

**CANDACE WIEST  
PRESIDENT AND CEO  
WEST VALLEY NATIONAL BANK  
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**TESTIMONY TO THE TARP CONGRESSIONAL OVERSIGHT PANEL**

**I. DESCRIPTION OF WEST VALLEY NATIONAL BANK**

West Valley National Bank is a \$39,000,000 community bank. We were founded by a group of local businessmen and farm families who believed the market was underserved. We raised our initial capital from 150 local shareholders in three weeks. We opened our doors on December 21, 2006. We are the only locally owned bank West of I-17 founded to serve the small businesses and medical and dental professionals throughout Maricopa County. Our main focus however is in the cities most hard hit by the recession; Avondale, Glendale, Goodyear, Buckeye, and Tolleson. According to our preopening research approximately 95% of the businesses in these cities meet the government definition of small business. In 2007 we doubled our capital because we believed the recessionary market would provide opportunities. Again, it was all from local investors and we raised the funds in a month. We utilized some of those funds to open a new branch in Buckeye, one of the hardest hit cities. We continue to focus on serving those markets. In 2008 we received SBA approval to originate loans. Given the impact of the financial crisis in this state, we felt SBA lending would be critical going forward. In 2009 we funded two new SBA 504 loans and recently closed our first 7A loan. The government increase in SBA funds, combined with the 90% guaranty and waiver of fees has allowed us to expand our pipeline considerably since year end 2009.

**II. MARKET CONDITIONS/LOAN DEMAND**

The question of demand is difficult. WVNB certainly has room to expand lending, given that we have 39% Tier 1 capital and almost 50% leverage capital. Explained another way, we have originated \$25,000,000 in loans and still have \$16,000,000 in capital. We could grow the Bank by \$100,000,000 in new assets and not need any new capital.

Our lack of loan growth is a reflection of the impact of the recession on the small businesses in this state. While the rest of the country has experienced varying degrees of recession, I believe Arizona has been functioning in a depression. In my opinion, real unemployment could be closer to 15% in this market. Land values have dropped by 85% since 2006 and residential property values have decreased by 50%. Currently there is almost 1,000,000 square feet of vacant commercial real estate. The crisis has also been exacerbated by the lack of credit in this state. The three largest institutions in the country control 70% of the deposits in this state. I have heard anecdotal information that many homeowners and small business owners who depended upon equity lines and credit cards have seen spikes in credit card rates and equity lines frozen. All of those issues lead to difficulties in finding credit worthy borrowers. As a result, we have not met our lending projections. Last year we funded approximately \$10,000,000 in new credits. We would do more, but it is difficult to find anyone who has not been impacted and remains

creditworthy. We continue to work with the Small Business Association, GPEC, Westmarc, and the economic development offices of the west valley to provide capital to small businesses.

### **III. TARP MONEY**

We did not take TARP money. As a small institution, we would have only been eligible to receive less than a \$1,000,000. Fortunately we had the foresight to raise additional capital at the end of 2007 which we had not deployed. However, at the time TARP funds were available we applied because we felt the market might provide a relatively new bank with few asset quality issues an opportunity. At the time there were few details available as to the conditions imposed by the government. As our application was processing, we saw new conditions being added daily and witnessed the growing stigma being directed at TARP banks. Because we did not want to enter into an agreement with a government who could alter the terms at any time, we chose to withdraw our application.

In retrospect, we feel this was the right decision. In my opinion, this administration and Congress has done a poor job of explaining the purpose of the TARP funds to the citizens. If we decline a loan, many of us have heard some version of “Congress bailed you out so you could make loans to people like me.” There is real public anger to learn that banks used the TARP funds to realign their balance sheet by dumping problem loans rather than lending to small businesses.

There is also the perception that the government cannot be trusted to live with the agreements they make relevant to TARP funding for Banks. I understand that the TARP program was developed during a period of crisis. However, changing or adding conditions after the funds were accepted has also created the perception you cannot trust the government.

### **III. THE SMALL BUSINESS LENDING FUND**

As for the proposed Small Business Lending Fund, if I understand it as proposed, I do not believe it will benefit the banks or small businesses owners or the following reasons:

- No matter what you call it, the public will continue to see this program as a bailout unless there is a requirement (and accountability) for Banks to use the funds specifically for lending to small businesses and not to restructure their balance sheet.
- The size of institution eligible for these funds is too large. These are the same institutions that have access to public markets for capital but chose TARP because the cost of capital is cheaper than market costs. In addition, only the same Banks who qualified before will qualify again.
- Each Banks primarily regulator controls the application process. Congress needs to provide specific guidelines as to the qualifications to be approved so the approval process is driven by transparent criteria.
- The conditions must also be transparent and permanent. As a twenty two year lender, I have never been legally able to amend loan terms midstream. That same rule should apply to new funds.

- And finally, in my humble opinion if the goal is truly to stimulate lending to small business the taxpayers of this country would be better served if the funds were given to the SBA who already has a proven distribution structure and infrastructure.

Candace Hunter Wiest is the founding President of West Valley National Bank. She has been a community bank President since 1993, serving previously as the CEO of Inland Empire National Bank. She served as a Director on the Board of the San Francisco Federal Reserve from 2001 to 2008. She is the first woman elected as a Class A Director in the Banks history. Ms. Wiest believes in community service. She is a trustee of Franklin Pierce University, the Secretary of the Board of Western Region Medical Center CTCA, on the Board of the Greater Phoenix Economic Council, the incoming Chair of Westmarc, the Chair of Mayor Roger's Ad Hoc Economic Development Committee, and a member of the West Valley Advisory Board for Phoenix Children's Hospital. Ms. Wiest has received numerous community awards and recognition, including the Stevie Award for best Executive in 2010.