

July 16, 2021

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: Quarterly Status Report for the Community Reinvestment Act Performance Evaluation Conducted as of January 21, 2020.

Dear Ms. Moe:

Below please find Valley Republic Bank's quarterly status report regarding the Community Reinvestment Act Performance Evaluation issued pursuant to the on-site examination started on January 21, 2020. This report encompasses CRA activities for the period ending 6/30/21 unless otherwise noted.

I. Community Development Activities

A. FHLB San Francisco Programs
1. Matching donations program

Organization	VRB donation \$	Status of matching FHLB donation
JJ Legacy	\$3,000.00	matched by FHLB 6/04/21
Bags of Love Foundation	\$1,000.00	matched by FHLB 6/04/21
Girl Scouts of So Cal (earmarked)	\$500.00	submitted to FHLB but program funds exhausted
Boys & Girls Club of Kern Co	\$1,500.00	submitted to FHLB 4/09/21 but program funds exhausted
CASA (will be deposited week 4/12)	\$5,000.00	submitted to FHLB 4/19/21 but program funds exhausted
Cesar Chavez Foundation	\$2,500.00	submitted to FHLB 4/26/21 but program funds exhausted
The Mission at Kern County	\$2,500.00	submitted to Finance 5/3/21 but program funds exhausted
	\$16,000.00	
Balance to submit for max 25k matching	\$9,000.00	n/a; program funds exhausted

2. Access to Housing and Economic Assistance for Development (AHEAD) grant

- a. The bank submitted a \$50,000 FHLB AHEAD grant application on behalf of Mercy House Brundage Lane Navigation Center (Mercy House), a non-profit organization that serves the homeless community of Kern County. Since its inception in 1990, Mercy House has grown from a single transitional housing program that housed 10 homeless single men, to a complete system of care based on a blend of Housing First models. On an annual basis, their programs and services are provided to over 7,000 men, women, and children across seven counties and two states. If awarded, the grant will be used to establish a 14-week culinary training program that fully acclimates students to working in the restaurant industry. The grant will be used for curriculum materials, equipment, and Instructor fees. Students will have an immediate path to a food service career upon completing the course. After the first 18 months, the program is expected to provide a job in the restaurant industry to 50 currently homeless individuals. The project name is entitled “BLNC Culinary Training Program”.
- b. The bank submitted a \$25,000 FHLB AHEAD grant application on behalf of The Mission at Kern County- Homeless Intervention Services (HIS) Program which provides a safe and secure environment for homeless men in Kern County. If awarded, the grant will enable them to purchase a dedicated passenger van to transport guests to their job training facility. The project name is entitled “Help Put Homelessness in the Rearview Mirror”.

B. Affordable Housing Bond Purchase

On 5/20/21, the bank purchased a \$5.2 million Fannie Mae DUS bond for a low-income apartment complex in Bakersfield, CA. The complex has 240 units and is 99.17% occupied. Under the terms of the Regulatory Agreement with the California Tax Credit Allocation Committee (TCAC), the Subject property must restrict 100% of the units to tenants at 60% of AMI. The affordable housing requirement conditions remain in effect until 2029 for 50% of the units and until 2030 for the remaining 50% of the units.

C. CRA Partners Senior Housing Crime Prevention program

An LMI senior housing facility in Bakersfield has been identified by this organization as a CD affordable housing loan opportunity. As of 6/10/21, SVP Salomon continues to work closely with the program’s CEO and the VRB lending team to vet the program against the bank’s underwriting requirements. SVP Salomon anticipates being able to recommend a level of participation before 11/01/21.

D. 2021 CD YTD donations and CD Service hours

As of 6/15/21, the bank has made a total of 20 CRA qualified donations totaling \$48,450 to local organizations and \$2,750 in donations that are not CRA qualified. An additional \$22,750 in donations for 9 local non-profit organizations was approved by the CRA Committee at the 6/21/21 meeting. YTD, employees have reported 4 instances of qualifying CD community service totaling 18 hours.

II. Lending Activities

A. Paycheck Protection Program 1 and 2 (PPP1, PPP2) updates

As of 7/11/21, the bank funded 527 PPP2 loans totaling \$108.71 million. Of this, 335 PPP2 loans totaling \$96.24 million were provided to existing borrowers and 192 PPP2 loans totaling \$12.47 million were provided to new borrowers. These PPP2 funds helped to retain an estimated 11,286 jobs. During Round 1 of PPP, the bank processed 602 loan applications totaling \$219 million; these funds helped to retain an estimated 20,169 jobs. It is anticipated that all PPP1 forgiveness applications will be submitted to the Small Business Administration (SBA) by 6/30/21.

B. SBA 7A program

The CRA Committee and the bank's Executive team approved moving forward with an agreement with a Loan Servicing Provider (LSP). After vetting 3 LSPs, the chosen LSP did not meet the bank's data security requirements. The IT team is now conducting an audit to closely scrutinize their data security protocols. The audit is expected to be concluded by the end of July. The team anticipates being able to process SBA loans within 14 days of an executed LSP agreement.

C. Small business Lending hub

The bank's small business underwriting hub began on 6/01/21. As of 6/11/21, there were 9 small business lending opportunities for 6 businesses in the queue. The team anticipates that 5 of the 6 businesses will qualify as a small business loan to a business with \$1 million or less GAR. Four additional lending opportunities are expected to be processed before mid-July. COO Jasso is mapping out Lean processes designed to improve efficiency for the small business loan approval process; the process uses CASH doc and CASH workflow systems. PPP Specialists will be working on this program hand-in-hand with Small Business Lending Relationship Manager McCaslin.

D. California Small Business Loan Guarantee program

In December 2020, the bank partnered with Valley Small Business Development Corporation on the Small Business Loan Guarantee Program which provides term loans and lines of credit to small businesses and small farms. To date, there have been no opportunities to utilize this program.

E. LIHTC investment syndication opportunity

The bank is considering a participation in a LIHTC syndication. This syndicator is investing in a local 60-lot Low-income housing subdivision in a farming community in East Bakersfield. This investment would be considered a LIHTC investment and would qualify for CRA credit.

F. CDFI CD Investment for LMI mortgages

As reported in the Q3 2020 report, the bank invested \$2 million in the cumulative perpetual preferred stock of a Community Development Financial Institution (CDFI), Change Lending LLC (formerly Commerce Home Mortgage). As of 6/30/20, this CDFI provided mortgages to LMI individuals in 14 western states, 71% of which were to California LMI residents. Total CRA credit for LMI mortgage lending to LMI Borrowers and in LMI Census tracts was \$1.5 million in the 4th quarter of 2020 and \$1.9 million in the 1st quarter of 2021. The following table provides additional performance details about this investment for the periods ending 12/31/20 and 3/31/21.

CRA Criteria	Q4 2020	Q1 2021
# LMI mortgages originated inside AA to LMI Borrower	2	7
\$ LMI mortgages originated inside AA to LMI Borrower	\$ 550,466	\$ 1,351,700
# LMI mortgages originated inside AA to LMI CT	6	3
\$ LMI mortgages originated inside AA to LMI CT	\$ 1,028,351	\$ 567,627
# LMI mortgages originated outside AA, inside State, to LMI Borrower	42	28
\$ LMI mortgages originated outside AA, inside State, to LMI Borrower	\$ 12,785,265	\$ 6,845,365
# LMI mortgages originated outside AA, inside State, to LMI CT	52	15
\$ LMI mortgages originated outside AA, inside State, to LMI CT	\$ 14,486,378	\$ 4,986,520
Total LMI mortgages inside AA to either LMI Borrower or in LMI CT	\$ 1,578,817	\$ 1,919,327

G. Partnership with the City of Bakersfield: Economic Opportunity Area (EOA) Incentive Grant program

The team met with the City of Bakersfield’s Economic Development Principal Planner on 6/07/21 to discuss the City’s Economic Opportunity Area Incentive Grant program. This program was established 3 years ago but is not widely known. The program is designed to encourage growth and redevelopment in geographic areas that suffer from a lack of economic investment or revitalization. Because the program requires businesses to incur project expenses up front and wait for reimbursement, many businesses do not pursue this grant. A contract with the City is being developed to allow the bank to offer bridge loans to businesses that meet the program’s criteria; this partnership will promote local (re)development and program utilization.

H. Entrepreneur Backed Assets (EBA) Fund: small dollar loan CDFI purchases

On 6/01/21, the Lending subcommittee met with the Managing Director of EBA Fund to learn about their program. EBA Fund was designed to comply with official regulatory rules and guidance related to the CRA. The primary purpose of the fund is to promote economic development through direct investments in a CDFI. The Fund purchases small dollar retail loan participations from CDFIs and then sells the interest in these loans at the face value of the Note. The originating CDFI continues to service the loan for a small monthly fee. The bank is asked to pay a donation via a grant request that is donated to the original CDFI (75%) and EBA Fund (25%). The cost of the donation is between 20% and 30% of the transaction, depending on the transaction size. The Lending subcommittee anticipates being able to recommend a participation level to the CRA Committee based on YTD small business lending performance before 11/01/21.

III. CRA Meetings and Training

CRA Committee and Subcommittee meetings:

CRA Committee Meeting 1/21/21

CRA Committee Meeting 2/23/21

No CRA Committee Meeting in March due to FDIC CRA Visit

CRA Committee Meeting 4/20/21

No CRA Committee Meeting in May

CRA Committee Minutes 4/20/21

CD Subcommittee Minutes 4/28/21: Affordable Child Care for LMI Families

CD Subcommittee Minutes 4/29/21: Money Smart for Young People

Lending Subcommittee Minutes 5/05/21: FDIC webinar re: Central Valley access to small dollar loan credit

CRA Committee and Subcommittee meetings continued:

Lending Subcommittee Minutes 6/01/21: Entrepreneur Backed Assets (EBA) Fund

CD Subcommittee Minutes 6/07/21: Economic Opportunity Area grants from City of Bakersfield

CD Subcommittee Minutes 6/08/21: Money Smart for Adults

CRA content training and webinars:

CRA Officer Grochowski completed the American Bankers Association CRA for Compliance Professionals training on 6/04/21.

Annual VRB CRA Training for Employees and Directors is expected to begin no later than 8/30/21.

Sincerely,

Michele Jasso
Executive Vice President Chief Operating Officer

cc: Mr. Geraud Smith, President and CEO, Valley Republic Bank