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A bigger Umpqua Bank expands efforts to reach underserved communities

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In Feb. 14, Cobi Lewis called a meeting to order at Umpqua Bank unlike any in Oregon history.

Lewis, the recently hired head of the bank's efforts to serve underrepresented communities, had gathered some of the bank's top brass and two nonprofits to talk about how the groups could work together.

The two-hour workshop wasn't an empty gesture. It came with a whopping \$1 million check, the bank's just-announced financial commitment to five groups working on economic empowerment, including the two in the room.

The bank says the cash is the starting point of a multiyear effort to engage deeply on a variety of problems including homeownership for African Americans and Latinos, small business lending for women and people of color, and access to secondary education.

The workshop happened roughly 18 months after the [Business Journal](#) reported on alarming disparities in access to capital for women and minorities in Portland, including the seeming collapse of small business lending to African-American businesses. Among other eye-popping statistics, the story noted Umpqua Bank has made one Small Business Administration loan to a black-owned business in the last decade. The workshop also happened roughly two years after the bank's regulator gave it a failing grade on one part of a three-part test that measured whether the bank is serving the entire community.

Umpqua executives said recent efforts aren't a reaction to negative press coverage or the tough regulatory evaluation. They said the bank's commitment to neighborhoods where it accepts deposits has never wavered. Rather, they said Umpqua, which has long been known for innovation, is scaling up and re-engineering its community reinvestment efforts to reflect its massive new size.

In the past decade, through a series of acquisitions, Umpqua has grown from \$7.4 billion to nearly \$24 billion in assets. It's now by far the biggest bank based in Oregon. Its \$7.8 billion in Oregon deposits makes it more than 10 times larger than Citizens Bank, which holds \$650 million and ranks No. 2.



CATHY CHENEY

Cobi Lewis is senior vice president and director of Community Reinvestment Act initiatives and community relations at Umpqua Bank.

"Umpqua has always tried to keep pushing the envelope of what a bank can and should be and part of that evolution is thinking about how we tackle some of these issues differently," said Eve Callahan, Umpqua's chief communications officer. "At (\$24 billion in assets), we have a completely different range of expertise and knowledge and sophistication as a company that we didn't have just a few years ago."

Community leaders welcomed Umpqua's aggressive approach to community reinvestment and said Lewis, a Portland native with a deep Rolodex, is the right person for the job.

"I am really, really hopeful with Cobi in that spot," said Stephen Green, an advocate for minority- and women-owned businesses who has known Lewis for more than a decade. "The job she's in is a perfect fit."

'Giving back every single day'

Lewis grew up in Portland with a mother who ran her own business and a father who worked in city government. Her resume reflects both her mom's entrepreneurialism and her dad's sense of civic duty.

After graduating with a degree in journalism and English from the University of Oregon, Lewis worked at One Economy, a Washington, D.C.-based nonprofit that lifts underserved, low-income communities, including through education. Through One Economy, Lewis also worked on affordable housing and did disaster relief.

"I realized that community development was my thing," she said. "It was working with communities, meeting nonprofits, forging the same type of relationships that we do now. It's sitting down with your organization and saying, 'I come with these resources, but you tell me what you need first and then we'll figure out how to deploy.'"

By the time she moved back to Oregon and a job at Wells Fargo in 2012, Lewis had a robust understanding of how banks, nonprofits and the public sector can work together. She also had ace facilitation skills.

"I definitely knew that my career path would take me to a place where I can connect the dots and create more opportunity for people," she said. "I can't have a job ... where I'm not giving back every single day or doing something for someone else. That's just not in my DNA."

Umpqua hired her roughly one year ago to fill the newly created position of senior vice president and director of community relations and Community Reinvestment Act initiatives.

Often referred to by the acronym CRA, the Community Reinvestment Act is a federal law that mandates banks serve the entire community, including low- and moderate-income neighborhoods.

"It was clear from the moment we met that she would be terrific," said Callahan, who oversees Umpqua's CRA efforts.

Lewis said the bank's reputation for innovation clicked with her entrepreneurial instincts. Among other innovations, Umpqua is credited with starting the trend of making branches look more like coffee shops. It's also rethinking mobile banking through a program that gives customers digital access to bankers.

"Community development in general is entrepreneurial because you have to think about new solutions," she said. "You're starting new programs from scratch. You're thinking about things in a way that's loosely separate from the business of banking."

Lewis said she wouldn't have taken the job if she didn't have the support of the entire bank, including management.

"Everybody was primed and ready," she said. "They were doing great work already, it's just a matter of focusing it on the areas where we need to focus."

Those who know Lewis said she wouldn't have taken the job if the bank wasn't serious.

"She wouldn't be at Umpqua if she didn't think she could help them accomplish their goals," said Craft3 Chief Financial Officer Mark Stevenson, a veteran Portland banker and former CEO of Capital Pacific Bank. "If she wasn't getting that type of backing, she wouldn't be there."

'Needs to improve'

Lewis' hiring happened at a critical time for the banking industry. Access to capital remains a persistent problem, one that disproportionately impacts low-income communities nationwide.

An award-winning examination of mortgage data published last year by the Center for Investigative Reporting showed that redlining — the practice of not lending in certain neighborhoods — still exists, more than 50 years after Congress passed the Community Reinvestment Act.

In Portland, 11 percent of mortgage applications filed by white borrowers were rejected in 2017, according to a Business Journal examination of Home Mortgage Disclosure Act data made possible by the software platform LendingPatterns.com. For blacks, nearly 18 percent were rejected. For Hispanics, 17 percent.

Umpqua bank rejected a lower percentage of mortgages for each race — 10, 16 and 12 percent, respectively.

On the small business side, black business owners in Oregon averaged 43 loans a year from the U.S. Small Business Administration's flagship 7(a) program in the decade that ended in 2009. Since then, black-owned businesses in Oregon have averaged six SBA loans a year.

Umpqua Bank made eight SBA loans to African-American-owned businesses between 2005 and 2007, according to data the Business Journal obtained through a public records request. Since then, the bank has only made a single SBA loan to a black-owned business.

(SBA data is the only publicly available business-lending data that is sortable by race and ethnicity.)

As part of the Community Reinvestment Act, banks are evaluated every few years by federal regulators to see if they are lending to the entire community. The evaluations take into account mortgage lending, small business lending, branch locations, volunteer service and other factors. Most banks pass. A 2015 report from the National Community Reinvestment Coalition, an industry watchdog group, said the overall failure rate is less than 2 percent.

Umpqua got a "satisfactory" grade on its last three evaluations, including the most recent, which covered 2013-2016. On all three, the bank received a "high satisfactory" grade on the portion of the test that measures lending to the entire community. In the latest report, however, Umpqua failed the third prong, which measures whether the bank is providing services to the entire community.

"The institution's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly to (low- and moderate-income) geographies and/or (low- and moderate-income) individuals," bank examiners wrote in the report, which Umpqua received in 2017.

The evaluation noted Umpqua opened three branches and closed 16 branches in the Portland area during the assessment period, part of a wave of closures throughout its multistate footprint after it acquired Spokane-based Sterling Financial Corp. for \$2 billion in 2014. Three of the branches it closed in Portland were in low-income areas. Three were in moderate-income areas. The remaining were in middle- and upper-income areas.

“Overall, they’re passing, but I think there are significant areas of weak performance,” said Jesse Van Tol, CEO of the National Community Reinvestment Coalition, who reviewed the evaluation at the request of the Business Journal.

Callahan, Umpqua’s spokeswoman, called the bank’s latest evaluation an outlier, noting its history of “satisfactory” overall scores. She said problems connected to differences in how Umpqua and Sterling accounted for volunteer hours caused the failing grade on the recent service test, not branch closures. And she said the problem has been resolved. Callahan also said Umpqua is deliberate about branch closures and bankers talk to affected communities before a branch closes. (Umpqua calls them stores.)

In response to Business Journal questions about the drop in the bank’s SBA lending to black-owned businesses, Callahan said SBA data doesn’t reflect the entirety of the bank’s effort to serve small businesses and entrepreneurs of color. Umpqua, like other banks, works with Community Development Financial Institutions, or CDFIs, to make loans to underrepresented entrepreneurs. For example, Craft3, one local CDFI contacted by the Business Journal, said Umpqua wrote it a \$2 million check in 2014. She also noted SBA data is incomplete because borrowers aren’t required to provide demographic data.

Callahan said Umpqua’s efforts aren’t illusory.

“There’s the stark, shocking number that grabs people,” she said. “The actual work to address the number is not sexy. It is day after day, steady, consistent, showing up, listening.”

The Umpqua answer

The work of “showing up, listening” was on full display at the February workshop, which took place in a fourth-floor conference room at Umpqua’s downtown Portland headquarters.

Lewis started the meeting by noting she’s a “homeownership junkie.” Then she kicked off a robust discussion of how the bank could work most effectively with the two nonprofits in the room, the African American Alliance for Homeownership and Bienestar, which respectively work on homeownership for African-Americans and Latinos.

The nonprofits were among 300 that applied for shares of the \$1 million Umpqua awarded to groups working on economic empowerment. The other three: Metropolitan Family Services, which will use its share of the money on financial health programs, including connecting low-income women to jobs; Self-Enhancement Inc., which will establish a post-high school Leadership Academy to help African-American students get post-secondary education and attain financial self-sufficiency; and Gateway to College National Network, which will help high school dropouts and underperforming students get back on track.

Lewis said the \$1 million commitment is the start of a multiyear process through which the bank wants to build relationships with each of the nonprofits. Ultimately, Lewis said the bank wants to make itself familiar to those who haven’t used its products.

"We never want to just leave a check," she said. "The work starts with cementing relationships with groups already doing the work. There's an intimidation factor when it comes to banks and we don't want there to be. We want you to feel comfortable coming in here. Our approach to it is really the relationships. If we can start forging these relationships, they see us in the markets, they see us engage, they see us active, they see that we really truly care about getting these borrowers into our bank."

The approach marks a shift in Umpqua's philanthropic efforts. Instead of spreading around its charitable gifts, Umpqua is focused on the five nonprofits doing different types of work around a single problem.

"We recognized an opportunity to try something different and see how it works," Callahan said. "What could we do by bringing together complimentary organizations ... and not just funding them individually, but creating an opportunity for them to work together?"

A handful of employees of the nonprofits attended the February workshop, including African American Alliance for Home Ownership Executive Director Cheryl Roberts and Bienestar Executive Director Nathan Teske. Roughly a dozen Umpqua executives participated, including Chief Strategy Officer Rilla Delorier, general counsel Andrew Ognall, Chief Risk Officer David Shotwell and numerous senior vice presidents.

Roberts described the meeting as a "warm embrace."

"You're serious," she said. "I'm excited."

Within two hours, the nonprofit leaders and bankers, all of whom appeared fully engaged, had tossed out more than a dozen ideas for using the bank's hefty balance sheet and deep roster of executive talent to promote homeownership. Among the ideas, beef up the use of individual development accounts.

Roberts described so-called IDAs as the "best program since fried ice cream."

They work like this: Borrowers save money in an account over a period of time, then the money is matched and can be used for homeownership, education or small business expenses.

Umpqua is one of the few Oregon banks that offer the accounts, which provide a 3-to-1 match, meaning a person who saves \$3,000 will ultimately have a \$12,000 down payment for a house.

Other ideas:

Can IDA accounts be rolled over?

Could IDA accounts be established for children?

Can Umpqua develop curriculum that can be used by nonprofits doing financial literacy programming?

How can the bank use its corporate affairs team to lobby for additional financial resources for successful state and city programs, such as down payment assistance?

How does the bank layer homeownership products? Are there more effective ways to combine existing products?

How does the bank use down payment assistance programs?

What can the bank do to help low-income Oregonians build their credit? (Umpqua already offers secured credit cards.)

How can Umpqua work with the participating groups to host homeownership fairs? Does it have office space the groups can use on the weekends?

Could Umpqua use its marketing team to create video and social media content for participating nonprofits?

Since the event, Umpqua has been sorting through the ideas, figuring out what's possible, and continuing the dialogue. It's also held similar brainstorming sessions with the other nonprofits in the \$1 million grant program.

The bank is taking a similar approach to small business lending.

Instead of "recreating the wheel," Lewis said the bank is reinforcing its relationships with groups that are already working with underserved entrepreneurs.

"We recognize CDFIs are doing this work extremely well," she said.

This week, Lewis met with MESO, a well respected CDFI that helps disadvantaged business owners build a credit history and become bankable. It continues to work with Craft3 and other CDFIs.

As is her style, Lewis continues rapidly piloting ideas, then formally launching those that show initial promise, such as a program called Bankers Hours through which Umpqua executives volunteer at organizations like MESO.

"Part of the reason we're excited about Bankers Hours is because it's putting a banker in a space where they're interacting with somebody who's not ready for a bank loan, but where they are establishing a relationship from that early point and realizing, 'I can trust you now, this is not scary,'" Callahan said.

In the second quarter, Umpqua expects to launch a "small business empowerment program," that will include an online toolkit for small business owners. The bank expects to launch an enhanced IDA for small business owners in April.

Callahan said the programs may not pay immediate dividends.

"What we're trying to do is put together a long-term thoughtful approach that may not show up in this year's SBA numbers, or even next year's."

Lewis said the overall goal is simple.

"My goal is that we are definitely lending to all parts of the community," she said. "That's my goal. That's our goal as an institution."

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