



CaliforniaBanker

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Association Update



» We are grateful for your trust, membership, and support, and look forward to seeing you at an upcoming event. »

The California Bankers Association has for many years offered several scholarship opportunities to any full-time employee of a CBA-member bank who is employed in California to pursue their professional goals. This Spring we had the opportunity to award 10 scholarships to bankers throughout the Golden State. It's a program we are very proud of, and we look forward to seeing the scholarship winners grow professionally and accomplish great things for their banks and the industry.

Advocacy

The California Legislature recently reconvened following their Spring Recess. The Assembly and Senate are working through hundreds of measures before the June 2nd house-of-origin policy deadlines. To date, several

measures of concern were shelved as a result of the team's efforts. Although measures of concern remain, the government relations team continues to work closely with legislators and sponsors on those bills. In addition, the team is monitoring the annual budget process. The State's 2023-2024 budget must be finalized and approved by June 15, 2023.

Women in Banking Forum

In March we hosted the virtual Women in Banking Forum. Nearly 250 women in banking joined us for the event, which included presentations from Anita Robinson, former bank CEO and founder of the Women in Banking Forum, and Virginia Varela, President, Head of Community Banking at SoFi Bank, N.A. who shared their experiences in the industry. In addition, we were



pleased to hear from California Assembly Member Cottie Petrie-Norris, managing partner of Chrisman & Company (an executive search firm) Michele Gil, senior vice president and director of human resources at Citizens Business Bank Joyce Kwon, as well as our very own Melody Cuevas who interviewed Erica Lucia, District Director for California State Senator John Newman on the importance of engaging with local elected officials.

Inspired by the presentations from the Women in Banking Forum, a group of attendees created a book club to support the networking, growth, and development of women bankers across a variety of institutions. We are looking forward to the first book in May and planning a series of regional networking events throughout the year.

2023 CBA Compensation & Benefits Benchmark Survey

We hope that you will consider participating in the annual CBA Compensation & Benefits Benchmark Survey conducted by Pearl Meyer. This important tool provides compensation comparisons to the prior year for 200 job titles ranging from entry-level to senior executive positions. The survey also includes comprehensive salary, incentive, and commission-compensation data, as well as human resources and benefits best practices. To participate in the survey, please reach out to Rhonda Snyder at rhonda.snyder@pearlmeier.com.

We are grateful for your trust, membership, and support, and look forward to seeing you at an upcoming event. >>



Silicon Valley Bank's Failure and What Happens Next

By Kevin Gould, EVP, Director of Government Relations, California Bankers Association

When we started this legislative year, we anticipated that much of our time would be focused on public policy debates surrounding environmental, social and governance issues, such as climate-related financial risk disclosures and the financing of fossil fuel companies or gun manufacturers, a debate that is diametrically different depending on whether you find yourselves in a red or blue state. And then Silicon Valley Bank (SVB) failed.

What has been widely reported is that the bank had significant uninsured deposits and a high concentration of tech and venture capital firms as depositors. The tech industry's recent economic challenges resulting in higher than usual withdrawals to fund operations caused the bank to sell high-quality liquid securities from their investment portfolio at a loss. The combination of certain bank customers urging their clients to withdraw funds, the ability to move money rapidly electronically, and panic fueled by social media resulted in a historic \$42 billion in withdrawals from the bank in one single day.

While failures are never ideal, regulators have tools in place to resolve a failed bank. The Friday morning seizure of SVB and the FDIC's opening of a bridge bank with all the functionality of a traditional bank on the following Monday morning is evidence of the systems in place and the expertise and experience of banking regulators.

Formal analyses on what happened are underway with a report by the Federal Reserve Board due on May 1, and a Congressionally requested report by the Government Ac-

countability Office due in interim format on April 28. In the meantime, many within and outside the banking industry are scratching their heads and are similarly eager to see the reports. Interest rate risk, concentration risk, and liquidity risk are hardly new concepts and are in fact fundamental. The practice of shocking the balance sheet, understanding the timing of when assets and liabilities are re-pricing, and having a grasp on asset or liability sensitivity is common.

Since the Friday morning when SVB failed, the Association has been actively engaged. We opened lines of communication immediately and checked in frequently with state and federal lawmakers and regulators. Coincidentally, we had a visit to Washington, D.C., a week later with our peers from the other state bankers associations. This was a previously planned conference convened by the American Bankers Association. The conference provided an opportunity to hear from key decision-makers, including Treasury Secretary Yellen and the chairs and ranking members of the Congressional banking committees. CBA staff and bankers in attendance, led by Association Chair George Leis, also had the opportunity to meet with members of the California Congressional delegation, including those who serve on the House Financial Services Committee.

When meeting with elected officials, we took the opportunity to address the situation head on and underscored the strength and resiliency of the banking industry. It was important that we be present, that we share factual information and refrain from speculation. We urged that policymakers gather and analyze the facts before proposing solutions, a message that seemed to resonate.

Congressional hearings on SVB commenced the last week of March with back-to-back hearings in the Senate Banking Committee and the House Financial Services Committee. These first two hearings included testimony from Michael Barr at the Federal Reserve, Martin Gruenberg at the FDIC, and Nellie Liang at Treasury. This was the first in what will be a series of hearings. Stateside, the California Legislature will likely convene hearings as well, with the Assembly Banking and Finance Committee planning to hold a hearing on Monday, April 10.

No matter how robust the supervisory infrastructure is, or the adequacy of current state and federal laws, it is expected that we will see calls

for new regulation and legislation. The association is prepared to engage with stakeholders for what we hope will be a thoughtful conversation. It's our hope that the reaction will be tailored and focused on potential gaps and that an overreaction be avoided. Some policymakers have a particular agenda that predates the failure of SVB. Unfortunately, the bank's failure will feed their narrative even if the facts don't.

As we have always done, we will look forward to sitting at the table with policymakers to discuss solutions that avoid taking a sledgehammer to the industry where a surgical approach is more sophisticated and appropriate. The banking industry remains strong and re-

silient. And, despite what happened with SVB, the banking industry will continue to play a vital role in supporting communities and the overall economy. >>



Kevin Gould is the Executive Vice President and Director of Government Relations for the California Bankers Association. He joined the CBA in 2004, bringing with him more than seven years

of legislative experience. In his role, he oversees the management and operation of CBA's state and federal government relations department and serves as one of CBA's three registered lobbyists. Gould's advocacy responsibilities and issues focus mainly in the areas of bank operations, commercial lending, and wealth management issues. You can reach him at kgould@calbankers.com.



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Senate Bill Creates New Civil Liability for Banks

By Jason Lane, Vice President and Deputy Director of Government Relations, California Bankers Association

Purported to strengthen elder and dependent adult financial abuse protections by clarifying the duties of banks and financial institutions to safeguard against fraud, SB 278 was introduced earlier this year by Senator Dodd (SD 3). The measure is sponsored by the Consumer Attorneys of California, a group representing trial attorneys who have filed numerous lawsuits against banks for “assisting” in elder financial abuse. In his press release introducing the measure, Dodd, who represents parts of Sacramento, Solano,

Yolo, and Napa counties, stated that “banks must do a better job of preventing the most vulnerable Californians from getting ripped off. This bill clarifies that if these institutions assist in financial elder abuse – either knowingly or otherwise – they can be held liable. It will motivate them to detect predatory practices before victims are robbed of their resources, dignity and quality of life – losses from which they may never recover.”

A coalition of organizations in opposition to this measure, led by the

California Bankers Association, strongly disagrees with the notion that SB 278 is a mere clarification of existing law. This measure fundamentally changes the way businesses engage in commerce with seniors by establishing a de facto fiduciary or conservator relationship. It requires insurance providers, caregivers, technology service providers, real estate agents, banks, and credit unions to question their senior customers’ financial decisions and reject those decisions when they find them unwise. The problem, of course, is that



» **Financial institutions will be forced to make very conservative decisions about transactions initiated by seniors and this may lead to processing delays that will impair anything from the most routine transactions to time-sensitive wire transfers.** »

these businesses are ill-equipped to second-guess their customers' decision. Financial institutions, for example, will be forced to make very conservative decisions about transactions initiated by seniors and this may lead to processing delays that will impair anything from the most routine transactions to time-sensitive wire transfers. Because the measure imposes the same civil liability on banks as the actual perpetrator of the crime, banks will be forced to apply enhanced scrutiny of transactions.

The measure also raises several questions about how financial institutions could even operationalize the measure's requirements. There are numerous situations where a financial institution could not identify fraud. A senior could transfer money to an exploiter using online financial services. In this scenario, the mere fact that an institution provided the online financial platform could expose them to civil liability under this measure. Similarly, if a senior provided credential information and the exploiter uses the senior's own device, a financial institution would have no way to detect that fact and could be deemed to have assisted.

While the proponents of this measure contend that it helps seniors, we believe it is discriminating because it is based on the premise that, as a class, people 65 and older are not as

capable of making wise financial decisions as other customers. It forces financial institutions to treat seniors differently and requires a heightened scrutiny on their financial decisions—all so that trial attorneys can sue banks and exhort settlements from them under the guise of consumer protection. »



Jason Lane is vice president and deputy director of government relations for the California Bankers Association and manages California state tax policy for the association, which involves analyzing legisla-

tion and regulatory activity, and the development of policy positions for the association. Lane is one of three lobbyists at CBA and, in addition to his primary focus on taxation, he also lobbies on behalf of the association on issues related to the state budget, and consumer lending legislation.



Position Your Value without Selling

By Tony Cole, Co-founder of Anthony Cole Training Group

Usually, selling their value puts salespeople in all industries, services and products in the old approach of selling features and benefits instead of trying to find out what will motivate a buyer to buy, make a change or add a new service.

Here's an example of what selling value often sounds like:

A prospect says something like, "Why should I do business with your bank?"

The lender says, "Well, because we bring a value-added approach to our relationships. We do more than just get you great rates on your loans and deposits. We approach your business from a trusted advisor approach. We work hard to understand what your overall objectives are, and then search to find solutions to help you achieve those objectives. Our staff focuses specifically on your business segment. We have a

combined 135 years of experience. Our bank has the biggest market share in the area, and our branches are conveniently located throughout your footprint. We have extended hours of operation, and our online banking deliverable is second to none. If you're looking to work with a bank that can do those things, has that kind of focus, I'd like to show you how we can help you and your business grow and prosper."

That is still a sales pitch.

A better, more effective approach is to uncover what the prospect values. The only way to do that is to change the dialogue in the very beginning of the relationship and make sure the focus is entirely on what the client needs and wants and requires to meet their objectives. To accomplish this, your bank and bankers must understand the following principle: the quality of the phone call will determine the quality of the appointment.

To have a high-quality appointment, lenders should focus on several things before setting up a meeting with a prospect.

1. On the phone call, they must determine the prospect's role in any decision-making.
2. They must uncover some level of motivation to make a purchase or change, or add a new relationship.
3. They must ask if the problem or the opportunity is a must-fix or want-to-fix.
4. They should get invited to meet to discuss the item further.

Failure to do those four things on the phone often leads to a failure to uncover what the prospect values, and it forces a banker into selling mode.

From a sales strategy perspective, positioning your value requires a great Value Proposition but also the supporting Will to Sell, Sales DNA and Sales Competencies. Using data from our many community bank clients, this is what we know about the top 10 percent of bankers:

- 69 percent are more committed to succeed in selling – willing to do everything possible to succeed (assuming legal, ethical and moral standards).
- 41 percent are more comfortable discussing money issues.
- 46 percent are better at qualifying prospects.
- 50 percent are better at asking questions.
- 100 percent are better at getting introductions to new prospects.

- 75 percent are better at getting a real budget.
- 44 percent are better at positioning their bank's value proposition.
- 80 percent are better at protecting margins (selling value not price).

Top salespeople understand the value of sharing stories about how they help other clients, using analogies and proof of concept examples. They pre-call plan and prepare. They post-call debrief to make sure they covered all the steps in their sales approach. They ask the right questions, the right way at the right time and if they find that they missed a question, they do not hesitate to re-engage with the prospect to gain closure on open items.

Very few if any financial firms have a strategy to be the low-cost provider or compete with a commodity go-to market strategy. Most banks are talking about how they value their customers, their competitive rates,

how their people go out of their way to make sure clients are 100 percent satisfied, how their people are well trained and ready to serve, and that their product offerings are top shelf, best in class and guaranteed.

If everyone in your market is selling their value in that fashion, how do you differentiate yourself? Find out and focus on what the prospect values. Become very skilled at asking questions, listening to learn, probing further and understanding what is on the mind of your prospect, even if it has nothing to do with your product or service.

Don't just offer a solution, ask the questions that will lead the prospect to self-discover that they need a new or different approach. When that occurs, it is time to show them how you can help them and the value of working with you and your bank. >>

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NOTICE OF LOAN DEFAULT

Caution to Lenders – New Pitfalls to Imposing Default Interest and Late Fees on Defaulted Loans

By Nicolette A. Cohen¹, Associate, Buchalter's Commercial Finance Group

On Sept. 29, 2022, the California Court of Appeal First Appellate District, in *Honchariw v. FJM Private Mortgage Fund, LLC*, held a private lender's imposition of late charges and default interest constituted an unlawful penalty in contravention of the public policy set forth in California Civil Code Section 1671, reversing the trial court's finding. The California Supreme Court denied review, leaving the appellate decision in place as the current law in California.

In 2018 Nicholas and Sharon Honchariw obtained a \$5.6 million bridge loan with FJM Private Mortgage Fund, LLC, a private lender, secured by a first deed of trust on commercial real property. On Sept. 1, 2019, the

Honchariws defaulted under the loan by missing their monthly payment in the amount of \$39,667. The default triggered an automatic imposition of (1) a one-time late payment fee (\$3,967), which was 10 percent of the missed monthly payment, and (2) default interest of 9.99 percent per annum over the note rate, charged against the unpaid loan balance (collectively, the "Late Fee Provisions").

The Honchariws filed a demand for arbitration alleging, among other things, that the Late Fee Provisions were an unlawful penalty in violation of Section 1671 of the California Civil Code. FJM Private Mortgage Fund, LLC, prevailed in the arbitration. The Honchariws then filed a petition to vacate the arbitration award on the basis

¹ Special thanks to Robert Willner and Robert S. McWhorter for their assistance with this article.



In a loan transaction governed by California law, a lender must be prepared to show that default interest bears a reasonable relationship to the lender's actual damages, and cannot be used to coerce payment.

that the arbitrator exceeded their authority by denying, in part, the violation of Section 1671. The trial court denied the petition, finding that the Honchariws failed to meet their burden of proof to show that the default interest under FJM's loan was an illegal penalty. The Honchariws appealed.

Section 1671 of the California Civil Code provides, in part, that a liquidated damages provision under a *non-consumer* contract is presumed valid. Notwithstanding that presumption, the Court of Appeal in the Honchariw case concluded that

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a liquidated damages provision in a non-consumer contract must bear a “reasonable relationship” to the actual damages that the parties anticipate would flow from a breach under the agreement. The Court’s reasoning relied on a prior case, *Garrett v Coast & Southern Fed. Sav. & Loan Assn*, 9 Cal. 3d 731 (1973), wherein the imposition of a late fee provision that increased the interest rate on the entire unmaturing loan was held to be unenforceable as an attempt by the creditor to coerce timely payments by a forfeiture, which was not reasonably calculated to merely compensate the injured lender.

The Court of Appeal in *Honchariw* focused on the imposition of default interest on the unpaid balance of the entire loan and held that the increased interest rate on the unpaid balance of the loan did not bear a reasonable relationship to FJM’s actual damages. Therefore, under the Court’s reasoning, it constituted an unlawful penalty and was thus unenforceable.² To add insult to injury, the Court awarded the *Honchariw*’s their legal fees on appeal.

The Court did not address how a lender can prove its actual damages in order to satisfy the requirement that its default interest bears a reasonable relationship to the lender’s actual damages. The most significant damages would likely be in the form

of the increased credit risk resulting from the defaulted loan. But these damages may be hard to quantify. A lender might be able to support its damages claim with evidence of the cost of sending a notice of default, assigning a loan to special assets, increased monitoring of the loan, etc. But this may be burdensome to calculate and might turn out to be far less than the default interest. The facts of each situation will likely be different.

The holding in the *Honchariw* case left many questions unanswered. Would a contractually agreed increased interest rate (e.g., under a forbearance agreement) pass muster? Can a lender legally impose default interest when multiple covenant defaults (but no payment defaults) exist? The Court provided no guidance.

What is clear under the *Honchariw* case is that, in a loan transaction governed by California law, a lender must be prepared to show that default interest bears a reasonable relationship to the lender’s actual damages, and cannot be used to coerce payment.

Finally, there are good reasons to believe the *Honchariw* case was wrongly decided and will in time be overruled. It is based on the *Garrett* decision cited above that predated the Legislature’s 1978 amendments to Civil Code section 1671, which changed the presumptions concern-

ing liquidated damages.³ Late payment fees and default interest provisions are found in virtually every commercial note and loan agreement. Many lenders will be surprised to learn that default interest as a tool for dealing with a troubled loan has been removed from their “troubled loan tool box.”

Without the ability to charge default interest to compensate for the increased credit risk, lenders may forego loan workouts in favor of acceleration and foreclosure. For this reason some lenders may be tempted to charge default interest despite the *Honchariw* case in the hopes that, if challenged, another Court of Appeal will rule in their favor⁴ and/or attempt to thread the needle with their situation and hope that their facts sufficiently distinguish their situation from those in the *Honchariw* case. Any lender considering that strategy should first consult with experienced counsel and be prepared for possible adverse legal consequences. After all, *Honchariw*, regardless that it may have been wrongly decided, is for the time being, the current law in California. >>



Nicolette A. Cohen is an associate in the Los Angeles office of Buchalter’s Commercial Finance Group.

² The court in *Honchariw* did not distinguish between the one-time 10% late fee charge on the missed payment and the imposition of default interest on the unpaid balance of the loan when making its determination that the Late Fee Provisions were unenforceable.

³ On December 9, 2022 Buchalter, representing the California Bankers Association as amicus curiae, submitted a letter to the California Supreme Court in support of review of the *Honchariw* case, or in the alternative, request for depublication.

⁴ Trial courts in California will be bound by the *Honchariw* case.

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A conversation with James Beckwith

By Julia A. Gutierrez

With nearly 30 years of experience, James serves as President and Chief Executive Officer and is a member of our board of directors of Five Star Bank. James joined Five Star Bank in 2003. He is deeply connected to the Sacramento community and has chaired several community-based organizations including the Sacramento Metro Chamber of Commerce, Valley Vision and KVIE (the local PBS affiliate). James is the immediate past Chair of California Bankers Association. He is a Private Sector Director with Greater Sacramento Economic Council and a member of the Sacramento State University College of Business Advisory Council. James previously served as Chief Financial Officer and Chief Operating Officer at National Bank of the Redwoods in Santa Rosa, California. He graduated from San Francisco State University with a Bachelor of Science in Business Administration with a concentration in Accounting. He is also a graduate of Pacific Coast Banking School at the University of Washington where he was class president. In 2020, James was recognized by the Sacramento Metro Chamber of Commerce as the Businessman of the Year and he was named among the Most Admired CEO's of 2020 by the Sacramento Business Journal. He was also recognized with a Vistage Leadership Award in 2021 and is the 2022 UCP Humanitarian of the Year.

The banking industry is changing quickly. What will the banking landscape look like in the next 5-10 years?

I expect the banking landscape to look a lot differently in the next five to 10 years as con-

solidation makes an impact. Fintech continues to grow and digital platforms will continue to be omnipresent.

How have fintechs impacted the banking industry and your bank?

In our experience at Five Star Bank, fintechs have had a positive impact on the banking industry and on our bank in particular. We have partnered with several fintechs and leveraged the built-in efficiencies they provide which has helped us better serve our customers.

Five Star Bank has an exceptional leadership development program. Why is that important?

We believe in mentoring the next generation of leaders and creating a deep bench of talent. This ensures the longevity of our organization and the continuation of the high-touch, relationship-based service expected by our customers and community. Five Star Bank is a community partner and customer advocate and we want to be there for our customers for many years to come. Having a succession plan focused on culture and talent are critical to our continued success.

What are the challenges in the industry that are of most concern to you?

The recent volatility in the banking industry has revealed the unlevel playing field that exists. Recently, it has been more evident than ever that big banks are treated differently. This is challenging to all of us in community banking.

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What sets Five Star Bank apart from its competitors?

At Five Star Bank, we believe in serving our customers and colleagues with a high level of speed and a certainty of execution. We are extremely fast when responding to customer needs and market demands and we are experts in our craft. This leads to trust, brand equity and respect. We place heavy emphasis on the customer experience and our approach to business banking is a welcomed differentiator. Our customers have direct access to us at all times and know when they pick-up the phone, they will immediately be connected with a team of dedicated professionals who know them and care deeply about their success.

Finding and retaining talent can be a challenge.

How do you keep your team engaged?

We have an excellent and growing engagement strategy at Five Star Bank, which begins with immersing new hires in our corporate culture and ensuring they have the training, education and guidance they need to be successful. We also have a robust communications strategy which includes company-wide zooms, fireside chats, CEO com-

munications, monthly marketing recaps and expressions of appreciation.

We enjoy ensuring our employees have the opportunity to make an impact in their community, from volunteerism to board participation. All of our employees are brand advocates and represent us at numerous events throughout the year. We also have health and wellness initiatives. In 2023, we created a running/walking team and our employees have won awards at local running races. This year, almost 10 percent of our workforce completes their first half-marathon. These efforts help us find, retain and nurture Five Star Bank's talented workforce.

Is there anything else you want to share about Five Star Bank?

We are optimistic about the future and the continued growth of Five Star Bank. In March 2023, we were very pleased to have earned the No. 1 ranking on the S&P Global Market Intelligence annual rankings of 2022's best-performing community banks in the nation with assets between \$3 billion and \$10 billion! >>

WASHINGTON, D.C., VISIT

MARCH 2023



Q&A



ASK THE COMPLIANCE GURU

Q: If we cancel a customer's debit card do we have to notify them?

A: Per Reg E commentary, the cancellation of an access device is a change that does not require disclosure. <https://www.consumerfinance.gov/rules-policy/regulations/1005/interp-8/#8-a-Interp-2> The only prohibition/requirement would come from the account agreement so you'll have to confirm with the agreement before proceeding.

Q: We sent a notice of incompleteness to a customer and one of the items they needed more time to get this information. Is it permissible to provide another notice of incompleteness ("NOI") to extend the current NOI deadline for a later date?

A: Yes, that is permissible. There is no restriction in Regulation B against extending the time period and sending a second NOI. <https://www.consumerfinance.gov/rules-policy/regulations/1002/9/#c-2> If an applicant has not responded to the NOI by the time of its expiration then you have no further obligation under Regulation B but you could choose to extend this period and grant the applicant more time to supply your requested information.

Q: When purchasing a loan, do we need to collect a beneficial ownership form? If so, will collecting after the loan is purchased acceptable?

A: IP guidance suggests that for purchased loans banks are required to ensure that the institution or broker that originated the loan complied with the applicable CIP requirements but the bank does not necessarily need to perform this themselves after the purchase has been completed:

"2. Are loan participations purchased from third parties and loans purchased from a car dealer or mortgage broker within the exclusion from the definition of "account" for loans acquired through an acquisition, merger, purchase of assets, or assumption of liabilities? Yes, this exclusion is intended to cover loan participations purchased from third parties and loans purchased from a car dealer or mortgage broker. If, however, the bank is extending credit to the borrower using a car dealer or mortgage broker as its agent, then it must ensure that the dealer or broker is performing the bank's CIP..."

FAQ #2 CIP Final Rule: <https://www.fincen.gov/sites/default/files/guidance/finalciprule.pdf>

Thus, subject to any internal guidelines providing otherwise, these will often be subject to the exclusion above. As always, to avoid implicating any UDAAP/UDAP and/or fair lending considerations, the bank will want to ensure that it is treating similarly situated borrowers consistently, across the board in performing CIP/beneficial ownership on these purchased loans.

Q: Can a single loan be reported on both the HMDA and CRA LAR in a given year?

A: It depends. Generally, loans cannot be double counted for HMDA and CRA purposes. However, multifamily affordable housing loans may be reported both under HMDA as home mortgage loans and as Community Development loans. Also, the refinance of a loan to a business where a residence is taken as collateral could be reported both under HMDA and as a Small Business or Small Farm loan.

References:

“Except for multifamily affordable housing loans, which may be reported by retail institutions both under HMDA as home mortgage loans and as community development loans, in order to avoid double counting, retail institutions must report loans that meet the definition of “home mortgage loan,” “small business loan,” or “small farm loan” only in those respective categories even if they also meet the definition of “community development loan.””

https://www.ffiec.gov/cra/pdf/2015_CRA_Guide.pdf

“If an institution is not a wholesale or limited-purpose institution, it cannot designate a loan as a community development loan if the loan has already been reported or collected by the institution or an affiliate as a small business, small farm, consumer, or home mortgage loan (except in the case of a multifamily dwelling loan, which may be considered a community development loan as well as a home mortgage loan).” https://www.ffiec.gov/cra/pdf/2015_CRA_Guide.pdf

“A loan of \$1 million or less with a business purpose that is secured by a one-to-four family residence is considered a small business loan for CRA purposes only if the security interest in the residential property

was taken as an abundance of caution and where the terms have not been made more favorable than they would have been in the absence of the lien. (See Call Report Glossary definition of “Loan Secured by Real Estate.”) If this same loan is refinanced and the new loan is also secured by a one-to-four family residence, but only through an abundance of caution, this loan is reported not only as a refinancing under HMDA, but also as a small business loan under CRA. (Note that small farm loans are similarly treated.)”

<https://www.federalregister.gov/d/2016-16693/p-451c>

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The advertisement features a stylized graphic of the United States map with the word "Nationwide" written across it. To the right of the map is a red and white checkered pattern and the text "REAL ESTATE TAX SERVICE, INC.". Below this, a list of services is provided: "~ Property Tax Reporting", "~ Flood Zone Determinations", and "~ Since 1987". The central image is a classic "We Can Do It!" poster of Rosie the Riveter, a woman in a blue denim work shirt and a red bandana with white polka dots, flexing her right bicep. The slogan "WE CAN DO IT!" is written in white, bold, capital letters on a red background to the right of her arm. At the bottom of the advertisement, the phone number "800-528-7803" and the website "nationwidecompliance.com" are displayed in white text.

MEMBERSHIP UPDATE

New Members



We are pleased to welcome our newest member, Ally Bank, a division of Ally Financial, Inc. Headquartered in Sandy, Utah, Ally Bank is a full-service online bank that was founded in 2009.

Ally Financial Inc. (NYSE: ALLY) is a financial services company with the nation's largest all-digital bank and an industry-leading auto financing business, driven by a mission to "Do It Right," and be a relentless ally for customers and communities. The company

serves more than 11 million customers through a full range of online banking services (including deposits, mortgage, point-of-sale personal lending, and credit card products) and securities brokerage and investment advisory services. The company also includes a robust corporate finance business that offers capital for equity sponsors and middle-market companies, as well as auto financing and insurance offerings. For more information, please visit www.ally.com and follow @allyfinancial.



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December 31, 2022

State Name	Number of Banks	\$ Total Assets	\$ Total Loans	% Change Since 12/21	\$ Net Charge-Offs (YTD)	% Change Versus 12/21	\$ Total Nonperforming Loans	% Change Since 12/21	As a % of Gross Loans	Income Before Extra Items (\$ YTD)	% Change Versus 12/21	Annual Return on Avg. Assets
Alabama	96	214,940,224	136,654,737	12.161	294,746	33.817	836,420	6.961	0.612	3,169,782	-3.907	1.441
Alaska	5	9,944,667	4,559,748	5.081	1,553	-6.502	15,589	-55.797	0.342	110,642	-4.785	1.087
Arizona	13	71,025,129	55,690,799	15.975	1,254	-83.651	747,223	24.882	1.342	1,064,738	18.936	1.539
Arkansas	82	158,182,697	102,671,096	22.126	90,914	20.195	409,706	-0.866	0.399	1,982,852	-8.437	1.281
California	121	1,152,915,153	722,673,608	3.865	404,490	-13.093	2,366,787	-12.477	0.328	9,637,970	-16.662	0.826
Colorado	65	90,929,977	58,472,351	30.361	10,813	52.64	142,781	-0.502	0.244	1,018,047	7.116	1.192
Connecticut	28	109,397,529	76,967,335	-7.665	69,731	54.276	327,126	-45.266	0.425	963,653	-31.455	0.933
Delaware	16	1,262,058,275	719,999,547	12.826	4,101,908	5.733	6,618,638	-4.597	0.919	15,452,757	0.597	1.234
District of Columbia	4	2,787,122	1,720,995	18.427	267	149.533	14,244	-11.341	0.828	11,765	381.777	0.437
Florida	87	239,214,413	162,125,382	18.044	116,835	-4.723	986,730	-27.916	0.609	2,505,005	2.484	1.071
Georgia	137	148,966,676	10,347,1761	10.19	85,700	-14.789	428,750	3.003	0.414	1,972,772	3.072	1.357
Hawaii	6	59,189,757	35,445,351	9.167	20,667	6.11	45,039	-13.337	0.127	601,640	-5.61	1.01
Idaho	10	9,252,139	5,292,920	18.123	4,458	-654.478	19,005	-23.684	0.359	114,701	11.224	1.26
Illinois	357	614,760,112	331,119,779	6.363	165,934	-30.682	1,703,551	-16.921	0.514	5,710,601	-13.763	0.948
Indiana	79	162,718,121	109,927,142	35.062	47,586	-3.473	532,276	40.337	0.484	1,989,484	13.896	1.277
Iowa	245	112,059,304	76,473,831	12.53	30,031	-4.116	272,465	-25.805	0.356	1,311,990	-5.44	1.196
Kansas	202	81,205,533	50,096,054	11.346	21,609	-63.494	207,337	-29.683	0.414	948,343	-1.24	1.177
Kentucky	116	72,721,804	48,437,951	10.526	24,033	-31.305	180,620	-16.835	0.373	870,470	-3.668	1.195
Louisiana	98	68,042,747	45,473,456	17.201	98,611	-3.964	289,319	-20.81	0.636	772,069	-0.711	1.175
Maine	18	40,058,796	29,472,915	19.117	1,239	-79.12	65,059	-25.909	0.221	349,552	-24.363	0.917
Maryland	25	54,637,565	40,845,586	13.019	15,396	-54.975	155,826	-12.247	0.382	775,159	2.557	1.453
Massachusetts	92	494,466,278	178,074,509	11.451	97,672	43.267	410,439	-22.255	0.23	4,378,898	-0.029	0.921
Michigan	72	57,297,927	39,908,885	10.009	259	-151.491	168,497	-1.219	0.422	691,660	-11.517	1.225
Minnesota	245	93,357,902	62,065,518	10.338	18,043	14.421	233,071	-29.371	0.376	1,124,324	-3.027	1.231
Mississippi	62	165,210,304	106,231,190	14.055	22,352	-53.019	534,218	-5.596	0.503	1,767,042	15.581	1.081
Missouri	207	232,945,732	150,155,028	14.028	109,893	-4.686	370,838	-23.908	0.247	3,045,409	7.328	1.311
Montana	37	77,129,719	44,355,256	37.141	37,836	462.366	146,993	-8.354	0.331	825,048	7.804	1.084
Nebraska	145	97,543,870	67,214,967	13.597	219,422	19.352	311,404	6.338	0.463	1,186,098	-12.721	1.258
Nevada	15	57,616,147	21,072,530	6.754	51,291	71.061	508,703	-2.87	2.414	2,238,631	52.834	4.794
New Hampshire	16	15,146,805	11,942,197	15.55	767	-68.884	17,401	-20.336	0.146	126,503	-0.103	0.859
New Jersey	49	170,487,941	129,210,513	-1.593	73,462	35.1	2,899,503	258.409	2.244	1,845,390	-18.062	1.141
New Mexico	29	16,369,577	8,517,475	15.04	738	-88.209	36,005	-18.953	0.423	257,429	19.941	1.598
New York	98	1,596,261,374	694,217,842	5.047	927,410	27.512	5,907,988	-5.207	0.851	13,836,505	4.652	0.864
North Carolina	38	3,120,972,743	1,473,134,791	10.657	3,331,554	21.407	9,203,493	-0.574	0.625	35,300,959	7.192	1.122
North Dakota	62	48,459,522	36,087,151	23.065	5,996	-70.573	103,807	-12.009	0.288	600,828	-19.842	1.325
Ohio	131	4,470,154,182	1,917,153,602	6.237	4,260,598	2.265	14,248,278	-8.46	0.743	49,542,168	-8.95	1.064
Oklahoma	177	144,448,873	88,020,688	11.721	69,800	-19.599	837,980	-20.765	0.952	1,792,551	-6.871	1.259
Oregon	13	39,357,786	30,453,900	13.544	34,120	-25.739	78,897	14.079	0.259	448,521	-16.068	1.161
Pennsylvania	119	290,548,675	208,417,220	9.125	147,713	-17.01	959,641	-11.789	0.46	3,115,887	-2.837	1.09
Puerto Rico	3	84,386,312	40,770,040	6.552	110,916	-7.437	1,098,372	-22.702	2.694	1,240,164	2.525	1.355
Rhode Island	6	240,906,979	168,695,781	19.487	276,608	-16.156	1,565,838	15.367	0.928	2,291,874	-7.974	0.997
South Carolina	36	52,632,355	33,714,675	24.557	16,709	190.44	86,899	22.388	0.258	574,692	2.312	1.104
South Dakota	54	3,523,216,771	1,586,412,482	1.768	4,990,203	-11.219	14,325,599	-20.997	0.903	31,955,133	-13.068	0.914
Tennessee	118	209,785,127	150,167,695	11.237	93,953	45.967	744,292	5.633	0.496	2,645,572	-5.116	1.248
Texas	383	979,080,973	384,159,940	7.813	198,098	-4.863	1,598,166	-10.885	0.416	11,504,478	10.846	1.098
Utah	40	878,375,921	571,195,814	13.702	3,869,423	86.527	3,749,971	15.386	0.657	18,031,695	-3.196	2.134
Vermont	11	6,998,060	4,597,510	9.389	856	210.145	31,793	7.026	0.692	56,951	-13.158	0.818
Virginia	62	743,308,243	459,512,527	8.802	4,019,362	66.618	4,629,439	10.918	1.007	9,928,316	-33.716	1.407
Washington	41	116,171,192	77,921,248	14.509	36,603	849.002	195,345	-24.801	0.251	1,351,323	6.368	1.161
West Virginia	43	41,457,333	27,836,608	11.45	16,019	40.1	125,196	-10.27	0.45	506,041	-5.585	1.219
Wisconsin	160	143,773,654	102,038,185	14.608	8,082	-49.434	399,862	-19.598	0.392	1,475,330	-7.424	1.065
Wyoming	26	9,161,304	4,477,608	-16.385	904	-40.053	18,481	-22.064	0.413	108,560	-20.648	1.033
National Total	4,400	22,952,037,321	11,795,325,719	8.49	28,654,437	15.222	81,910,900	-6.07	0.694	255,127,972	-5.411	1.108

Dollar amounts in thousands.

Number of banks includes commercial and savings banks, but not thrifts. Information provided by Bauer Financial Reports, Inc.

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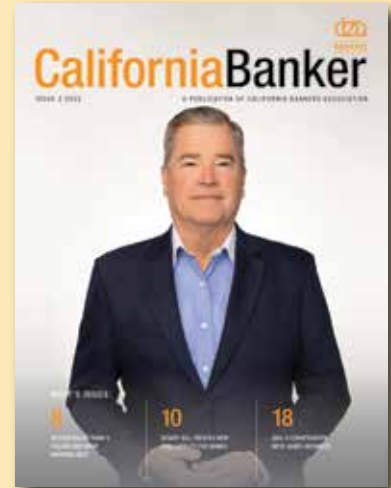
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2023

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