



NATIONAL DIVERSITY COALITION

May 13, 2019

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Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Jerome H. Powell
Chairman of the Board of Governors
Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Re: NDC Support for Mechanics Bank Acquisition of Rabobank

Dear Chairman McWilliams and Chairman Powell,

On behalf of the National Diversity Coalition (NDC), this letter is to express support for Mechanics Bank's definitive agreement to acquire Rabobank, N.A.

The National Diversity Coalition (NDC) is a 501 (C) (3) nonprofit public benefit corporation comprised of community, faith-based, and corporate leaders united under a new definition of diversity and inclusion that reinforces greater opportunity, empowerment, and financial equality for underserved and minority communities. Through its members' many years of collective experience, the NDC has built a strong and broad-based network of strategic partnerships that bring together individuals with diverse and tremendous competencies working towards a common goal –to empower the nation's minority and low-income communities. The NDC leadership represents a significant constituency spanning Asian, Hispanic, and African American communities, the Latino Christian Church and African American congregations, as well as Fortune 500 companies, banks, and businesses strongly committed to diversity, economic empowerment, and corporate citizenship.

We view the acquisition as a unique opportunity to transform the banking landscape in California. The combined bank will provide a significant network of banking centers throughout California's major population centers and economic centers, from the Imperial Valley to Southern Oregon, and from the coastal communities to the Sierra Nevada foothills. It means even greater strength, greater capacity, greater stability, and greater convenience. It is important to note that not included in the deal are Rabobank N.A.'s food and agribusiness assets, which will transfer to its sister unit, Rabo AgriFinance located in St. Louis, MO.

Anent to this acquisition, we are affirming our initial alignment strategies through Mechanics Bank's commitment to meeting the financial services, investment and lending needs of low- and moderate- income communities, including individuals and small businesses, Mechanics Bank establishes these CRA Community Impact Goals for the benefit of its assessment area and regional initiatives, effective January 1, 2020.

Mechanics strives to be a community partner through an ongoing commitment to goals achievement through community coalition alignment and support. To that end, Mechanics has engaged in discussions with the National Diversity Coalition (NDC), to formulate our Impact Goals and is now reaching out for their endorsement.

Mechanics recognizes the challenges of combining with Rabobank's larger footprint and enhancing its community investment program. Rabobank is over twice the size of Mechanics, as measured by assets, and does not engage in community investment and lending at the same proportionate level as Mechanics. Mechanics plans to enhance the existing Rabobank program through the strong principles and actions inherent in the Mechanics Bank differentiated history of community service.

The objectives listed under the proposed goals have been presented to NDC for their endorsement. This document is not intended to be a legally binding agreement.

- I. Mechanics agrees to annual meetings with NDC to develop strategies to achieve the goals set herein. In addition, Mechanics commits to annual FDIC reporting in accordance with Sunshine Disclosure and Reporting to the extent required by the Gramm-Leach-Bliley Act and implementing regulations.
- II. Mechanics will work towards an annual amount of CRA qualified loans, investments and services, provided within its service area, that will equal at least 15% of its California deposits by 2024, as measured each year-end, excluding time deposits and brokered deposits, and which in no case will fall below 10%. Such a goal helps ensure that the Mechanics / RNA combination will ultimately produce a considerable increase in the provision of community-focused activities going forward. Mechanics will also ensure that the distribution of its lending reflects the diversity of the population within its assessment area.
- III. Mechanics will focus on providing lending solutions for businesses with gross annual revenues equal to or less than \$1 million and loan amounts under \$150,000 with a goal that the number of loans with these characteristics represents at least half of the total number of qualifying small business loans made by the Bank. This will include new and developing businesses, those located in low- and moderate- income communities, and those that hire employees who live in low- and moderate-income communities. Additionally, Mechanics will:

1. Agree to establish investments and/or partnerships with CDFIs providing SBA, FSA, USDA, and Farmer Mac products.
2. Develop and share a list of local community CDFIs and lenders for referral with all declined small business loan applicants.

CRA Community Impact Goals

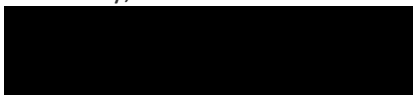
- IV. Mechanics will integrate the Small Business Administration's 7A and 504 Programs, which under CRA may be classified as Innovative and Flexible lending products.
 1. Under the SBA 7A Program, the Bank may fund working capital, equipment purchases, and inventory financing needs of small businesses.
 2. Under the SBA 504 Program, the Bank may provide growing businesses with fixed asset financing for the acquisition of existing buildings and improvements, new building construction, and the purchase of machinery and equipment with a useful life of at least 10 years.
- V. Mechanics will integrate the "Home Ready" mortgage product, an affordable, low down-payment mortgage program designed for creditworthy low- to- moderate income borrowers with an expanded eligibility for LMI communities.
- VI. By December 31, 2020, Mechanics Bank will adopt and implement a formal corporate supplier diversity policy and program to enhance its commitment to this important objective. As may be available, Mechanics Bank will undertake outreach and partnership efforts with local economic development councils or chambers that support a mission to assist small businesses from traditionally underserved communities to provide, among other things, information or training in the area of procurement of and contracting for banking related services and products. By 2025, Mechanics Bank will strive to maintain a program with goals to contract at least 15% of its corporate supplier spending annually to locally based businesses owned by members of historically underserved communities and women.
- VII. Beginning in 2020 and continuing for a period of five (5) years, Mechanics Bank will devote .025% of then current deposits, as measured each year-end and excluding time deposits and brokered deposits, towards contributions with at least 50% of such contributions focused on affordable housing, economic development, small business technical assistance, and financial literacy related causes supporting low- to- moderate income and underserved individuals, families and communities.
- VIII. Beginning in 2020 and continuing for a period of five (5) years, Mechanics will devote an additional 0.25% of then current deposits annually, as measured each year-end and excluding time deposits and brokered deposits in the following manner (a) to new community development investments (with no more than one-half being directed to LIHTC and/or New Market Tax Credits or Mortgage

Backed Securities) directed to affordable housing development, small business lending, California's CDFIs and CDCs, and revolving and other nonprofit community development funds and (b) \$250,000 per year targeted to community development investment funds to fund grants supporting nonprofit, community-based small business lenders in California, including those that maintain loan-loss reserves.

- IX. Mechanics will provide retail financial services that will meet the needs of low- and moderate- income families in its assessment area. This includes checking account fee waivers for direct deposit and expanded access to Individual Development Accounts (IDAs).
- X. Mechanics will continue to waive out of network surcharge fees to users of California Electronic Benefits Transfer cards (EBT) or its successor payment system.
- XI. Mechanics will continue to offer personal and unsecured consumer loans that will be available in amounts as low as \$500 payable in installments at no more than 30% APR to borrowers who demonstrate the ability to repay the loan and all related fees and costs while staying current on typical recurring and other necessary expenses, as well as other outstanding debt obligations, without needing to borrow repeatedly.
- XII. Mechanics will strive to close no branches as a result of this acquisition in rural and/or underserved communities, including those currently existing in the Imperial and Coachella Valleys. By December 31, 2020, Mechanics will provide a deposit taking ATM in the Eastern Coachella Valley area of Mecca, California. In the event Mechanics considers future branch closure activities, we will discuss potential community impacts with our coalition partners.

It is our hope that our continued partnership and support will ultimately redound to the beneficiaries of the National Diversity Coalition's mission and vision.

Sincerely,



Faith Bautista

President and Chief Executive Officer
National Asian American Coalition
Chief Executive Officer
National Diversity Coalition