



Special Supervision Division
400 7th St. SW, Suite 3E-218
Mail Stop 8E-12
Washington, DC 20219

**Supervisory Condition Letter #2019-03
December 2019**

December 13, 2019

Via E-mail

Board of Directors
Neighborhood National Bank
780 Bay Blvd, Suite 205
Chula Vista, CA 91910

**Re: Notification of Conditional No Supervisory Objection to the Revised 2019-2021
Strategic and Capital Plans**

Dear Members of the Board:

The Office of the Comptroller of the Currency (OCC) is in receipt of your revised 2019-2021 Strategic and Capital Plans (collectively, Plan) submitted by Chief Executive Officer (CEO) Scott Andrews by e-mail on November 22, 2019. Pursuant to Articles II (Strategic Plan) and III (Capital Plan and Higher Minimums) of the Consent Order (Order) signed March 24, 2016, the Board is required to submit the Bank's Plan to the OCC for a determination of no supervisory objection (NSO).

This letter provides notice of the OCC's NSO to the revised 2019-2021 Plan, subject to the following condition:

- In 2019 and 2020, the Bank's total concentration of the unguaranteed portions in the Specialty Lending products, including Small Business Administration (SBA) 7(a) loans and California State Guaranty loans, may not exceed 50 percent of tier 1 capital plus the allowance for loan and lease losses until the Board corrects the credit underwriting and administration weaknesses that the OCC identified during the November 2019 full scope examination. The Board must request and obtain a prior written determination of NSO from the OCC for any increases in this concentration level.

Following receipt of this notice of NSO, the Board shall adopt the Plan at the next Board meeting, and the Bank shall implement the Plan thereafter. The Board shall ensure adherence to the Plan going forward. The Board shall review and update the Plan at least annually or more frequently if necessary or if requested by the OCC.

As a reminder, the Bank may not significantly deviate from the Plan without the OCC's prior written determination of NSO. The Board must provide the OCC at least 30 days advance, written notice of its intent to deviate significantly from the Plan. The notice must include an assessment of the impact of the change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Plans.

The conditions of this NSO is a condition "imposed in writing by a Federal banking agency in connection with any action or any application, notice, or other request" within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

This letter does not amend, suspend, waive, or terminate any provisions of the Order. Further, this letter and the activities and communications by OCC employees in connection with the Bank's request, do not constitute a contract, express or implied, or any obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable laws and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

This supervisory correspondence and any related supervisory information are confidential and are "non-public OCC information" as defined by 12 CFR 4.32(b). Generally, disclosure of any "non-public OCC information," without prior written authorization by the OCC will be considered a violation of 12 CFR 4 and subject to the penalties in 18 USC 641. However, when necessary or appropriate for business purposes, a national bank is allowed to disclose such information to a person or organization officially connected with the bank as officer, director, employee, attorney, auditor, or independent auditor. Disclosure may also be made to the national bank's holding company and, under certain conditions, to a consultant employed by the national bank. See 12 CFR 4.37(b)(2).

Should you have any questions, please do not hesitate to contact Problem Bank Specialist Melody Gregerson at (202) 256-7735 or me at (202) 649-6450.

Sincerely,

//s// Digitally Signed, 2019.12.13

Julie A. Thieman
Director for Special Supervision