CARES Act and Small Business Lending

Global CPAC, NA CPAC, Global ComPAC & NA BPC Committees Meeting

Retail Business Bank (RBB) and Citi Commercial Bank (CCB) are seeking NA CPAC/ComPAC approval to implement a new digital channel (utilizing third party Foundation) for Small Business SBA 7(a) Loans, including SBA Express Loans, up to $1,000,000. This will enable a small business applicant to complete the streamlined SBA application online, submit required documentation, and receive a conditional decision in real time. Online processing will help Citi support the needs of our existing Small Business customers as well as new customers outside of our traditional branch footprint.

April 4, 2020
Compliance Risks: Non-Citi Customers

The below approach as it relates to Disparate Impact has been approved by ICRM

**Disparate Impact:** A policy of not taking non-customers might create heightened risk of disparate impact on minority and women-owned businesses

**Business Rationale:**
Timing is critical to respond to the demand in the market and Citi’s desire to implement CARES Act Paycheck Protection Program (“PPP”) loan program quickly and efficiently. Citi evaluated opening the program to current Citi and non-customers on day one. However, Management determined that opening the program day one to both non-customers and for existing Citi customers is not viable. The drivers for this determination are: 1) that unlike many of our peers Citi had to develop a new digital platform; 2) non-customers require more manual intervention than existing customers; and 3) the current market demand. Accepting applications initially from non-customers will seriously challenge the existing capacity to appropriately process the applications and fund the loans timely. As a result, the business desires to initially restrict the implementation of PPP to existing Citi customers meeting the following criteria:

- Customer certification that business meets SBA PPP Eligibility Criteria
- Existing Citi small business deposit or Citi small business lending clients
- Customer able to provide IRS Form 941 documentation to support Loan Amount

**Alternatives:**
The business considered an account opening requirement for non-customers that utilized an existing business checking product. However, the existing AML/KYC controls would have directed customers to the local branches for processing. This is not a viable alternative since Citi has a branch coverage in six metropolitan areas across the US. Due to the COVID-19 epidemic some of the existing branches are either closed or operating with reduced staff and Citi does not have the ability to open accounts digitally.

**Management Recommendation:**
Since no other alternatives were identified that would have less of a disparate impact, the business intends to proceed with the original plan of offering the PPP loans to existing Citi customers only as outlined above. Management will evaluate the PPP program over the next 30 days to determine that the processes and controls are operating effectively. In conjunction, Management will evaluate the potential for relaxing the eligibility criteria by opening the program to non-customers.