitate lending to small and medium-sized businesses in amounts of \$1 million to \$25 million. Participating lenders are required to retain 5% of the amount for this 4 year fixed unsecured term loan on their books; the Federal Reserve will purchase the remaining 95%. The amortization of the principal and interest on these MSLF loans is deferred for one year.
- k) The bank will participate in a matching funds program offered by the Federal Home Loan Bank of San Francisco. This program matches up to \$5,000 per donation made to organizations involved in direct relief efforts including rental and food assistance, wage support and childcare to affected members of the community.

Sincerely,

Stephen M. Annis, CRP
Executive Vice President
Chief Operating Officer

cc: Ms. Angela Uvidia, California Department of Business Oversight
Mr. Geraud Smith, President and CEO, Valley Republic Bank

Encl. Community Development goals and Lending goals