

COMMUNITY WEST BANCSHARES



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February 24, 2009

Office of the Special Inspector General
Troubled Asset Relief Program
Attn: Neil M. Barofsky, Special Inspector General
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

SIGTARP.response@do.treas.gov

Re: Response to Your Letter dated February 6, 2009

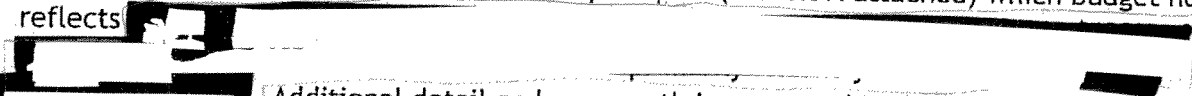
Dear Mr. Barofsky,

Thank you for your letter referenced above. Community West Bancshares (CWBC) appreciates the Treasury's purchase of 15,600 shares of Preferred Stock and believes the responses in this letter will demonstrate the effectiveness of the TARP program.

Anticipated Use of TARP Funds

In December 2008, when the Board of Directors accepted \$15.6 million of TARP funds, it was with the anticipation of the need to support the measured asset growth in meeting the loan demands of our customers. In fact, though at well-capitalized levels, the CWBC board realized in July 2008 that to continue Community West Bank's growth, additional capital would be needed and initiated the process of a rights offering. Several months into that process, the capital market deteriorated and it became apparent that the most economically feasible capital alternative would be TARP.

Receiving the TARP funds has allowed Community West Bank (the "Bank") to grow as opposed to "no growth" or "retract", which would have been our only alternatives had the U.S. Treasury's investment not been received. The receipt of the \$15.6 Million in new capital allowed us to revise our 2009 budget and capital plan (Exhibit A attached) which budget now reflects

 Additional detail on loan growth is presented in the 2009 budget attached.

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Segregation of TARP Funds

TARP cash is not segregated. Once received on December 19, 2008, the funds were recorded and allocated on our balance sheet to preferred stock and warrants. We “downstreamed” four million dollars to the Bank to support required capital ratios and to continue lending to qualified borrowers. We will continue to downstream capital when necessary to support the anticipated business and consumer lending and maintain the Bank in a well capitalized condition.

Actual Use of TARP Funds

Since receiving TARP funds on December 19, 2008 and through February 12, 2009, loans have been funded as follows:

	<u>(Dollars in 000's)</u>
Loans to small business (SBA):	27 loans @ \$12,432
Loans primarily for entry-level housing:	22 loans @ \$ 2,449
New and renewed loans for business or consumers originated in Bank's service area:	<u>41 loans @ \$28,020</u>
TOTAL FUNDED:	90 loans @ \$42,901

Expected Use of Unspent TARP Funds

As previously noted and reflected in the 2009 budget attached as part of Exhibit A although no assurances can be given, we anticipate using the TARP funds received to achieve our budgeted asset growth in 2009 and beyond affording us the opportunity to serve the ongoing credit needs of our target market where our standards for credit quality are met, including capturing the full value of a customer relationship. We would not have been able to increase our asset base and provide credit to deserving borrowers had we not had this injection of capital.

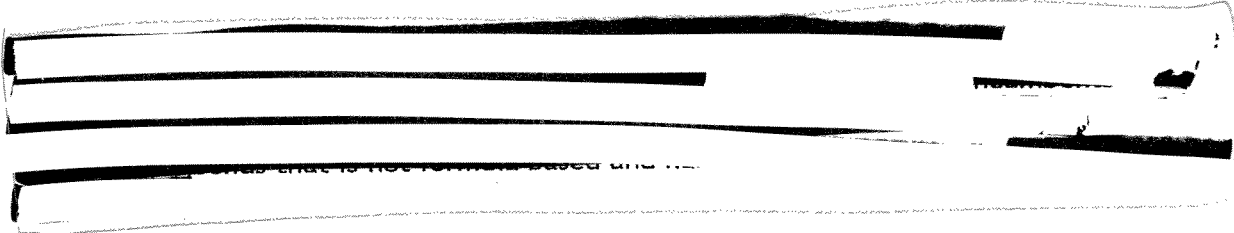
Community West Bank will also use the funds to address credit issues, including problem loans and, where indicated, to restructure credit.

Finally, we expect to use TARP funds to support the Bank's required capital ratios while achieving the goals outlined.

Office of the Special Inspector
Mr. Neil Barofsky, Special Inspector General
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Executive Compensation

Executive compensation has always been carefully managed and monitored by the Board Compensation Committee of the Bank. Current executive compensation levels for the last three years are reflected on attached Exhibit B.



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Closing

Community West Bancshares will continue to maintain files relevant to public references to TARP, internal memos and other related TARP documents. Included as Exhibit C, you will find all public and internal communications on this subject at this juncture.

Should you have any questions or need clarification, please do not hesitate to contact me at the number below.

I, the undersigned, hereby certify that the statements, representations, and supporting information contained in this letter are, to the best of my actual knowledge, accurate as of the date of this letter.

Sincerely,

Lynda Nahra
President/CEO

EXHIBIT A

COMMUNITY WEST BANCSHARES and its banking subsidiary, COMMUNITY WEST BANK

CAPITAL PROGRAM Updated December 2008 and January 2009

This plan incorporates the current budget and capital projections, and became effective when formally approved by the Board of Directors on December 18, 2008, subsequent to revisions made because of substantial interest rate market changes.

Objective

The objective of this policy is to ensure that the Company and the Bank maintain adequate capital / ratios to support safe and sound banking operations.

Monitoring

The Chief Financial Officer will be responsible for reporting the ratios as part of the monthly Board package and will project the capital ratios for the next three years on an annual basis.

The well-capitalized ratios required for the Bank by the Federal Deposit Insurance Corporation Improvement Act (FDICIA) for Risk-Based Capital (RBC), Tier 1 Capital and Tier 1 Leveraged are 10%, 6% and 5%. The RBC ratio requires banks that hold perceived riskier assets to maintain more capital. The Bank goals are to continue to exceed the risk-based, well-capitalized level of 10%. Also, there has been a push by regulators for increased capital and, while the Tier 1 well-capitalized ratio currently remains at 5%, the Bank's goal is to get to and maintain b(4)

Results of Projections

Executives and Division/Business Managers of the Bank went through a detailed budget process and, along with a separate Board retreat, provided the primary basis for the 2009 assumptions and business plans. These were discussed at an Executive Committee Meeting prior to the Board Meeting on December 18, 2008 and a basic consensus was reached as to assumptions.

Sources of Capital

Since August 2007, capital, particularly for the banking industry, has been difficult and/or expensive to obtain. The Company has frequently been involved in discussions and presentations and has considered Trust Preferred, Subordinated Debt and Common Equity enhancements. The Company was well along on a Rights Offering as late as October 2008. In a well-publicized effort to support the banking industry and to encourage lending to get the economy moving again, the Treasury initiated the TARP CPP, which offered preferred stock

equity to qualified financial institutions from 1% to 3% of their risk-weighted assets. After careful contemplation of the alternatives, it was deemed to currently be the most inexpensive and the only readily obtainable capital and the Bank submitted its application in October 2008 and received preliminary approval in November 2008. The \$15.6 million capital was received on December 19, 2008. This will significantly enhance consolidated capital, allow for holding company strength and for the Bank to meet its goal of [REDACTED]

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[REDACTED]

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Dividend Policy

[REDACTED]

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Holding Company Strength

The Company adds additional strength to the Bank as a possible source of additional capital. After the CPP capital was received and \$4 million was downstreamed, the Company still adds approximately \$11.7 million to consolidated capital.

Contingency Plan

As part of the Asset / Liability policy, the Bank has a detailed Contingency Plan for dealing with unanticipated events that may reduce the capital ratios down to or below the well-capitalized levels.

**Community West Bank
Assumptions for Three-Year Projection
2009 through 2011**

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Community West Bank
 Comparative Projected Balance Sheets
 December 31, 2008, 2009, 2010, 2011
 (dollars in thousands)

Budget Dec-09 Month End	History Dec-08 Month End	Var \$	Var %
	947		
	19,100		
	=====		
	20,047		
	1,207		
	9,798		
	37,221		
	7,159		
	=====		
	55,385		
	5,717		
	5,592		
	160,520		
	2,749		
	7,088		
	76,546		
	130,929		
	189,678		
	438		
	13,594		
	35		
	46		
	=====		
	582,930		
	-7,017		
	=====		
	575,913		
	3,714		
	3,274		
	4,129		
	379		
	834		
	56		
	2,438		
	=====		
	11,109		
	53		
	=====		
	666,220		
	=====		

*Total Cash
 *Due From Banks
 **Total Cash/Due
 *Total Int. Bear
 *Tot FF Sold
 *Invest Sec
 *Other Sec & I/O
 **Tot Invest Sec
 *Tot Sec Lns
 *Tot Real Estate
 *RE Comm'l & Cons
 *Ln Inv for Sale
 *Total Land
 *Total Comm'l
 *Tot SBA Loans
 *Mfg. Housing
 *Tot Consumer
 *Tot Card/Reserv
 *Other Loans
 *Overdrafts
 **Gross Loans
 *Ln Loss Res
 *Net Loans
 *Total FF&E
 *Accrued Int Rec
 *Tot Prepaid
 *Tot OREO
 *Tot Serv Asset
 *Tot Due Fr Advt
 *Other Assets
 **Tot Otr Assets
 Due From Parent
 ****TOTAL ASSETS

Projected Dec-10 Month End	Projected Dec-11 Month End
----------------------------------	----------------------------------

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Community West Bank
 Projected Income Statements
 December 31, 2008, 2009, 2010, 2011
 (dollars in thousands)

Budget Dec-09 Amount	History Dec-08 Amount	Var \$	Var %		Projected Dec-10 Amount	Projected Dec-11 Amount
	38			*Total Int. Bear		
	228			*Tot FF Sold		
	1,907			*Invest Sec		
	363			*Other Sec & I/O		
	2,535			**Tot Invest Inc		
	970			*Tot Sec Lns		
	324			*Tot Real Estate		
	10,588			*RE Commi & Cons		
	132			*Ln Inv for Sale		
	454			*Total Land		
	4,904			*Total Commi		
	8,785			*Tot SBA Loans		
	15,625			*Manufact. Hous.		
	52			*Tot Consumer		
	605			*Tot Card/Reserv		
	214			*Other		
	42,662			**Gross Loans		
	42,662			*Net Loans		
	45,197			**TOT INT INC		
	1,119			INTEREST EXPENSE		
	1,119			*I/B Demand		
	513			**Total Demand		
	2,025			*Tot Savings		
	2,513			Tot Bus CD <100		
	4,538			Tot Bus CD >100		
	136			Tot All Bus CD		
	165			Tot Ind CD <100		
	301			Tot Ind CD >100		
	682			Tot All Ind CD		
	1,762			Tot Money Desk		
	8,202			*Total CDARS		
	15,484			*Total Brokered		
	17,117			*Total CDs		
	0			**Deposit Exp		
	5,022			Discount Window		
	5,022			*Total FHLB		
	22,139			*Other Borrowing		
	23,059			TOT INT EXPENSE		
				NET INT INCOME		

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EXHIBIT B – Executive Compensation

	SALARY	BONUS	TOTAL COMPENSATION
President & CEO Lynda Nahra	(b)	(4)	(4)
2008			
2007			
2006			
EVP/CFO Chick Baltuskonis	(b)	(4)	(4)
2008			
2007			
2006	(b)	(4)	(4)
EVP/CCO Richard Favor			
2008	(b)	(4)	(4)
2007			
Former EVP/COO Bill Viani	(b)	(4)	(4)
2007			
2006			

EXHIBIT C

- C1 - Copy of February 5, 2009 article in the Ventura County Star. Unsolicited interview by Star reporter Allison Bruce.

- C2 - An Investment, Not a Bailout
This document was posted on the Bank's website, provided to staff as handouts and through the Bank's internal portal. It is anticipated that it will also be provided to shareholders either in the proxy mailing scheduled to go out in April 2009 or as a handout at the annual shareholders meeting on May 24, 2009.



February 2, 2009

An Investment, Not a Bailout

In December 2008, Community West Bancshares received \$15.6 million as part of the Capital Purchase Program (CPP), a sub-program under the TARP umbrella designed to inject capital into healthy financial institutions. The Board of Directors voted unanimously to apply for and accept the Treasury's *investment* in our Bank, anticipating the need to support measured asset growth in meeting the loan demands of our customers.

The purpose of the government's \$250 billion capital infusion program is to restore confidence in the financial system, increase the flow of financing to businesses and consumers, and to support the economy. The Treasury Department has stated that it would only buy preferred stock from banks and thrifts considered to be healthy; participation in this program is voluntary.

The funds Community West Bank received from the US Treasury was not a blank check, a grant or a gift, as many like to portray. Instead, it is an investment by the Treasury Department, in exchange for preferred stock, that must be repaid. Until it is repaid, the Bank will pay the government dividends at a rate of 5% annually for the first five years and 9% in succeeding years if, by that time, the Bank has not bought back the shares.

As the Treasury intended, Community West Bank is using this investment to help increase the flow of credit to businesses and consumers, lending to where our standards for credit quality are met and we can capture the full value of a customer relationship. We will also use the funds to address credit issues, including problem loans and, where indicated, to restructure credit. From December 19, 2008, when we received the CPP funds until January 19, 2009, Community West Bank funded \$26.8 million in loans.

Finally, the TARP-CPP program does come with some strings attached. Rules passed by Congress require companies to adopt Treasury's standards for executive compensation and corporate governance (both of which Community West Bank already complies with), restrictions on "golden parachutes" to departing executives, and rules about bonus payments. The program also restricts share repurchases and dividend payment increases.

Far from being a bailout, our Bank has gained access to capital through this program as traditional capital sources shrank. As an investment, the Treasury has the potential to make billions of dollars as banks pay for the use of the money, not to mention a considerable profit as the stock value of participating banks increase. Taxpayers will also gain as financial markets stabilize, ensuring the orderly flow of credit that supports basic economic activity.

As an investment in healthy banks, not a bailout of the weak, this much-maligned program actually has significant upside potential for the Bank, the Treasury and you, the tax payer and credit consumer.

A handwritten signature in cursive script that reads "Lynda Naha".

Community West Bank President & CEO

Area banks say federal funds are used well

Much of money goes to loans;
some builds needed reserves

By Allison Bruce

abrucce@VenturaCountyStar.com

It's been called a bailout and criticized for not translating into more loans, but local banks say the federal Troubled Asset Relief Program is providing money to strengthen healthy institutions.

Since it started, TARP's Capital Purchase Program has invested more than \$195.3 billion in 359 banks in 45 states and Puerto Rico. The largest investments were \$25 billion each, and the smallest investment was about \$1 million.

While the program may have strengthened some banks, it hasn't encouraged lending as it was supposed to, said Len Rushfield, adjunct professor of finance at Pepperdine's Graziadio School of Business. Broadly speaking, the results have been disappointing — at best, a stalemate, he said.

Though much of the money originally went to large banks, in recent months funds have been reaching financially sound community banks. In Ventura and Santa Barbara counties, five community banks have received about \$226 million since November. Bank leaders say they are pleased they were selected for the voluntary program and are putting the money to good use.

Lynda Nahra, president and chief executive of Community West Bank, objects to the term "bailout" for the Capital Purchase Program. The Goleta bank, which has branches in Ventura County, received \$15.6 million in mid-December.

Nahra said the financing is not

TARP funding, big and small

Large banks among top recipients of Troubled Asset Relief Fund Program:

\$15 billion

Bank of America

\$25 billion

Citigroup

\$10 billion

Goldman Sachs Group

\$25 billion

JP Morgan Chase

\$10 billion

Morgan Stanley

\$25 billion

Wells Fargo & Co.

Local community banks

\$180.6 million

Pacific Capital Bancorp
in Santa Barbara

\$15.6 million

Community West Bank
in Goleta

\$25 million

First California Financial
Group Inc. in Westlake
Village

\$3.3 million

California Oaks State
Bank in Thousand Oaks

\$2.08 million

Ojai Community Bank
in Ojai

Source: U.S. Treasury Dept.

See TARP on A2

U.S. stands to make money, banker argues

TARP

From A1

free, but an investment in healthy banks.

The Treasury is buying senior preferred shares from institutions. Banks must pay a 5 percent dividend for the first five years and 9 percent thereafter. If they haven't bought back the shares.

There's not only cash going into the Treasury, but also the potential for profit as the stock value of participating banks increases, Nohra said.

There also are strings, including restrictions on things such as dividends and executive compensation.

"It's not like it's a blank check," Nohra said.

As Community West Bank planned to raise capital for this year, it became obvious the program was an economically better deal, she said.

"We were well-capitalized at that point, but we knew there was going to be a need for capital in the future to continue to grow the bank and make credit available to consumers and businesses in the local market," she said.

Each bank has a different view on how to put the money to use according to their needs and communities, Nohra said. For Community West, it was a way to continue growing responsibly and increase the flow of credit.

Funds bolster banks

California Oaks Slate Bank in Thousand Oaks received \$3.3 million toward the end of January. The bank saw it less as a way to fund more loans and more to prepare for a dismal economy, said John Nerland, president and chief executive.

"We figured, 'We've got one shot of taking the capital from the government, we better do it in case the economy tanks going forward,'" he said. "It's an insurance policy from that standpoint."

Noting that California Oaks Slate Bank is a small-business lender, Nerland said showing the bank has ample capital makes it a safer choice for customers.

"We're not a bank that offers high deposit rates," he said. "On the other hand, they know we will be around the next day."

In the past year, the bank's assets grew from \$105 million to \$125 million. But rates dropped faster than growth, creating lower net interest income, he said.

"In general, we continue to try to grow," Nerland said. "We are out there looking for depositors and business relationships so we can continue to grow."

Being a safe bank also means not lending money to just anybody, he said. The bank will continue to lend to existing clients and profitable businesses that can demonstrate they will get a return on their money, he said.

Aim is to boost economy

Banks are being hit with two messages, Rushfield said. On the one hand, an infusion

of capital is done to make banks more capable of lending and growing. But with the absence of many creditworthy borrowers and the regulatory message to be conservative, many banks aren't encouraged to lend.

But now that money is going to smaller banks it could make a difference at the community level. Rushfield said smaller banks are closer to the lending market and aren't as heavily into trading and other activities as their bigger brethren.

Pacific Capital Bancorp in Santa Barbara received \$180.6 million in November through TARP and is using that money to make loans to the community, said Debbie Whiteley, executive vice president.

In the fourth quarter, the bank originated \$197 million in loans.

"The additional capital was instrumental in helping us lend that money in our communities," she said.

The money is going through all of the bank's lending programs, including its residential real estate program.

"In this economy, to have the ability to lend back to your community is challenging," Whiteley said. The TARP capital allowed the bank to continue lending at robust levels.

"Our perspective is TARP is doing exactly what it is meant to do — boost local economies," she said.

Ojai Community Bank is the most recent local recipient, receiving \$2.08 million at the end of January.

"In today's economic climate, being well-capitalized is extremely important," said Don Scanlin, bank chairman.

Time of restructuring

Ojai Community Bank just went through a major expansion, raising more than \$2 million in private capital and acquiring two branches in Santa Paula, essentially doubling in size, Scanlin said.

He said the bank would put the TARP money to work by lending out as much as possible, though loan demand is weak in the current economy. People are avoiding big purchases, and small businesses are holding off on expanding.

"We will do our best to get this to work for us as soon as possible," he said. "I think it will open the door to potential opportunities that may come our way ... as the economy begins to recover."

Some banks have used TARP funds to gain customers in a different fashion.

First California Financial Group Inc. in Westlake Village used some of its \$25 million to purchase accounts from failed 1st Centennial Bank in Redlands.

Rushfield said this is a time of restructuring, which will help strengthen the system.

"With or without the stimulus, there are going to be a lot of failing banks," he said.

"We're only edging into what's going to happen in terms of the restructuring of the banking industry."