

FEDERAL RESERVE SYSTEM

Vantage Bank Texas
San Antonio, Texas

Order Approving the Establishment of a Branch

Vantage Bank Texas (“Vantage Bank”), a wholly owned state member bank subsidiary of VBT Financial Corporation, Inc. (“VBT”), both of San Antonio, Texas, has requested the Board’s approval under section 9 of the Federal Reserve Act (“FRA”)¹ and the Board’s Regulation H² to establish a branch at 5151 San Felipe Street, Houston, Texas.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board’s Rules of Procedure.⁴ The time for submitting comments has expired, and the Board has considered the proposal and the comments received in light of the factors specified in the FRA.

VBT, with total consolidated assets of approximately \$3.5 billion, is the 339th largest depository organization in the United States, controlling approximately \$3.0 billion in deposits, which represent less than 1 percent of the total amount of deposits of

¹ 12 U.S.C. § 321.

² 12 CFR part 208.

³ Under section 9 of the FRA, state member banks may establish and operate branches on the same terms and conditions as are applicable to the establishment of branches by national banks. See 12 U.S.C. § 321. A national bank may establish and operate a de novo branch within a state in which the bank is situated if such establishment and operation is authorized under applicable state law. See 12 U.S.C. § 36(c)(2). Vantage Bank has branches in Texas and is permitted to establish additional branches under the laws of Texas. See Tex. Fin. Code Ann. § 203.006.

⁴ 12 CFR 262.3(b).

insured depository institutions in the United States.⁵ Vantage Bank operates only in Texas, and the bank's main office is in San Antonio, Texas.⁶

Under section 208.6 of the Board's Regulation H,⁷ which implements section 9 of the FRA, the factors that the Board must consider in acting on a branch application include (1) the financial history and condition of the applying bank and the general character of its management; (2) the adequacy of the bank's capital and the bank's future earnings prospects; (3) the convenience and needs of the community to be served by the branch; (4) in the case of branches with deposit-taking capability, the bank's performance under the Community Reinvestment Act ("CRA");⁸ and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain criteria.⁹ The Board has considered the branch application in light of these factors and the public comments received on the proposal.

Financial, Managerial, and Other Supervisory Considerations

In considering the financial history and condition, earnings prospects, and capital adequacy of Vantage Bank, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information provided by Vantage Bank, and the comments received on the proposal. Vantage Bank is well capitalized and would remain so upon consummation of the proposal. The asset quality, earnings, and liquidity of Vantage Bank are consistent with approval, and Vantage Bank appears to have adequate resources to absorb the costs of the proposal. In

⁵ Total assets, national asset ranking, and national deposit data are as of March 31, 2023, and state deposit data are as of December 31, 2022, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

⁶ In Texas, Vantage Bank is the 44th largest depository organization, controlling approximately \$2.9 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.

⁷ 12 CFR 208.6(b).

⁸ 12 U.S.C. § 2901 et seq.

⁹ 12 CFR 208.21(a).

addition, future earnings prospects are considered consistent with approval. The Board also has reviewed Vantage Bank's proposed investment in the branch and concludes that the bank's investment is consistent with regulatory limitations on investment in bank premises.

In considering Vantage Bank's managerial resources, the Board has reviewed the bank's examination record, including assessments of its management, risk-management systems, and operations. The Board also has considered its supervisory experiences with Vantage Bank and the bank's record of compliance with applicable banking, consumer protection, and anti-money-laundering laws. Vantage Bank is considered to be well managed. Vantage Bank's directors and senior executive officers have substantial knowledge of and experience in the banking and financial services sectors, and the bank's risk-management program appears consistent with approval.

Based on this review and all the facts of record, the Board determines that Vantage Bank's management, financial history and condition, capital adequacy, compliance with applicable banking and consumer protection laws, and future earnings prospects, as well as the effectiveness of Vantage Bank in combatting money-laundering activities, are consistent with approval of the proposal.

Convenience and Needs Considerations

In acting on a branching proposal under section 9 of the FRA and the Board's Regulation H, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.¹⁰ In evaluating whether the proposal satisfies the convenience and needs statutory factor, the Board considers the impact that the proposal will or is likely to have on the communities served by the bank.

The Board reviews a variety of information to determine whether the bank's record demonstrates a history of helping to meet the needs of its customers and communities. The Board also reviews the bank's plans regarding the proposed branch and the expected impact of those plans on the communities served by the bank, including

¹⁰ 12 U.S.C. §321; 12 CFR 208.6(b)(3).

on low- and moderate-income (“LMI”) individuals and communities. The Board considers whether the bank is helping to meet the credit needs of the communities it serves and is providing access to banking products and services that meet the needs of customers and communities, including the potential impact of the proposed branch and any related closures, consolidations, and relocations on that access. In addition, the Board reviews the bank’s record under the CRA.¹¹ The Board strongly encourages insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions’ safe and sound operation and their obligations under the CRA.¹²

In addition, the Board considers the bank’s overall compliance record and recent fair lending examinations. Fair lending laws require all lending institutions to provide loan applicants with equal access to credit, regardless of their race, ethnicity, gender, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and public comments received on the proposal. The Board also may consider the institution’s business model, its intended marketing and outreach, its plans for the proposed branch, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Vantage Bank; the fair lending and compliance records of the bank; the supervisory views of the Federal Reserve Bank of Dallas (“Reserve Bank”); confidential supervisory information; information provided by Vantage Bank; and the public comments received on the proposal.

¹¹ 12 U.S.C. § 2901 et seq.

¹² See 12 U.S.C. § 2901(b).

Public Comment on the Proposal

One commenter objected to the proposal, alleging that Vantage Bank failed to provide small business and consumer lending services to African American communities in Fort Worth. Additionally, the commenter alleged that the bank has not originated any small business loans to businesses with less than \$1 million in revenue or originated any commercial loans in the low-income or high minority/high poverty census tracts in the Dallas-Fort Worth metropolitan statistical area (“MSA”). The commenter also alleged that Vantage Bank does not have any branches located in low-income or high minority/high poverty census tracts, or offer any solutions for unbanked or underbanked residents, in the Dallas-Fort Worth MSA.

Another commenter objected to the proposal, alleging that Vantage Bank has discriminated against African American neighborhoods and individuals with respect to its marketing and provision of lending and credit products, particularly home mortgage products and small business lending products. The commenter also alleges that Vantage Bank discriminates against African American neighborhoods with respect to the location of its branches.

Business of the Applicant and Response to Comment

Vantage Bank is primarily a commercial lender, with commercial loans representing a majority of its loan portfolio. The bank offers consumer, business, commercial real estate, and residential and commercial construction loans, as well as deposit products.

In responding to the commenters, Vantage Bank refers to its satisfactory CRA examination record. Vantage Bank notes that in each of its two most recent CRA examinations, the Reserve Bank noted that “no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community needs was identified.”

Vantage Bank states that it has robust CRA and related compliance policies, controls, and initiatives, including an active CRA program that includes regular review of information relating to loan volume and geographic penetration. The bank

notes that as a part of its CRA program, compliance personnel track community development loans, services, donations, and investments, and that these findings are routinely communicated to bank management and the board of directors. Vantage Bank states that it has a comprehensive, written fair lending policy, and that it maintains policies, procedures, and practices to ensure compliance with applicable fair lending statutes.

Vantage Bank states that 21 of its 22 branches are located within majority-minority census tracts, including one of the bank's two offices located in Fort Worth. The proposed Houston branch would be located in an upper-income majority-minority census tract and would be accessible to African Americans and other minority groups.

Vantage Bank notes that it plans to offer a broad range of banking products and services from its proposed Houston branch, and that it will not discriminate with respect to revenue or income profiles among qualified borrowers. Vantage Bank also states that it plans to explore and consummate strategic partner relationship to promote financial literacy within its Houston assessment area, and that it intends to deploy resources in support of charitable causes within the Houston area. Vantage Bank represents that the proposed Houston branch would significantly expand its ability to serve the Houston banking market, including residents of and businesses located in majority-minority and LMI Houston neighborhoods.

Record of Performance Under the CRA

In evaluating the CRA performance of the involved institution, the Board generally considers the institution's most recent CRA performance evaluation, as well as other information and supervisory views from the relevant federal financial supervisor, which in this case is the Reserve Bank.¹³ In addition, the Board considers information provided by the applicant and by any public commenters.

¹³ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.¹⁴ An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, the Board and the other federal financial supervisors apply a lending test ("Lending Test"), investment test ("Investment Test"), and service test ("Service Test") to evaluate the performance of large insured depository institutions, such as Vantage Bank, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the HMDA,¹⁵ in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA AAs; (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and

¹⁴ 12 U.S.C. § 2906.

¹⁵ 12 U.S.C. § 2801 et seq.

amounts of loans to low-, moderate-, middle-, and upper-income individuals;¹⁶ (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.¹⁷ The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs, and the Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.¹⁸

CRA Performance of Vantage Bank

Vantage Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the Reserve Bank, as of August 1, 2022 ("Vantage Bank Evaluation").¹⁹ The bank received a "Low Satisfactory" rating for each of the Lending Test, Investment Test and Service Test.²⁰

¹⁶ Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of \$1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

¹⁷ See 12 CFR 228.22(b).

¹⁸ See 12 CFR 228.21 et seq.

¹⁹ The Vantage Bank Evaluation was conducted using Interagency Examination Procedures for Large Retail Institutions. In general, examiners reviewed HMDA-reportable loans and small business loans reported by the bank from January 1, 2019, through December 31, 2021. The evaluation period for community development lending, investments, and services was from May 7, 2019, through August 1, 2022.

²⁰ The Vantage Bank Evaluation included a full-scope review of the following areas: San Antonio, Texas Metropolitan Assessment Area ("AA"); McAllen, Texas MSA; and El Paso, Texas Metropolitan AA. Limited-scope reviews were conducted in Vantage Bank's remaining AAs within the following areas: Brownsville, Texas MSA; Fort Worth, Texas Metropolitan AA; Laredo, Texas MSA; and Refugio County, Texas Nonmetropolitan AA.

Examiners determined that Vantage Bank's overall lending levels reflected good responsiveness to the credit needs of the bank's AAs and that the bank's geographic distribution of loans reflected adequate penetration throughout its AAs. Examiners found that a substantial majority of Vantage Bank's loans were made within the bank's AAs. Examiners also found that the bank's distribution of HMDA reportable loans based on borrower income reflected adequate penetration among customers of different income levels and that the bank's distribution of small business loans reflected good penetration among businesses different revenue sizes. Examiners noted that the bank made a relatively high level of community development loans. Examiners also noted that the bank made use of innovative and flexible lending products in serving its AAs' needs.

Examiners found that Vantage Bank made an adequate level of community development investments and grants throughout its AAs, particularly those not routinely provided by private investors; however, the bank was rarely in a leadership position.

Examiners found that Vantage Bank's service delivery systems were accessible to geographies and individuals of different income levels in the bank's AAs, which have not been adversely affected by the bank's opening and closing of branches. Further, examiners found that Vantage Bank's record of opening and closing of branches has not affected the accessibility of its delivery systems to LMI geographies or individuals. Examiners noted that Vantage Bank provided a limited level of community development services.

Vantage Bank's Efforts Since the Vantage Bank Evaluation

Vantage Bank represents that it has made CRA-eligible small business loans in the Fort Worth area in the last year. Vantage Bank also represents that it has made a number of other loans and CRA investments in the Fort Worth area, including HMDA-reportable mortgage loans in LMI census tracts. The bank states that it made a community development loan to revitalize and stabilize neighborhoods in a moderate-income census tract, made an investment in a CRA bond, and made CRA qualifying donations within its Fort Worth AA.

Additional Supervisory Considerations

In addition to the Vantage Bank Evaluation, the Board has considered the most recent consumer compliance examination and fair lending record of Vantage Bank and consulted with the Reserve Bank regarding the bank's CRA, consumer compliance, and fair lending records.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. Vantage Bank asserts that the proposed branch would offer products and services that are targeted at a wide range of needs and income levels for both individuals and businesses, including small businesses and LMI individuals. Vantage Bank also asserts that the proposed branch is broadly accessible to the city of Houston, including LMI and majority-minority census tracts and that the bank offers online banking services, mobile banking services, and phone banking regardless of location. Vantage Bank also notes that it anticipates continuing its existing community development programming and community development services, including for LMI individuals in the Houston area.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the CRA record of Vantage Bank, the bank's record of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Vantage Bank, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs considerations are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Vantage Bank with all the conditions imposed

in this order, including receipt of all required regulatory approvals, and on any commitments made to the Board in connection with this proposal. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

Approval of this application is also subject to the establishment of the proposed branch within one year of the date of this order, unless such period is extended by the Board or the Reserve Bank, acting under authority delegated by the Board.

By order of the Board of Governors,²¹ effective June 26, 2023.

(signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

²¹ Voting for this action: Chair Powell, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook and Jefferson.