

VALLEY REPUBLIC BANK



October 27, 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: Valley Republic Bank Community Reinvestment Act Progress Report through 9/30/21.

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 9/30/21 unless otherwise noted.

I. Community Development Activities

A. FHLB San Francisco Programs

- 1. Matching donations program-** no change since 6/15/2021 because program funds are 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.

VALLEY REPUBLIC BANK



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”. **Note: on 9/09/21, a grant in the amount of \$25,000 was awarded by the FHLB for this 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”. This program was not chosen for a 2021 grant.

B. 2021 Community Development (CD) donations and service hours

As illustrated in the table below, as of 9/30/21, the bank made a total of 59 CRA qualified donations totaling \$136,850 to Kern County organizations and \$15,350 in donations that are not CRA qualified; since then, an additional \$11,750 was approved by the CRA Committee, bringing the grand total of CRA qualified donations to \$152,200. On a year-to-date basis, employees have reported 7 instances of qualifying CD community service totaling 21 hours.

The bank has far surpassed its 2021 goal of \$56,500 in CRA qualified donations. This goal was determined by increasing total assets minus PPP assets year-over-year by 13%.

Community Development Grants and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
2021- Grants and Donations	1	5000	56	124,850	2	7000			59	136,850
***See below for the list of YTD approved donations (CRA & Not CRA Qualified) ***										
Community Development Services										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or		Totals	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
2021			7	21					7	21

II. Lending Activities

A. SBA 7A program

The CRA Committee and the bank’s Executive team approved moving forward with an agreement with a Loan Servicing Provider (LSP). It was agreed that this is on hold during the completion of the bank’s merger with Tri Counties Bank (TriCo); once the merger is complete, this service would not be needed.

B. Small business Lending hub

The bank’s small business underwriting hub began on 6/01/21. As of 10/15/21, there are 41 small business lending opportunities for 33 small businesses in the queue; 3 opportunities have been paused because the Borrower requested additional time to provide required documentation; 6 are expected to close before the end of October. commercial credit card account.



VALLEY REPUBLIC BANK

The team has provided \$263,000 to 6 local small businesses by booking 3 equipment loans and 2 operating lines of credit and opening a commercial credit card account.

C. 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. AVP McCaslin has facilitated the close of 3 State Guarantee loans deals and is working to close 2 more before the end of October; the total of these 5 deals is \$190,000. Another 7 deals totaling \$500,000 are being worked and are expected to close within the next 60 days.

D. 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. Total CRA credit for LMI mortgage lending to LMI Borrowers and in LMI Census tracts within the bank’s assessment area was \$1.5 million in the 4th quarter of 2020, \$1.9 million in the 1st quarter of 2021, and \$5.4 million in the 2nd quarter of 2021. As of 10/27/21, the Q3 2021 report was yet not available. The table below provides additional data:

Change Lending stats						
Qualifying Criteria	Q4 2020 by #	Q4 2020 by \$	Q1 2021 by #	Q1 2021 by \$	Q2 2021 by #	Q2 2021 by \$
LMI Borrower	2	\$ 550,466	7	\$ 1,351,700	13	\$ 2,699,724
LMI Census Tract	6	\$ 1,028,351	3	\$ 567,627	14	\$ 2,733,224

E. 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. 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. VRB and the City of Bakersfield continue to collaborate on a program contract; VRB is currently reviewing a draft version of the contract.

III. CRA Meetings and Training

CRA Committee and Subcommittee meetings:

CRA Committee Meeting 6/21/21

CRA Committee Meeting 8/25/21

CRA Committee Meeting 9/29/21

CD Subcommittee Meeting 10/06/21: the committee met with Dr. Ken Robinson to discuss his new non-profit program, Learns2Lead, which he is hoping to roll out in Kern County during the 1st quarter of 2022. The program provides financial education, career development and leadership skills to local youth ages 13 to 18.

VALLEY REPUBLIC BANK



Pending training

The CD and Lending Subcommittees have registered for the 10/28/21 FDIC webinar entitled Capital and Technical Assistance Strategies to Support Minority Small Businesses in the Central Valley.

CRA content training and webinars:

CRA Officer Grochowski conducted annual CRA training for VRB employees electronically in September. Employees were required to take a test to ensure comprehension. As of 10/27/21, 42% of all employees have returned the test; all employees scored either 90% or 100% on the test. Training for VRB Board Directors is expected to be completed before the end of the year.

Sincerely,

A handwritten signature in blue ink that reads "Michele Jasso". The signature is fluid and cursive, with a large loop at the end of the last name.

Michele Jasso

Executive Vice President Chief Operating Officer

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