

January 28, 2014

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Greenlining Continues to Oppose PacWest Merger

The Greenlining Institute upholds its opposition to the proposed PacWest merger with CapitalSource (herein “the Merger”). While we applaud PacWest for negotiating with community groups to create its new formal CRA commitment, the plan does not go far enough. If approved the Merger would not create a clear and sufficient benefit to the communities affected, but rather a Bank that pursues the minimum required by the CRA to grow in size and scope.

Greenlining will change its position if PacWest increases its committed percentage of California deposits to CRA community development; extends its CRA commitment to at least 3 years; and makes formal benchmarks to workforce and supplier diversity goals and standards.

Low Standards for Community Development

While we appreciate the open and frequent dialogue with PacWest to negotiate a robust community development plan, we are disappointed by the low level commitment the Bank intends to pursue.

Low Threshold

Our first letter in opposition to this merger dated 09-27-13 cited our concerns with PacWest acquiring CapitalSource due to PacWest’s lower demonstrated commitment to community development. In its most recent CRA examination, CapitalSource received an Outstanding and invested 99% more in its communities as compared to PacWestⁱ. While PacWest’s new formal plan pledges to commit 10% of its California deposits to all CRA community development activity, this is less of a commitment than the 12% of total assets CapitalSource devoted to community development and small business lending alone ⁱⁱ, and is only guaranteed for one year. A larger PacWest should make a more robust CRA community development commitment.

Greenlining Coalition:

Allen Temple Baptist Church
American G.I. Forum
Anewamerica
Asian Business Assn.
Asian Inc.
Asian Journal
API Small Business Program
Black Business Assn.
Brightline Defense Project
California Black Chamber of Commerce
California Hispanic Chambers of Commerce

California Journal for Filipino Americans
California Rural Legal Assistance
Chicana/Latina Foundation
Community Child Care Council
Community Resource Project
Council of Asian American Business Assn.
El Concilio of San Mateo County
Ella Baker Center for Human Rights
FAME Renaissance
Fresno Metro Black Chamber of Commerce
Greater Phoenix Urban League

Hispanic American Growers Assn.
KHEIR Center
Korean Churches for Community Development
La Maestra Family Clinic
Mentoring in Medicine Science, Inc.
Mexican American Political Assn.
Mission Housing Development Corporation
Mission Language & Vocational School
NaFFAA
OCCUR
Our Weekly

Precinct Reporter Group
Rising Sun Energy Center
Sacramento Observer
SF African American Chamber of Commerce
San Francisco Housing Development
Search to Involve Filipino-Americans
Southeast Asia Comm. Center
TELACU
Time for Change Foundation
Ward Economic Development corp.
West Angeles CDC
West Coast Black Publishers Assn.

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Relationships

Furthermore, PacWest has a long way to go in developing meaningful relationships with community members and organizations. PacWest does not appear to have a relationship with any local or ethnic chambers of commerce. On 01-06-14 we requested that PacWest provide a list of organizations they work with that serve local minority-owned businesses, PacWest has yet to respond.

No Formal Commitment to Diversity

The face of America is changing, and with it the workforce, small business make-up and customer base. In one generation, people of color will outgrow the label “minority” by becoming the nation’s new majority, a shift we have already seen in California.

While we understand that CRA is legally colorblind, Greenlining will continue to push the importance and value of financial institutions committing to diversity and inclusion initiatives. PacWest is committed to exploring a diversity policy once final Offices of Minority and Women Inclusion (OMWI) Joint Standards are published. Unfortunately, this gives Greenlining no assurance that formal goals and standards will be set. Many banks of similar size have robust diversity and inclusion programs that go beyond proposed OMWI standards. The private sector is always ahead of the curve with innovation as compared to its government counterparts. Waiting for government to create standards for matching the diversity of California’s workforce and small businesses clearly demonstrates the bank’s perspective and appetite for the state’s Majority-Minority population.

Greenlining’s letter sent 10-29-14 outlined proposed goals, standards and best practices for a comprehensive diversity plan. Below is an abbreviated version of these recommendations.

To demonstrate its commitment to serving its diverse communities, we suggest that PacWest set the following workforce and supplier diversity goals:

- 20 - 40% of workforce that is people of color
- 10 - 15% of executive team that is people of color
- 5 - 10% growth in goods and services procured from businesses owned by people of color

In order to achieve these goals, we strongly recommend that PacWest connect with banks of similar size to help create internal supplier and workforce diversity programs. In addition, we continue to uphold our offer to advise PacWest on best practices in this realm, as we do with other banks in the state.

In our aforementioned letter, we requested that PacWest provide information related to their workforce and supplier diversity. We have yet to receive this data. As requested, this level of detail should mirror public information shared by the San Francisco Federal Reserve via its annual report to Congress.

After Low Satisfactory, One-Year is an Inadequate Commitment

PacWest's current CRA plan discusses achieving an Outstanding rating in 3 years, but is unclear about its commitment to community development after 2014. We insist that PacWest include information about their community development plans for the next 3 years.

Request for Hearings

As stated in every letter to the FDIC and the SF Fed regarding the Merger, Greenlining strongly believes that the merger approval process must have as much input from the community as possible. Unfortunately, the current comment process makes it difficult for the public to comment. Furthermore, given PacWest's previous CRA rating, it is critically important that the community have the opportunity to voice their thoughts on the matter.

Next Steps


Greenlining will change its position if PacWest increases its committed percentage of California deposits to CRA community development; extends its CRA commitment to at least 3 years; and makes formal benchmarks to workforce and supplier diversity goals and standards.

Should you have any questions or comments about this letter, please do not hesitate to contact us.

Sincerely,



Orson Aguilar
Executive Director



Sasha Werblin
Economic Equity Director

cc: American GI Forum
California Journal for Filipino Americans
California Reinvestment Coalition
TELACU
West Angeles CDC

ⁱ Merger Application. Public Exhibits 7 (Page 16) and 9 (Page 1).

ⁱⁱ Merger Application. Public Exhibit 10. Page 2.