



**CRA**  
**COMMUNITY BENEFIT**  
**3-YEAR PLAN**  
**2018-2020**

*“Motivating Sustainable Communities”*

## **I. Introduction and Executive Summary**

Annually, Pacific Western Bank (“PWB” or the “Bank”) establishes a Community Reinvestment Act (“CRA”) Community Benefit Plan (the “Plan”) that is a guide towards an overall “Outstanding” rating at the next FDIC CRA performance evaluation, currently expected to begin during the fourth quarter 2020. The goals in the Plan build upon identified credit needs and the Bank’s earlier efforts aimed at reaching this desired rating. This year’s Plan continues to reflect the Bank’s commitment and determination to meet the credit needs of low- and moderate-income communities, including those of small businesses and community development organizations.

This Plan outlines the Bank’s CRA goals and strategies for the three-year period ending December 2020. It is a forward-looking, living document updated at least annually based on community feedback, changes within the Bank, and economic changes identified in its communities.

The Bank’s commitment to the goals herein reflect qualifying CRA-related statewide activities in California and North Carolina based on assumptions related to capital and operational capacities. The goals express the aspirations with respect to each community the Bank currently serves. The Plan aligns with the Bank’s business strategy, its operational focus, capacity and constraints.

Over the next three years, PWB’s goal is to achieve the following:

- \$1.2 billion in small business loans of \$1 million or less;
- \$1.7 billion in qualified community development loans;
- \$389 million in outstanding community development investments;
- \$9.9 million in charitable contributions.

Pacific Western Bank is proud to invest in the communities where it conducts business. Contributing to the economic vitality of its communities has a positive and measurable effect on the growth and prosperity of those communities, and more importantly - it makes good business sense.

### **Credit Needs Assessment**

In preparation for this Plan, a credit needs assessment was completed that identified specific needs for credit products and services. The 2017 Credit Needs Assessment includes input from thirty-five community organizations representing all PWB communities, including North Carolina. The Bank expects to address each of the urgent needs identified through collaboration with its community partners that will result in donations, investments or community development loans. The credit needs assessment determined that the Bank’s Small Business Credit Line products have been effective and will continue to play a vital role in addressing the critical need for loans to small business owners. Further, the Bank will establish partnerships with other financial institutions and community organizations to ensure all credit and financial service needs that were identified are addressed. The top four credit needs identified were: 1) Investment dollars to support community organizations that provide services to LMI communities; 2) Credit products to support small unit

affordable rental housing; 3) Special savings deposit products for LMI individuals and families to grow their savings for special needs; and 4) Credit products to support small business development.

## **II. Plan Overview by Activity**

### **Small Business Lending**

As a commercial bank, PWB's CRA activities will remain highly focused on small business lending. To achieve established goals, the Bank will aspire to remain a leader in California small business lending and open new lending relationships in North Carolina. In particular, the Bank aspires to focus on smaller dollar loans by setting the following goals:

- At least 60% of total number of small business loans originated will have a value of \$100,000 or less.
- A minimum of 50% of the total number of small business loans originated will go to businesses with gross annual revenues of \$1 million or less.
- At least 10% of the total number of small business loans originated annually will be made to businesses located in high minority census tracts.
- A minimum of 25% of the total number of small business loans originated annually will be made to businesses located in low- and moderate-income census tracts.

Focused on establishing long-lasting relationships with its customer base, the Bank will continue its discussions with local CDFIs, small business technical assistance providers and other community development lenders to ensure near-bankable quality businesses have access to alternative sources of capital.

The Bank will continue to deliver to the market a flexible, line of credit product designed specifically for businesses with gross annual revenues of \$1 million or less. In addition, before January 2020, the Bank will support one or more California Small Business Loan Guarantee programs. PWB will continue to support small business technical assistance provided by nonprofit and faith-based providers that help to improve and enhance access to capital.

### **Commitment Community Development Lending**

PWB is a recognized leader in community development lending. The Bank's success in this area of lending will continue to be highly focused on affordable housing, economic development and community service initiatives. Affordable housing is an important element of PWB's community reinvestment strategies and will continue to look for partnership opportunities with non-profit and for-profit developers to finance the development of affordable housing for LMI homebuyers and renters. The Bank directly supports community organizations dedicated to addressing the critical need for homeless and temporary shelters to house our most vulnerable populations. To further this work, the Bank commits to the following:

- The Bank will finance or invest in an amount equal to at least 1% of its total California deposits to support the development and retention of affordable multi-family rental housing units, and whenever possible to access and make available to developers the Federal Home Loan Bank’s Affordable Housing Program.
- The Bank will make direct investments in loan funds designed to address economic development and other self-sustaining initiatives within the Bank’s assessment area.
- The Bank will support first-time homebuyers by providing access to the Federal Home Loan Bank’s Workforce Initiative Subsidy for Homeownership program.

## Community Development Investments

PWB has an excellent record of investing and making charitable contributions in support of worthy community development initiatives. The Bank is committed to continue this tradition in the following manner:

### ○ *Annual Investments*

The Bank is committed to invest annually at the rate of 0.25% of total California deposits for community development initiatives. These initiatives include affordable housing, small business development, and self-sustaining programs that improve the lives of low- and moderate-income individuals.

### ○ *Charitable Contributions*

From 2015 through 2017 the Bank funded \$7.5 million in charitable contributions with 82% supporting qualified community development initiatives. The Bank is **committing to increase** its charitable contributions program by setting aside \$9.9 million in support of affordable housing, economic development and other initiatives that promote the health and welfare of low- and moderate-income populations, including initiatives that combat and prevent homelessness. Annually, between 2018 and 2020, the Bank will fund \$3.3 million in support of worthy qualified community organizations. Included in this total, at least \$300,000 will be set aside annually for small business lending loan loss reserves, technical assistance and to support community initiatives addressing the credit needs identified.

### *More than 80% of Charitable Dollars for Key Target Areas*

The Bank’s charitable contribution program will have as its primary focus community development. Each year, at least 80% of the dollar amount of contributions will support affordable housing, economic development, and financial education. These funds will also support community development services, which include non-profit capacity building.

## Access to Banking Services

The Bank will offer surcharge-free ATM services as a participant in the MoneyPass® network that does not assess surcharges to recipients of California public assistance. As a commercial financial institution, the Bank will explore the need to enhance existing business deposit products in response to the deposit needs of the small business community.

## Supplier Diversity

The Bank's Supplier Diversity Program for non-bank infrastructure products and services includes vendors that are locally based or owned by members of communities that have historically been underserved. The Bank will seek bids from certified Diverse Suppliers whose business models are aligned with the Bank's business strategies. For contracts over \$250,000 at least one bid will be from a Diverse Supplier. In the event a competitive bid cannot be obtained from a Diverse Supplier, efforts will be documented. To support all of the aforementioned efforts, effective January 1, 2018 the Bank hired a Diversity & Inclusion Officer and a vendor consultant.

## Annual Open Community Meetings

The Bank is committed to hosting at least one annual meeting with various CDFIs and other community groups. A primary purpose of the meeting will be to review, evaluate and discuss strategies to address the credit needs of our local communities.

## III. Detailed Review of Goals and Commitments

| Small Business Loan Originations (Loan Amount ≤ \$1Million) |              |                    |              |                    |              |                    |
|-------------------------------------------------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|
|                                                             | 2018         |                    | 2019         |                    | 2020         |                    |
|                                                             | #            | \$                 | #            | \$                 | #            | \$                 |
| California                                                  | 1,978        | 353,000,000        | 2,116        | 378,000,000        | 2,264        | 404,000,000        |
| North Carolina                                              | 45           | 10,000,000         | 65           | 12,000,000         | 90           | 15,000,000         |
| <b>TOTAL</b>                                                | <b>2,023</b> | <b>363,000,000</b> | <b>2,181</b> | <b>390,000,000</b> | <b>2,354</b> | <b>419,000,000</b> |

- Increase annually the number and dollar amount of loan originations.
- Business Credit Line and Small Business Credit Line products (loans \$100,000 or less) make up majority of lending.
- Continue to work with community partners in support of small business referral programs.
- Achieve at least 50 % of the total number of small business loans to businesses with GAR ≤ \$1mm.
- Achieve at least 25% of the total number of small business loans to businesses using proceeds in LMI census tracts.

| <b>Community Development Loans</b> |                    |                    |                    |
|------------------------------------|--------------------|--------------------|--------------------|
|                                    | <b>2018</b>        | <b>2019</b>        | <b>2020</b>        |
|                                    | <b>\$</b>          | <b>\$</b>          | <b>\$</b>          |
| California                         | 490,000,000        | 539,000,000        | 588,000,000        |
| North Carolina                     | 10,000,000         | 11,000,000         | 12,000,000         |
| <b>TOTAL</b>                       | <b>500,000,000</b> | <b>550,000,000</b> | <b>600,000,000</b> |

- Originate \$1.650 billion in community development loans.
- Dollar volume supports above average lending performance.
- Reflects increased volume anticipated from Multi-family Lending and Tax Exempt Bond Financing Units.
- Anticipates an aggressive pursuit of Community Development Loans in all assessment areas.

| <b>Community Development Investments</b> |                    |                               |                    |                               |                    |                               |
|------------------------------------------|--------------------|-------------------------------|--------------------|-------------------------------|--------------------|-------------------------------|
|                                          | <b>2018</b>        |                               | <b>2019</b>        |                               | <b>2020</b>        |                               |
|                                          | <b>Donations</b>   | <b>Equity and Other Types</b> | <b>Donations</b>   | <b>Equity and Other Types</b> | <b>Donations</b>   | <b>Equity and Other Types</b> |
| California                               | \$2,550,000        | \$ 106,000,000                | \$2,550,000        | \$116,000,000                 | \$2,550,000        | \$128,000,000                 |
| North Carolina                           | \$750,000          | \$ 12,000,000                 | \$750,000          | \$ 13,000,000                 | \$750,000          | \$ 14,000,000                 |
| <b>TOTAL</b>                             | <b>\$3,300,000</b> | <b>\$118,000,000</b>          | <b>\$3,300,000</b> | <b>\$129,000,000</b>          | <b>\$3,300,000</b> | <b>\$142,000,000</b>          |

- Invest \$389 million in qualified community development initiatives.
- Make available \$9.9 million for charitable contributions to support community development organizations with a mission to positively impact LMI communities.
- Supports a balanced investment record over time to achieve a high level of performance.

| <b>Community Development Services</b> |                             |                             |                             |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                       | <b>2018 Volunteer Hours</b> | <b>2019 Volunteer Hours</b> | <b>2020 Volunteer Hours</b> |
| California                            | 3,400                       | 3,600                       | 3,600                       |
| North Carolina                        | 200                         | 200                         | 200                         |
| <b>TOTAL</b>                          | <b>3,600</b>                | <b>3,800</b>                | <b>3,800</b>                |

- Includes an increase in the number of employees providing community development services.
- Reflects higher level of performance than earlier Plans.
- Continues to focus on increasing financial education activity and the measurement of community impact.

## **IV. Conclusion**

This Plan expresses Pacific Western Bank’s commitment to achieve community development goals with respect to the communities it serves. It is an internal document subject to change at the discretion of the Bank. This Plan fosters transparency and will be available to the public. It offers communities served by the Bank with tangible and measurable benefits meaningful to small businesses, consumers, nonprofit and for-profit community-based organizations, and others involved in furthering community and economic development initiatives.