



SBA Loan Fund Bank CRA Practitioner Survey II

Impact of COVID-19 Pandemic on Bank CRA Activities

JULY 2020

THE SBA LOAN FUND conducted a survey of bank CRA practitioners with the goal of gaining insight into the impact of the COVID-19 pandemic on bank CRA activities, particularly in the area of Community Development.

A total of 64 responses were received with an average completion rate of 83%. Responses include SBA Loan Fund investors (39%) and non-investors (61%). We are pleased to share the survey results in this report.

Summary of findings

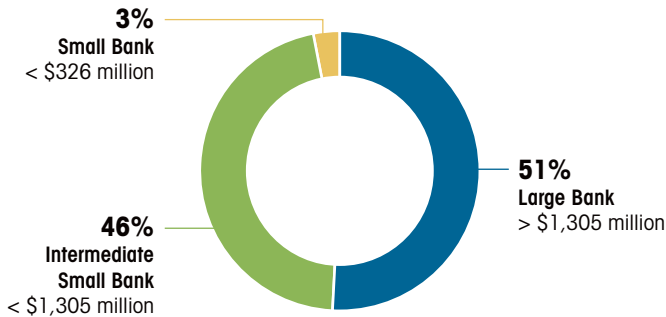
- 1 Most CRA exam dates set to take place within this calendar year were not delayed as a result of COVID-19 pandemic.
- 2 Majority of banks reported increased CRA lending, mainly related to the Paycheck Protection Program (PPP), and no change in Community Development investing; banks that reported increases in Community Development investing noted increases in donations/grants.
- 3 SBA Loan Fund investors reported a higher percentage of cases where the person responsible for overseeing the bank's CRA activities is at least very involved in the bank's strategic response to the COVID-19 pandemic when compared against non-investors.

SURVEY SAMPLE SET

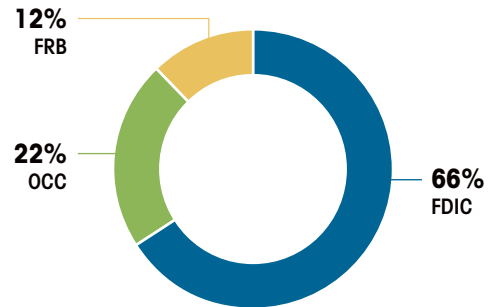
Thank you to all the banks who took the time and made the effort to participate in the survey.

Our sample set of 64 banks consisted primarily of Intermediate Small Bank and Large Bank institutions. The majority of responses came from FDIC-regulated banks, though OCC- and FRB-regulated banks were represented.

What is the asset size of your bank? | 63 responses



Who is your bank's regulator? | 64 responses

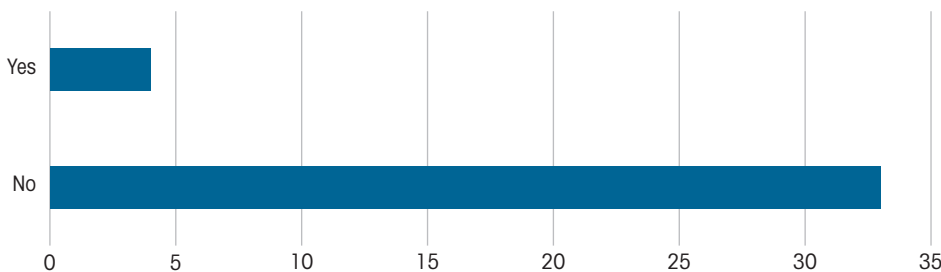


IMPACT OF COVID-19 PANDEMIC ON BANK CRA ACTIVITIES

The following are the key findings in how the COVID-19 pandemic affected bank CRA activities, particularly in the area of Community Development:

- 1 Majority of banks with CRA exams scheduled within this calendar year have not seen exam delays as a result of the COVID-19 pandemic.

If the bank has a CRA exam scheduled to take place in the next six months or had a CRA exam scheduled to take place in the last six months, was the bank's exam delayed because of COVID-19? | 37 respondents



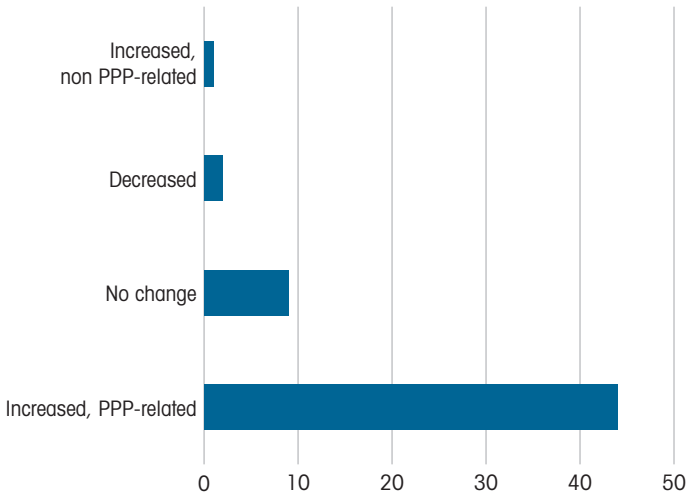
Four "Yes" Responses:

- Consisted of three FDIC-regulated banks and one FRB-regulated bank
- Two FDIC-regulated banks reported exam delay of 90 days
- FRB-regulated bank had exam set for mid-April; no exam date has been set

2 Majority of banks reported increased CRA lending, mainly related to the Paycheck Protection Program (PPP), and no change in Community Development investing. Banks that did report increase in Community Development investing noted most of the increases in the form of grants/donations.

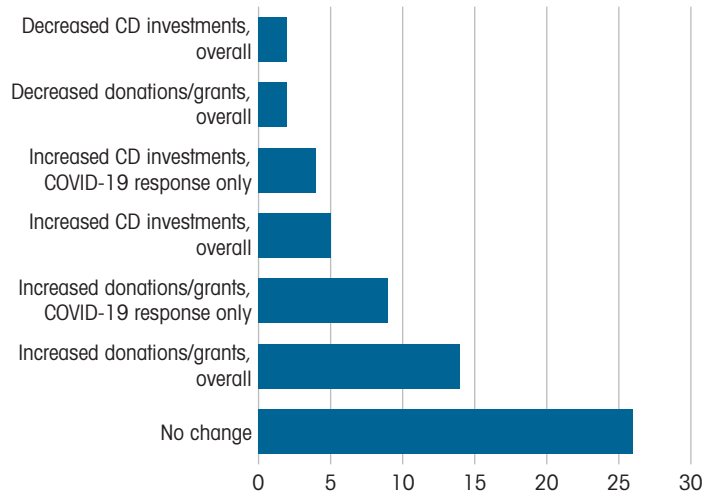
How has the bank's CRA lending changed in response to the COVID-19 outbreak?

check all that apply



How has the bank's Community Development investing changed in response to the COVID-19 outbreak?

check all that apply



"We created a new PPP program and became an SBA lender to help our small business clients"

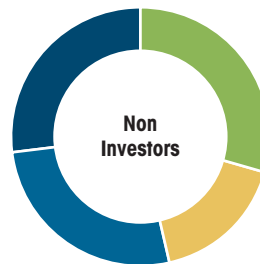
"Redirected 2020 Foundation grant allocations to support COVID-19 response activities"

"We offered PPP loans to any applicant that would qualify which provided an opportunity to qualify them for CRA lending"

"Front loaded donations to beginning of year rather than spreading out"

3 Overall, the majority of banks reported that the person responsible for overseeing the bank's CRA activities is at least very involved in the bank's strategic response to the COVID-19 pandemic. Comparing SBA Loan Fund investor responses with non-investor responses, SBA Loan Fund investors reported a significantly higher percentage of this case and a significantly lower percentage of the case where the person was not involved.

How involved in the bank's strategic response to COVID-19 was the person responsible for overseeing the bank's CRA activities? | 50 respondents (0 not involved – 100 fully involved)



■ 0 – 24 Not Involved
 ■ 25 – 49 Involved
 ■ 50 – 74 Very Involved
 ■ 75 – 100 Fully Involved

ABOUT THE SOLOMON HESS SBA LOAN FUND

The Solomon Hess SBA Loan Fund is a CRA-eligible Community Development Entity that supports jobs growth in low- and moderate-income and otherwise distressed communities in our bank investors' assessment areas nationwide. The fund has invested over \$2.0 billion in over 4,000 small business loans that supported the creation and/or retention of over 60,000 jobs since inception in 2004. Our investors are banks seeking targeted CRA Community Development credit, either for lending or investment test. The fund has over \$600 million in assets and over 120 bank investors. All of our investors who have sought CRA credit for their investment have earned the expected consideration from their respective regulator.¹



SBA LOAN FUND FACTS

CRA: Yes, Community Development Investment or Lending Test within your target assessment areas. Customized reporting is provided on a regular basis and before regulator evaluations. Assessed for impact management by Aeris Insight.

Credit Quality: Primary asset is the federally guaranteed portion of SBA 7(a) loans made to small businesses located in LMI or redevelopment areas. The fund is rated Aaa-bf by Moody's Investor Services, the highest possible credit quality rating.

Yield: Q3 Preferred Return of 0.90% annualized and net of all fees and expenses, re-set quarterly.

Safety: 20% risk weight with monthly liquidity.

To learn more about Solomon Hess and the CRA-eligible Solomon Hess SBA Loan Fund, please visit our website at www.solomonhess.com or contact Michelle Lai, Investor Services, at mgolai@solomonhess.com or 703.466.0487.

This report was prepared using the results of a survey of 64 participants conducted by the SBA Loan Fund, of which 39% are current investors. This report is for informational purposes only and is not, and should not be assumed to be complete. The SBA Loan Fund wishes to caution the recipient that survey results may differ materially for each participant. In considering the results of the current investors surveyed, the reader should bear in mind that past experience or performance is not necessarily indicative of future results, and there can be no assurance that investment in the SBA Loan Fund will achieve comparable results.

The information and results discussed herein are subject to change. This does not constitute an offer or a solicitation to purchase or sell any security, and nothing herein should be construed as such. Such an offer or solicitation can only be made pursuant to the delivery of a definitive offering memorandum and related documents.

1. Past performance is no guarantee of future results and future results are not guaranteed. While every investor has received positive consideration from their regulator thus far, this is no guarantee of future results and future exam results are not guaranteed. The SBA Loan Fund has not been approved by any regulatory agency.

SOLOMON HESS CAPITAL MANAGEMENT

431 Park Ave, Suite 401
Falls Church, VA 22046
703.466.0483
www.SolomonHess.com