

**Jane R Stafford
Attorney at Law**

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September 19, 2019

CRA Officer
Sonabank
P.O. Box 6030
Glen Allen, VA 23058

To the Board-appointed Community Reinvestment Act Officer:

Please be advised that the attached complaint has been filed with the Federal Reserve Bank of Richmond.

You are herewith advised to include this document into your CRA Public File along with any response you wish to provide to me as complainant. Results of any Federal Reserve investigation will remain confidential unless the Federal Reserve determines that public communication or action is appropriate.

I thank you for your attention to this matter.

Sincerely,



Jane R. Stafford
Attorney at Law

Consumer Complaint Confirmation

Thank you for contacting Federal Reserve Consumer Help. This message confirms that you have successfully submitted your complaint with the Federal Reserve System. Your complaint was submitted on September 19, 2019 at 1:12 PM.

We will determine the appropriate [federal regulator](#) to address your complaint and forward your complaint to that regulator for investigation. Within 15 business days, we will send you a written acknowledgement that will tell you the [federal regulator](#) to which your complaint was sent and contact information for that regulator. If the Federal Reserve will investigate your complaint, you should receive a response from the Reserve Bank handling your complaint within 60 days after the Reserve Bank's receives your complaint.

More information on the Federal Reserve's [consumer complaint process](#) is located on our website.

Your Information

Name: Ms. Jane Stafford
Address: 5237 Chappell Ridge Place
Glen Allen, VA 23059
Country: United States
Email Address: jstaf23@comcast.net
Phone Number: 8045270605
Alternate Phone: 8045270605
Contact Preference: E-Mail

Institution Information

Institution Name: Sonabank
Account/Product Type: Consumer Loans
Address: PO Box
GLEN ALLEN, VA 23058
Country: United States

Email Address:
Phone Number:

Institution Information:

Complaint

I have been working with a non-profit group that assists low and moderate income individuals obtain relief from payday loans. In exploring bank options, I found that Sonabank, which serves the Richmond MSA among others, continues to limit its unsecured consumer loans to a minimum of

\$10,000. With the high number of low and moderate income families in Sonabank's Richmond and Tidewater service areas, this policy may have a disparate effect on lower income applicants who seek debt relief from higher interest rate loans. The Richmond MSA has a high percentage of low and moderate income citizens who are of minority ethnicity. Sonabank increased its minimum loan amount from \$5,000 to \$10,000 in late 2017 or early 2018. Confidentiality prevents me from providing you with additional information on this decision. I can say that the change was the subject of wide discussion. Because the policy impacts the early discussions of loan options, it may have the effect of discouraging in-person and electronic applications for a lesser amount than \$10,000. Therefore, documentary evidence based on the prohibited bases, particularly race and ethnicity, defined by the Equal Credit Opportunity Act, may be difficult to find in loan files. Loan officers may be able to provide further anecdotal information. If, in fact, it is determined that this policy may have a disparate impact on a protected class, then the policy will also impact the CRA rating of the bank.

How can your complaint be satisfactorily addressed?

1. My first recommendation is that Sonabank roll back its minimum loan amount for unsecured consumer and small business loans to \$5,000- an amount that is acceptable to many of its peer banks.
2. My second recommendation is that the Federal Reserve Examiners determine if, in fact, any unfair acts that have a disparate impact have occurred over the past 18 months and if they have, the Federal Reserve Bank take such action as it deems appropriate to address the issue.
3. My final recommendation is that this complaint be included in the CRA Public File for Sonabank for further public review and comment. I am at your service to provide such information that I can without breaching certain confidentiality requirements.

Quynh Roberts
Senior Examiner/Central Point of Contact
Consumer Compliance Division
Federal Reserve Bank of Richmond
701 E. Byrd Street
Richmond, VA 23219

October 4, 2019

Dear Ms. Roberts,

This letter is in response to a complaint that Sonabank received from the Federal Reserve Bank of Richmond on September 30, 2019. The complaint was filed by a “whistleblower” regarding Sonabank’s consumer unsecured and small business lending policy. The complainant suggested that Sonabank’s current policy of limiting unsecured consumer and small business loans to \$10,000 could have a disparate impact on Low- and Moderate-income individuals within the Richmond and Tidewater areas. The complainant would like to see Sonabank “roll back its minimum loan amount for consumer and small business loans to \$5,000.”

Sonabank has looked into the complainant’s concerns regarding its consumer unsecured and small business lending limits. The initial business decision to increase the limit was based on the judgement that originating and servicing loans less than \$10,000 was not adequately profitable. In view of the consumer’s complaint, however, we analyzed our policy and 2019 unsecured consumer loan volume. Page 56 of our Credit Policy “Consumer Loan Underwriting Policy” provides the following guidance:

“The following policies are intended to provide a framework for the consistent evaluation of consumer loan requests presented to the Bank. This consistency is further necessitated by the substantial regulatory burden associated with consumer lending. However, Management recognizes that there are times when exceptions to these policies, underwriting guidelines and procedures will be necessary. Therefore, the Bank encourages *judgmental* evaluation of each loan request, and will allow for such exceptions when appropriately and properly mitigated and documented.”

In 2019 we originated 112 unsecured consumer term loans in the nine months ending September 30, 2019. Nine of these were in loan amounts less the \$5,000 and another six in loan amounts between \$5,000 and \$10,000. Of the nine loans with loan amounts less than \$5,000, two were to borrowers in Moderate Income Census Tracts and one in an Underserved or Distressed tract. Of the six unsecured consumer term loans in amounts between \$5,000 and \$10,000 one was to a borrower in an Underserved or Distressed tract. During this period there were also five unsecured consumer term loans over the \$50,000 maximum loan amount.

We also offer an unsecured individual revolving credit loan. This loan type includes overdraft protection LOC with minimum loan amount guidance of \$500. Of the thirty seven loans originated in this category during the nine months ending September 30, 2019 nine were under \$10,000 all of which were overdraft protection LOC, one of which was to a borrower in a Moderate Income Census Tract.

Our survey of competitive unsecured loan minimum loan amounts in the Richmond MSA reveals that of the banks offering unsecured consumer loans, minimum loan amounts range from \$1,000 (one bank) to \$3,500 (one bank), most are at \$2,500. We are revising our guidance on minimum loan amounts for unsecured consumer loans to \$2,500.

On Page 29 of our Credit Policy it states that as a general guideline the minimum loan amount for a commercial loan is \$10,000. This policy is clearly guidance and not a rule. During the nine months ending September 30, 2019 the smallest Commercial and Industrial or Commercial Real Estate loan we originated was \$25,000. We do not think that a revision of existing policy will have much if any effect.

As requested, please find enclosed loan policies relevant to the complaint. Each document will be updated to reflect the change to the lending limit as described above.

If you have any further questions or concerns, please feel free to contact Compliance (804-977-7580) regarding this matter.

Respectfully,

Joseph Shearin
Chief Executive Officer