

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