

November 2, 2016

Federal Reserve Bank of San Francisco
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San Francisco, CA 94105-1579
SENT VIA EMAIL

The Greenlining Institute's Comment on Cathay General Bancorp's Application to Acquire SinoPac Bancorp

Thank you for the opportunity to comment on the proposed acquisition of SinoPac Bancorp by Cathay General Bancorp (hereby referred to as "the Bank"). The Greenlining Institute is a multi-ethnic policy and advocacy organization working to bring the American Dream within reach of communities of color. We represent a coalition of 40 community based organizations who together represent over 5,000 minority business owners and over 30,000 individuals.

The Greenlining Institute is currently engaged in discussions with the Bank to create a robust CRA plan that meets the needs of low-and-moderate income consumers in California. **Therefore, we urge the Federal Reserve Bank of San Francisco to only approve this merger after the Bank finalizes a robust and quantifiable community benefits plan. We also request that the comment period for Cathay General Bancorp to acquire SinoPac Bancorp be extended for sixty days, and hold public hearings about the Bank's merger application.** Ultimately, the plan should address quantifiable forward-looking goals and priorities of the Bank's expanding institution, and ensure it meets the convenience and needs of the community it serves.

Poor Record Serving Low-and-Moderate Income Consumers

Cathay Bank failed to address its poor California lending score in its merger application. Cathay Bank's California deposits represent 76% of its total domestic deposits, therefore it is imperative that the Bank create a plan to improve its lending within the state.

Cathay Bank's poor lending record to LMI individuals in California is exemplified by its lending in the greater Los Angeles Area, the Bank's largest market in the state.¹ The Bank trails far

¹ We have defined the greater Los Angeles area to include Los Angeles, Orange, San Bernardino and Riverside Counties. The bank extends more than 50% of its total lending nationwide in this area (Cathay Bank CRA Evaluation, 2016).

behind its peers in the percentage of home loans offered to low- and moderate-income borrowers in the Los Angeles area.

For example, in 2015 all lenders in the Los Angeles area issued nearly 2.3% of home loans to low income consumers and 8.2% to moderate income individuals. In comparison, Cathay Bank issued only .3% of its home loans to low-income and 1.1% to moderate-income borrowers. In contrast, Banc of California, a bank with similar deposit market share, issued almost 9 times the percent of its total loans to LMI borrowers in the Los Angeles area as compared to Cathay Bank. These statistics are summarized in Table 1.

These trends are only magnified in the Bank’s 1-4 family home purchase lending in Los Angeles, as summarized in Table 2 below. Out of the 763 home purchase loans originated, Cathay Bank only extended 1 home purchase loan to low-income and 5 to moderate-income borrowers in 2015.

Table 1. All Home Purchase Lending by Borrower Income, Greater Los Angeles Area (2015)

Income Level	Cathay Bank	Banc of California	All Lenders	Family Distribution by Income Level
Low Income	.3%	2.1%	2.3%	23.0%
Moderate	1.1%	10.3%	8.2%	16.8%
Middle	9.6%	23.7%	18.4%	18.4%
Upper	84.1%	55.0%	61.3%	41.8%

Table 2. 1-4 Family Home Purchase Lending by Borrower Income, Greater Los Angeles Area (2015)

Income Level	Cathay Bank	Banc of California	All Lenders	Family Distribution by Income Level
Low Income	.1%	1.7%	1.5%	23.0%
Moderate	.7%	11.4%	8.4%	16.8%
Middle	9.8%	27%	20.9%	18.4%
Upper	88.2%	60%	67%	41.8%

Cathay Bank Must Increase Lending to Small Businesses

The Bank’s lending to small businesses lags behind its peers, and has decreased since 2013. Cathay Bank’s lending to businesses with less than \$1 million in revenue fell approximately 17% from 2013 to 2015. Cathay Bank only extended 34% of California small business loans to businesses with less than \$1 million in revenue in 2015. In comparison, in 2014 all lenders, as a group, offered 49.3% of small business loans to businesses with less than \$1 million in revenue in the Los Angeles area, and 46.9% in the San Francisco area.

Cathay Bank should put forward a CRA plan to improve its home and business lending to LMI borrowers and small businesses in California. Such a plan is a vital assessment mechanism for

regulators, advocates and the public to confidently measure the Bank's commitment and progress serving its communities.

Cathay Bank Must Serve a Diverse Customer Base

We strongly encourage Cathay Bank to expand its customer base outside the Asian market. The Bank has adopted the motto "An Open Door for All," however its lending record as seen through its Home Mortgage Disclosure Act (HMDA) data says otherwise. In California in 2015, 90% of Cathay Bank's home mortgage loans went to Asians, while **less than 1% of HMDA loans went to African American and Hispanic/Latino borrowers combined**. In comparison, almost 48% of Los Angeles is Hispanic/Latino, and 8% is African American.

While we understand the importance of Cathay Bank's service to the Chinese-American and greater Asian American communities, we hope it is not neglecting the needs of other ethnic minorities in the areas it seeks to serve. East West Bank, a Los Angeles based bank that was also created for the Chinese American population, currently serves other ethnic minorities to a much greater extent than Cathay Bank. In 2015 the Bank extended 6.2% of all its home loans to Hispanics/Latinos, and about 1% to African Americans.

We urge Cathay Bank to make a concerted effort to diversify its lending to other ethnic minorities. The Bank should start by hiring and retaining African American and Latino loan officers, and hiring one full time employee to oversee workforce diversity efforts.

Setting a Precedent: Formal Hearings and Extending Comment Period

As you well know, the regulatory process is hard to navigate, even for those working within the agency. The myriad of documents to find, the complicated industry jargon, and need for familiarity with the regulatory agencies does not lend to an easily accessible public comment process. Furthermore, written submission of comments is an insufficient means of communication for many communities across the country, yet should not disqualify their meaningful input.

Greenlining requests that the Federal Reserve hold hearings to increase public participation and community input for this proposed merger. Furthermore, we urge that formal hearings be held for all mergers and acquisitions. Formal hearings are always in the public's best interest as it allows for the regulatory agencies and the applicants to truly hear from their customers and consumers.

To provide adequate time and allow thorough input from community leaders, businesses, and consumers, the Federal Reserve should extend the public comment period by at least 60 days and hold hearings in Los Angeles and San Francisco.

Conclusion

We request that the agencies require Cathay Bank to complete a robust and quantifiable CRA plan; approve the final plan; and commit to monitoring its progress prior to any final approval. We also request an extension of 60 days to allow the Federal Reserve to hold public hearings and

for us to agree to a finalized CRA plan with Cathay Bank. Cathay Bank's final CRA plan should include measurable goals to increase lending to LMI and non-Asian ethnic minority borrowers, small businesses, and to increase workforce diversity.



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