

## Community Reinvestment Act (CRA) Update

Quarter Ending: September 30, 2024

### Our Commitment

At City National Bank, we are committed to supporting the communities we serve and fulfilling both the letter and spirit of our Community Reinvestment Act (CRA) obligations. We strive to be responsive to our communities by listening to their needs and activating organizational capabilities and relationships with community organizations across our assessment areas to drive solutions that improve affordability, access, and quality of life for the people and businesses in those communities. In collaboration with our community partners and clients, we have taken significant steps over the past year to fulfill our responsibilities and support low- to moderate-income (LMI) communities and diverse communities.

### Understanding our Communities: Needs Assessment Survey

In order to ensure City National's efforts align with the needs of our communities, we are dedicated to maintaining ongoing, two-way communication with diverse community partners to identify their key needs and priorities. To achieve this, City National's CRA department undertook a comprehensive effort in 2024 to solicit formal and informal feedback from community groups to understand community needs. As part of the formal assessment, we conducted a comprehensive community needs assessment survey to gather insights about the primary focus areas of a diverse array of community groups throughout City National's assessment areas. (See [Appendix](#) for additional information about assessment and survey approach.)

Certain key needs emerged consistently across our assessment areas, aligned to three major pillars:

- **Lack of Access to Affordable Housing**
  - **Housing Cost Burden:** Many LMI households are experiencing a significant housing cost burden, with over 30% of their income allocated to housing expenses. This severely limits their capacity for other essential expenditures, heightening financial vulnerability.
  - **Shortage of Affordable Rental Units:** There is a marked scarcity of affordable housing options, particularly for extremely low-income renters. This shortage exacerbates housing instability and contributes to rising rates of homelessness.
  - **Increasing Homelessness:** The number of individuals experiencing homelessness has surged, reflecting the pressing need for targeted support in affordable housing solutions.
  
- **Financial and Operational Needs of Small Businesses**
  - **Capital Access Challenges:** Small businesses, particularly those with annual revenue of \$1 million or less or located within LMI areas, face persistent barriers to accessing capital. This lack of financial resources hinders business growth and community economic development.

- **Technical Assistance and Business Development Support:** Many small businesses in our assessment areas lack access to technical and operational assistance resources, including business planning, financial management, and growth strategy coaching.
- **Financial Education and Literacy**
  - **Financial Literacy Gaps:** LMI individuals and families exhibit a critical need for financial education, particularly in budgeting, credit management, and basic financial planning.

### **City National’s Community Development Activities to Address Community Needs**

City National is committed to providing the support our communities need most. The findings of our assessment have guided and will continue to guide our strategy and our community development activities and investments. Below are updates on the activities we have undertaken in the past two years to meet our communities’ critical needs, aligned to these major pillars. *(All data below reflects the time period of January 1, 2022 – September 30, 2024, aligned to our current CRA exam cycle.)*

- **Affordable Housing Initiatives**

City National has prioritized initiatives that expand affordable housing options and support individuals at risk of homelessness through community development loans, community development investments, grants, and accessible mortgage products. Between January 1, 2022, and September 30, 2024, the bank:

  - Financed or invested over \$500 million, creating or preserving approximately 4,600 affordable units, transitional housing and permanent housing.
  - Invested in Turner Impact Fund, an innovative affordable housing fund that reports residents’ rent to the credit bureaus, a groundbreaking approach to improving credit scores for individuals who might otherwise lack access to traditional credit-building opportunities. This initiative not only supports housing stability but also empowers residents with financial mobility. With 14,250 cumulative total residents reporting, average resident credit score improved by 53 points over a nine-month period, bringing the average score to 664.
  - Has actively developed new programs to further expand access to affordable homeownership, including our [Ladder-Up Home Loan Grant program](#), which provides grants of up to \$20,000 that qualifying clients can use to fund their down payment, save on closing costs, or buy down their interest rate when they purchase homes in majority-minority census tracts in qualifying markets in California, New York and New Jersey. To date, City National has helped **more than 500 families** achieve the dream of homeownership with the program.
  - Increased, in September 2024, the Ladder Up Home Loan Grant amount to as much as \$50,000 for purchase transactions in majority-Black or -Hispanic census tracts within the Los Angeles-Long Beach-Glendale, Calif., Metropolitan Statistical Area/Metropolitan Division; this significant change was made in recognition of the barriers to homeownership in the area due to high real estate prices.
  - Launched our growing Community Lending team in 2022 to broaden our mortgage lending in historically underserved, majority-Black and -Hispanic communities. The team now includes nearly 30 colleagues who are focused on community partnerships,

education, and initiatives like our Ladder Up Home Loan Grant.

- **Financial and Operational Support of Small Businesses**

- **Access to Capital** — Between January 1, 2022, and September 30, 2024, City National:
  - Financed or invested over \$200 million in small businesses or small business investment companies (SBIC) to support the creation or retention of more than 1,400 jobs.
  - Developed the [Small Business Ladder Up Program](#), a Special Purpose Credit Program (SPCP) to increase access to credit for underserved, for-profit small businesses that are more than 50% owned by minorities, women or persons who identify as LGBTQ+.
  - Formed strategic alliances with community development financial institutions (CDFIs) and other lending partners to improve access to capital for small businesses.
  - Invested \$16 million in CDFIs and minority depository institutions (MDIs) including OneUnited Bank, the only Black-owned bank in California and the largest Black-owned bank in the country, and Lendistry, a fintech lender supporting undercapitalized small businesses in California. These investments will support targeted loan initiatives to promote affordable housing, support undercapitalized small businesses, financial education programs, and support for technology-driven enterprises.
- **Technical and Operational Assistance**
  - Small Business Ladder Up includes financial literacy programs specifically designed for micro businesses to empower financial well-being. City National has partnered and will continue to partner with local Small Business Development Centers (SBDCs) and other economic development agencies who can provide hands-on support for small business success.
  - We collaborate with and support multiple CDFIs, SBDCs, Services Corps of Retired Executives (SCORE) and nonprofits through grants who provide technical and operational assistance to small businesses.

- **Financial Education and Literacy**

Teaching young people sound money management skills is critical to their future success. Youth who learn how to save money and manage their finances are more likely to grow into wise and responsible consumers. City National is focused on providing financial education through initiatives that include our Dollars + Sense program:

- In partnership with American Bankers Association Education Foundation and EverFi, City National's Dollars + Sense financial literacy program for K-12 students helps us support the future success of tomorrow's leaders in the communities we serve. In 2021, we renewed our three-year, \$1 million commitment to bring Dollars + Sense into all associated high schools of the Los Angeles Unified School District, providing close to 14,000 hours of learning each year for thousands of students.

- In conjunction with our Dollars + Sense financial education program for K-12 grades, City National works with EverFi to provide financial education to low- and moderate-income adults. Financial education fosters financial stability for individuals, families, and entire communities. Research shows that the EverFi curriculum can positively influence how consumers manage their finances, and these changes are sustainable in the months after the training.
- Using this financial literacy platform, City National collaborated with multiple nonprofits, multifamily affordable housing communities and schools in areas where the majority of students qualify for free or reduced lunch programs. We aimed to enhance financial literacy for students, individuals, and families, empowering them with the tools and knowledge to achieve great financial stability and success. In the current exam cycle, January 1, 2022, to September 30, 2024, this program engaged with approximately 200 schools impacting over 36,500 students.

### **Building Stronger Communities**

Underpinning all our community reinvestment and development work is City National's deep commitment to strengthening our communities, including LMI communities. We fulfill that commitment through efforts that include the bank's loans and investments, our culture of volunteering and the time our employees dedicate, and the grants we provide.

- **Community Development Loans and Investments that Support Community Service**  
For the current CRA exam cycle, January 1, 2022 – September 30, 2024, City National has financed or invested approximately \$800 million in support of community services impacting over 800,000 individuals. These loans and investments have funded organizations such as:
  - A nonprofit public benefit corporation comprised of charter schools as well as the Bright Star Education Group (BSEG). BSEG is a nonprofit corporation organized to provide back-office services for Bright Star Schools and to manage the growth of the network of schools. Bright Star's mission is to provide economically disadvantaged students with a program within their community that features rigorous academics and life enrichment experiences that could not be found in regular public schools.
  - Nonprofit organizations that work to protect the rights of impoverished, abused and neglected children by providing free legal services and advocacy and ensuring that children taken into foster care have a safe and stable home, healthcare and education.
  - Organizations that provide free services for underserved and low-income households throughout our assessment areas. Primary services provided include housing, food, healthcare, transportation, education and workforce development.
  - Organizations that provide direct services to children, women and families, as well as to homeless and at-risk veterans and their families.
  - Multiple regional centers organized in accordance with the Lanterman Developmental Disabilities Services Act of the Welfare and Institutions Code of the State of California; the mission of the centers is to provide community-based services to developmentally disabled low-income individuals and their families.
  - A nonprofit organization that provides meals, permanent housing, and supportive services to homeless and extremely low-income women in a high-minority census tract in the heart of L.A.'s Skid Row. The organization reaches over 5,400 women annually

and provides permanent, single-room apartments for formerly homeless women who are primarily elderly, mentally and/or physically disabled.

- An organization that aims to reduce healthcare disparities by improving access to high-quality community-serving healthcare services in underserved communities across the U.S.
- A nonprofit, federally qualified health center dedicated to providing comprehensive, high-quality preventive care for all ages for the working poor, the uninsured, and the underserved in our communities.

- **Volunteering to Serve our Communities**

As part of our ongoing commitment to community service, City National employees have collectively contributed approximately **16,000 volunteer service hours** during the January 1, 2022, to September 30, 2024, exam cycle. These efforts reflect our dedication to fostering economic growth, financial education and equity within the communities we serve, and include a wide range of impactful activities, such as:

- **Homebuyer education** workshops, empowering potential homeowners with critical knowledge.
- **Technical assistance for small businesses**, supporting entrepreneurs in navigating challenges and achieving growth.
- **Board service** for nonprofit organizations dedicated to community development.
- Financial literacy programs focused on **savings, budgeting, and credit score management**, helping individuals achieve financial stability.

Additionally, the bank recently hosted an educational event for **75 small businesses** in service areas across central and southwestern Los Angeles. The makeup of the attendees underscored some of the most important objectives of our community development work:

- **70%-75%** of participating businesses had **operated for two years or less**, reflecting our commitment to supporting early-stage businesses.
- **54%** of the businesses were **women-owned**, underscoring our dedication to gender equity in entrepreneurship.
- **80%** of the businesses were **minority-owned**, aligning with our mission to promote economic development in underserved communities.
- The businesses' annual revenues ranged from **\$75,000 to \$300,000**, indicating our focus on supporting small, emerging enterprises.

- **Grants**

During the period of January 1, 2022, to September 30, 2024, City National:

- Awarded grants totaling over \$15.5 million. Of this, over \$5.8 million was directed toward affordable housing initiatives, \$5.5 million supported community services, and more than \$4.1 million was invested in economic development efforts, including small business support and job creation.
- Demonstrated our commitment to community development by actively supporting nonprofit organizations and affordable housing initiatives through various Federal Home Loan Bank (FHLB) programs. In 2024, the bank sponsored six nonprofit organizations for the FHLB San Francisco AHEAD program, resulting in two organizations receiving awards

totaling \$150,000. These funds are being used to expand job readiness services, housing programs and training opportunities.

- Sponsored affordable housing developers for the FHLB Affordable Housing Program (AHP), securing \$1,040,000 in awards to create 56 affordable housing units for LMI individuals and families. This initiative underscores the bank's dedication to addressing the affordable housing crisis.
- Participated in the Empowering Black Homeownership program, also through FHLB San Francisco. Three nonprofits sponsored by City National received awards through the program that partially matched the bank's total grant of \$145,000, bringing the total received by the three organizations to \$345,000, advancing efforts to promote Black homeownership and build stronger communities.

### **Meeting our Commitments — Overall Efforts and Future Plans**

City National has made great progress toward the CRA targets we set at the beginning of 2024, despite challenging economic conditions such as high interest rates and market uncertainty. This success demonstrates our resilience, strategic planning and commitment to serving LMI communities effectively. We focused on building strong partnerships, leveraging available resources like FHLB grants, and aligning our efforts with regulatory expectations.

#### **Plan for the Next Quarter**

Our focus for the upcoming quarter is to build on the momentum we have established and further strengthen our impact on LMI communities. We aim to deepen our relationships and collaboration with nonprofits and community organizations to better address pressing local community needs.

Key initiatives include:

- **Capital Readiness Classes** – Collaborating with nonprofits to deliver workshops that help small businesses in LMI neighborhoods gain tool and knowledge needed to secure funding and grow sustainably.
- **Homeownership Education** – Conducting targeted classes in LMI areas to empower residents with resources, financial literacy and access to opportunity for achieving homeownership.
- **Expanding Presence** – Identifying strategic opportunities to increase our visibility and engagement in underserved LMI locations, ensuring our support reaches in all communities.

## **APPENDIX**

### **Survey and Assessment Approach**

Distributed via email and an online form, City National's community needs assessment survey attracted responses from 32 organizations with a diverse array of focus areas throughout our assessment areas. Our CRA department supplemented the survey with qualitative discussions and information gathering through in-person and virtual meetings, attendance at industry and community conferences and roundtables, and active participation in regulatory agencies' initiatives.

## **Objectives**

- To continue strengthening our relationships with our community partners, showcasing our commitment to understanding and supporting their work and ultimately address the needs of the underserved communities to make an impact.
- To gather comprehensive intel and data on the areas of focus and needs of our communities.
- To use the findings to inform future initiatives and collaborations aimed at addressing these needs effectively.

## **Focus Areas of Surveyed Organizations**

Many organizations have more than one area of focus, resulting in overlapping services. This demonstrates the multifaceted nature of their work in addressing community needs. The following are the areas of focus of the surveyed organizations:

- Affordable Housing – 65.6%
- Small Business Development – 53%
- Education and Finance Literacy – 59%
- Health and Community Services – 41%
- Workforce Development – 28%
- Disaster Preparedness – 10%