



**WESTERN COMMUNITY
BANCSHARES**

March 4, 2009

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

RE: RESPONSE TO USE OF TARP FUNDS

Dear Mr. Barofsky:

Please accept this as our response to your letter dated February 6, 2009 which requested information regarding the use of the TARP or CPP funds that bank received in December of 2008.

- 1) The bank is currently and will continue to use the \$7.2 million in TARP funds received to accomplish the following:
 - a)
 - Continue and expand its lending activities, especially in mortgage and SBA loans.
 - Modify, rewrite or restructure existing loans to troubled debt holders as long as those borrowers maintain a capacity and willingness to pay on a restructured debt.
 - Expand outreach through advertising and cooperation with local governments to inform, assist and help rewrite mortgages in the community to abate and avoid foreclosure and create a sustainable and affordable solution for the borrower.
 - b) The TARP funds we received are solely designated for the purposes above. They appear on a separate line item on the bank's general ledger.
 - c) Since receiving TARP in December 2008, the bank has modified \$3.07M million of its existing loans to a structure that is sustainable and affordable for troubled borrowers. In addition, the bank has approved or funded \$7.5M in small business loans and mortgages since receiving TARP.

Given the uncertainty in the market and without TARP, the bank would have significantly curtailed its lending activities. On the contrary, the bank has increased its efforts to seek safe lending opportunities and work with borrowers on modifications and sustainable and affordable debt solutions.

- 2) Current executive compensation programs are not in conflict with TARP, the CPP, EESA or any other standard or practice. All senior executive officers (SEO's) certified their compliance with compensation provisions in the Capital Purchase Program. No contracts currently exist for any senior executive officer and any contract being contemplated will conform to all provisions as set out by the CPP, TARP, or EESA. The board maintains a compensation committee that is chaired by an outside director. All members of the compensation committee are very experienced, outside directors, who completely understand the rules and provisions set forth by TARP, the CPP and EESA. (b) (4)

(b) (4)

The bank has preserved all documents related to its use of TARP. All loan files that have been modified or originated as a result of our bank receiving TARP funds are filed separately and available for review. The bank has copies of advertisements on television, radio and print which are designed to stimulate mortgage activity. In addition, senior management has been aggressively seeking media opportunities to educate and reach out to borrowers. All of the related documents or airings can and will be supplied on request.

Furthermore, in September of 2007, I, along with our former Chairman, visited various agencies back in Washington D.C. including the Department of Treasury, the FDIC, the OTS, OFEO, and the Federal Housing Finance Board. Our purpose a year and half ago was to present one potential solution to what we saw developing as one of the most significant economic crisis of the nation's economic history. The consensus at the time was that the crisis would be limited to sub-prime borrowers and not significantly impact the overall economy. As community bankers who did not participate in sub-prime or high risk lending, we respectfully disagreed.

During that same period, we reached out with television and radio ads offering to help borrowers restructure mortgages so that they were affordable. The radio advertisements were aired both on English and Spanish speaking stations.

Therefore, in consideration of the application and acceptance of TARP funds, our board and management team clearly understood the purpose and proposed use of those funds.

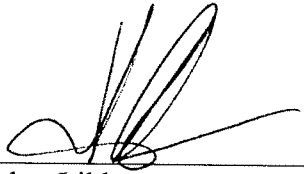
Sincerely,



Andrew Montgomery
Chairman and Chief Executive Officer

Certification:

I hereby certify the accuracy of the statements, representations, and other supporting information contained or referenced above, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.



Haddon Libby
Chief Financial Officer
Western Community Bancshares, Inc.

March 6, 2009
Date