

## Flagstar Bank, FSB Proposed Community Commitment and Goals

Flagstar Bank, FSB (“Flagstar”) has agreed to acquire, subject to regulatory approvals, eight (8) Desert Community Bank (“DCB”) branches in San Bernardino County, California, with approximately \$600 million in deposits from East West Bank (“EWB”) in addition to certain other related assets. Flagstar is looking forward to working with area community groups to define and meet our corporate responsibilities, including to ensure that our business model and core commitment to community development continues to be relevant and continues to make a difference in the communities we serve.

As we hope has become evident, Flagstar embraces its commitment to meeting the investment, lending and financial product and service needs of low- and moderate-income (“LMI”) and majority minority communities, including these communities’ individual and business needs. We certainly recognize that our company and the nation as a whole progresses when communities of color thrive and where race is never a barrier to economic opportunity. While we are currently in the process of amending our Community Reinvestment Act (“CRA”) Plan to incorporate the addition of the DCB branches into our branch network, we are prepared at this juncture to make certain commitments and to establish certain goals that we believe are reasonably and fairly designed to help meet the needs of the communities for which you strongly advocate and which we believe are earmarks of good responsible corporate citizenship. These commitments and goals were developed based upon feedback from your organization and are indicative of our mutually aligned goals.

A copy of these commitments and goals will be provided to Flagstar’s primary regulator, the Office of the Comptroller of the Currency, as an amendment to Flagstar’s application to acquire DCB branches, deposits and loans, and at least annually.

1. Overall Commitment. On an annual basis over the next five (5) years, Flagstar will commit to a level of lending, investments, donations and other qualifying CRA activities that meet or exceed 20% of its total deposits in the State of California. Flagstar will endeavor to ensure that the distribution of its CRA activity funds prioritizes low to moderate income individuals and historically underserved communities and that such distribution fairly and reasonably aligns with the diverse demographics of the San Bernardino MSA within which its DCB branches operate.

2. Single Family Housing. Flagstar will work to increase and diversify its mortgage loan originations, including through affordable home lending products, over the five (5) year period following the closing of the DCB bank branch transaction with the goal of exceeding its proportional share (as it relates to the average of all lenders in the San Bernardino assessment area) of mortgage originations to low and moderate income borrowers, owner-occupant borrowers in low and moderate income census tracts, and to racial and ethnic minority borrowers. To that end, Flagstar will offer its zero down payment product in California, and will formally consider offering an ITIN mortgage loan product in the state. Flagstar will work with local housing counseling agencies to identify flexible loan products that could better serve the community, hire staff that reflect the local community, and market to the community in language. Flagstar agrees to abide by the letter and spirit of the California Homeowner Bill of Rights (HBOR). Flagstar agrees to offer a variety of loss mitigation options to distressed homeowners, including principal reduction modifications, with the goal of keeping all homeowners in their homes. Where home preservation is not possible, Flagstar will strive to offer any REO properties to nonprofits or first time homebuyer/owner occupants, instead of investors.



3. Financial Products and Services. In 2018, Flagstar will deploy a product that will offer a low fee checking account for which the Bank will seek BankOn certification. Flagstar will allow individual tax identification numbers (ITIN) to be used for purposes of opening accounts as allowed under BSA and AML regulations. In 2018, the bank will, if not cost-prohibitive, waive any out of network surcharges for California public assistance recipients that use Electronic Benefits Transfer (EBT) cards. Flagstar seeks to increase its customer base, including amongst EBT recipients, and Flagstar will reimburse its California customers who are EBT recipients for any foreign ATM fees incurred. In 2018, Flagstar will also commit to develop or deploy a suitable loan product for the DCB branch community based upon community lending needs.

4. Economic Development. Beginning in 2018, Flagstar will establish an annual goal striving to ensure that one-half of all the DCB branch small business loans are originated in an amount not exceeding \$150,000 (excluding credit card loans) and to small businesses with less than \$1 million in annual revenues. To help accomplish this goal, Flagstar will, among other things, develop partnerships and/or referral programs with local CDFIs and other local organizations that focus on and work to improve access to capital in low to moderate income communities through small business lending and other technical assistance programs. Flagstar will refer, subject to legal and regulatory privacy restrictions, at least 20% of its small business loan declinations to CDFIs and nonprofit community lenders who might be able to make the loan. Flagstar will also prioritize SBA lending in the San Bernardino MSA over the five (5) year period following this acquisition toward businesses owned by women and racial/ethnic minorities, in LMI census tracts, and in lower loan sizes so that its lending to these groups compares favorably with and is otherwise on par with the average of all lenders in this area. Flagstar will explore participation in the state small business loan guarantee program.

5. Community Investments. Flagstar will commit to dedicating 0.25% of deposits annually, or \$1.5 million in 2018, to new community development investments, with no more than one-half being directed to LIHTC and/or New Market Tax Credits. These community development investments will be directed to affordable housing development, small business lending, California's CDFIs and CDCs, and other nonprofit community development funds. Beginning in 2020, Flagstar will commit to allocating \$75,000 per year of the .25% of deposits 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, like the SBA Microloans intermediaries.

6. Corporate and Supplier Diversity. By the second half of 2018, Flagstar will adopt and implement a formal corporate supplier diversity policy/program. Among other things, the program will prioritize the engagement of vendors for the DCB Branches that are locally-based and owned by members of communities that have historically been underserved for non-bank infrastructure products and services. As may be available, Flagstar will undertake outreach and partnership efforts with local economic development council 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, Flagstar will strive to ensure that 20% of its total DCB branch, non-banking system expenditures are with suppliers that are minority- and/or women-owned businesses. In addition, Flagstar is also committed to partnering with community organizations to help meaningfully increase the diversity of its DCB branch workforce and supplier base and to provide appropriate, periodic transparency into the demographics of its workforce and suppliers. Finally, Flagstar is also committed to working with its existing and potential female and minority-owned supplier base to enhance engagement opportunities through technical assistance and capacity building.



7. Charitable and Community Contributions. Beginning in 2018 and continuing for a period of five (5) years, Flagstar will make an annual contributions of at least .025% of California deposits (roughly \$150,000 in 2018,). At least 50% of annual contributions will go toward CRA-qualified programs that support organizations serving the needs of low to moderate income communities, including through programs supporting: affordable housing (inclusive of fair housing, and mortgage counseling), economic development (inclusive of technical assistance to small businesses), consumer asset building (inclusive of household financial capacity development), fighting homelessness, making low cost capital available for land trusts, and legal aid to support eviction defense.

8. Community Outreach. Flagstar will commit to bi-annually hosting one or more community groups, beginning in 2018 for the purpose of reviewing, evaluating and developing enhanced or additional strategies for achieving the goals and commitments set forth here. Flagstar's CEO will participate in at least one annual meeting, and members of Flagstar's Senior Management will attend and participate in all bi-annual meetings.

9. CRA Resources. The DBC/San Bernardino market will be overseen and managed regionally by Flagstar, with the assistance of a CRA Officer located in California. And, while Flagstar's CRA department is centralized in Troy, Michigan, following this acquisition, Flagstar will assign a Regional Retail Manager in the San Bernardino market who will work closely with the CRA Officer and Director and local support staff to ensure proper coverage of the San Bernardino MSA.

10. Branches. Flagstar does not intend to close any of the DCB branches following the transaction. In addition, in relation to future branch expansion activities, Flagstar will prioritize and strive to ensure that LMI communities are among those considered for new branch expansion opportunities. In addition, Flagstar will strive to open 3 branches in LMI areas and/or neighborhoods of color (census tracts with 50% or more people of color) in the first 5 years of this plan. More broadly, in relation to future branch expansion activities, Flagstar will prioritize and strive to ensure that LMI communities are among those considered for new branch expansion opportunities such that at least 33% of new branches will be in LMI neighborhoods or neighborhoods of color.

11. Anti-Displacement. Flagstar agrees to discuss with community groups the role it can play to reduce involuntary displacement of LMI individuals and people of color in its assessment areas. This may include prioritizing home mortgage sales to LMI residents, ensuring that mortgage lending and other financing activity does not foreseeably lead to displacement, and/or the developing special anti-displacement initiatives and pilot projects.

12. Spanish Language Services. Flagstar will strive to provide in-person bilingual support at its branches in a manner consistent with its predecessor, East West Bank, and where such support is unavailable, Flagstar has telephonic resources available today to provide bilingual support and will ensure that such services are available to serve the DCB communities following its acquisition. If Flagstar expands its branching network in the future, including by entering into new communities, Flagstar will strive to meet the language needs of these new communities as well, including by providing access in the languages identified in California Civil Code section 1632, at a minimum.

Acknowledged and accepted on December 21, 2017:

Flagstar Bank, FSB



California Reinvestment Coalition

