

CRA COMMUNITY IMPACT GOALS

2020



Through its 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 and through December 31, 2024.

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 our existing key partner, the California Reinvestment Coalition (CRC), 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 are being presented to CRC for their endorsement. This document is not intended to be a legally binding agreement.

- I. Mechanics agrees to annual meetings, individually with CRC and with the Bank's CEO in attendance, 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 and which in no case will fall below 10%. For the years 2020-2022, deposits shall be measured each year-end and shall exclude time deposits and brokered deposits. 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:
 - a. Agree to establish investments and/or partnerships with CDFIs providing SBA, FSA, USDA, and Farmer Mac products.
 - b. Develop a small business loan referral program and partner with local community CDFIs and lenders for referral of at least 20% of declined small business loan applicants.

- 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.
 - a. Under the SBA 7A Program, the Bank may fund working capital, equipment purchases, and inventory financing needs of small businesses.
 - b. 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. Mechanics will work both independently and in conjunction with Community Based Organizations to market and conduct outreach in order to reach LMI communities regarding the Home Ready product's benefits and availability.
- 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 for the years 2020-2022, 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 0.25% of then current deposits annually, as measured each year-end and excluding time deposits and brokered deposits for the years 2020-2022, in the following manner (a) at least half of all such new community development investments directed to affordable housing development, small business lending, California's CDFIs and CDCs, and revolving and other nonprofit community development funds; with the remainder of new, annual community development investments being directed to LIHTC, New Market Tax Credits, and/or other community development investments, 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 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). Mechanics will not diminish the suite of products currently available to Individual Taxpayer Identification Number holders and will explore additional product offerings in the future.
- 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 provide \$60,000 annually to support the hiring of local economic health Promotoras in consultation with CRC to promote immigrant access to financial services.
- XIII. 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, and will consider exploring expansion in other underserved, rural areas. Mechanics will consider input from community groups as it determines where to expand its ATM, loan production and branch services.

The Mechanics Bank's CRA Community Impact Goals commitment is endorsed on May 16, 2019 and signed by:

MECHANICS BANK

CALIFORNIA REINVESTMENT
COALITION


By: John DeCero
President and Chief Executive Officer


By: Paulina Gonzalez-Brito
Executive Director