

# **PUBLIC DISCLOSURE**

April 1, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Charles Schwab Premier Bank  
RSSD # 1893049

3000 Schwab Way  
Westlake, Texas 76262

Federal Reserve Bank of Dallas  
2200 North Pearl Street  
Dallas, Texas 75201

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

<b>INSTITUTION RATING</b>	<b>1</b>
<b>INSTITUTION</b>	<b>2</b>
Description of the Institution	2
Scope of Examination	2
Las Vegas – Henderson – Paradise, Nevada Metropolitan Statistical Area Assessment Area	4
Description of Operations in LVHP Assessment Area	4
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS</b>	<b>7</b>
<b>2019 – 2021 CRA Strategic Plan</b>	<b>7</b>
Plan Year 1	7
Combined Lending and Investments Goals	7
Service Goals	8
Plan Year 2	9
Service Goals	10
<b>Appendices</b>	<b>11</b>
Appendix A – General Information	11
Appendix B – Glossary	12
Appendix C – 2018 Performance Evaluation	15
Institution’s CRA Rating	15
Summary of Major Factors Supporting Rating	15

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INSTITUTION RATING

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## INSTITUTION RATING

### **Charles Schwab Premier Bank's Community Reinvestment Act (CRA) Rating: Outstanding**

A CRA rating of Outstanding is assigned to Charles Schwab Premier Bank (Premier or bank). The bank's performance reflects an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income (LMI) areas, as outlined in Premier's 2019 Strategic Plan (the Plan). In support of this rating, the bank met or exceeded the established goals for:

- Overall outstanding performance under the lending and investments tests.
- Outstanding lending and investment performance under annual interim tests.
- Overall outstanding performance under the community development services test.
- Outstanding performance under annual interim community development service tests.

## INSTITUTION

### Description of the Institution

Charles Schwab Premier Bank is a Texas state savings bank headquartered in Westlake, Texas. The bank is a wholly owned subsidiary of the Charles Schwab Corporation (CSC), a savings and loan holding company also based in Westlake, Texas. As of December 31, 2020, CSC held \$549 billion in combined assets, with the bank comprising approximately \$31.5 billion in assets.

Premier was established through the November 1, 2017 purchase of the assets of Nordstrom fsb, a federal savings bank. The bank was headquartered in Henderson, Nevada from its inception until March 2020, when the principal office was moved to Westlake, Texas. The bank was previously chartered under the Office of the Comptroller of the Currency (OCC), but converted to a state member bank on March 20, 2020. Premier maintains no branch offices or deposit-taking automated teller machines (ATMs) and offers no loan or deposit products. Bank deposits are gathered via sweep from brokerage clients' accounts and managed through Charles Schwab Bank, CCB (CSB).

As no loans or investments are made in Premier's name, the bank relies upon allocations of community development loans and investments from CSB to meet the established performance goals.<sup>1</sup>

This examination is the first review of Premier's CRA performance.

### Scope of Examination

The bank's CRA performance was evaluated under the Interagency Strategic Plan CRA Examination Procedures. The evaluation assessed the bank's performance in meeting the credit needs of its communities through the achievement of measurable goals established in its approved CRA Strategic Plan, which included the bank's responsiveness to and effectiveness in meeting the community development needs of its assessment area. This evaluation assessed of the bank's performance between January 1, 2019 and December 31, 2020 and included measurable goals from the bank's 2019 – 2021 Plan.

The Plan was developed taking into consideration information about the institution including its business model, assessment area demographics and economic indicators, and information obtained from community representatives. Performance rating criteria and thresholds were established in the approved Plan, and ratings are assigned for actual performance in relation to these established goals.

During the review period, the bank delineated one assessment area, the Las Vegas – Henderson – Paradise, Nevada Metropolitan Statistical Area (MSA) Assessment Area (LVHP), as well as a defined Broader Statewide or Regional Area (BSRA). Both areas were assigned specific and measurable goals in the bank's Plan.

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<sup>1</sup> Though select or partial allocation of affiliate activity is prohibited under Regulation BB §223.22(c), the allocation of lending and investment activities from Charles Schwab Bank to Premier does not represent "cherry-picking" of favorable activity or an attempt to improperly count activity to inflate the bank or an affiliate's performance. Therefore, the allocation system does not offend the regulation.

The bank elected to have its activity between January 1, 2018 and December 31, 2018 evaluated under the Interagency Large Bank CRA Examination Procedures. Due to the bank offering no loan products and maintaining no branch presence, the depth of analysis was limited community development loans, investments, and services allocated to Premier from Charles Schwab Bank. The review of the bank's 2018 activity and associated conclusions are presented in Appendix C.

### **Fair Lending or Other Illegal Credit Practices Review**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) established the Consumer Financial Protection Bureau (CFPB). In general, the Dodd-Frank Act gives the CFPB, among other things, primary supervisory authority over insured depository institutions with total assets of more than \$10 billion when assessing compliance with the requirements of Federal consumer financial laws. The Federal Reserve System retains authority to enforce compliance with the CRA and certain other consumer compliance laws and regulations. During the review period of this evaluation, the Federal Reserve Bank of Dallas did not cite violations involving illegal discrimination or other illegal credit practices that adversely affected the evaluation of the bank's CRA performance. As of the date of this evaluation, the Federal Reserve Bank of Dallas is unaware of any violations of the Equal Credit Opportunity Act or Regulation B, or any unfair, deceptive, or abusive acts or practices identified by the CFPB.

**Las Vegas – Henderson – Paradise, NV MSA Assessment Area**

**Description of Operations in LVHP Assessment Area**

The Las Vegas – Henderson – Paradise Area Assessment Area is comprised of the Las Vegas – Henderson – Paradise, NV MSA. This MSA includes only Clark County, the southernmost county in the state of Nevada.

**Population Characteristics**

According to 2019 estimates, the bank’s LVHP Assessment Area had a population of approximately 2.3 million, reflecting growth at triple the national growth rate since 2015. Clark County is also home to the significant majority of the population of the state of Nevada, representing 73.6 percent of the state’s population in 2019. The table below represents the population trends for the assessment area county and the state of Nevada from 2015 to 2019.

<b>Population Change Las Vegas – Henderson – Paradise, NV MSA Assessment Area 2015 – 2019</b>			
Geography	2015 Population	2019 Population	Change (%)
Clark County, NV	2,114,801	2,266,715	7.2
State of Nevada	2,890,845	3,080,156	6.5
United States	320,635,163	328,239,523	2.4
<i>Source: 2015 ACS 1-Year Estimates 2019 ACS 1-Year Estimates</i>			

**Demographic Characteristics**

The bank’s LVHP Assessment Area contains 487 census tracts, the largest percentage of which are classified as moderate-income. According to 2020 data, less than one-third of assessment area census tracts were low- or moderate-income and these tracts only contain approximately 30 percent of housing units, and one quarter of the businesses in the assessment area. Additional demographic information as of 2020 for the LVHP Assessment Area is presented below.

LVHP Assessment Area

Assessment Area Demographics LVHP – 2020								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as percent of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	28	5.7	19,625	4.2	7,662	39.0	96,196	20.7
Moderate-income	128	26.3	104,903	22.5	23,375	22.3	85,415	18.4
Middle-income	181	37.2	184,975	39.7	17,254	9.3	95,475	20.5
Upper-income	149	30.6	155,834	33.5	7,057	4.5	188,356	40.5
Unknown-income	1	0.2	105	0.0	37	35.2	0	0.0
<b>Total Assessment Area</b>	<b>487</b>	<b>100.0</b>	<b>465,442</b>	<b>100.0</b>	<b>55,385</b>	<b>11.9</b>	<b>465,442</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	47,951	7,232	1.9	15.1	30,033	62.6	10,686	22.3
Moderate-income	213,646	64,256	16.9	30.1	113,530	53.1	35,860	16.8
Middle-income	331,753	158,649	41.7	47.8	126,932	38.3	46,172	13.9
Upper-income	262,157	150,241	39.5	57.3	72,752	27.8	39,164	14.9
Unknown-income	1,624	47	0.0	2.9	774	47.7	803	49.4
<b>Total Assessment Area</b>	<b>857,131</b>	<b>380,425</b>	<b>100.0</b>	<b>44.4</b>	<b>344,021</b>	<b>40.1</b>	<b>132,685</b>	<b>15.5</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	3,062	3.8	2,781	3.7	243	4.4	38	5.7
Moderate-income	17,503	21.8	15,836	21.3	1,572	28.3	95	14.3
Middle-income	30,941	38.5	28,553	38.5	2,147	38.7	241	36.3
Upper-income	28,465	35.4	26,650	35.9	1,531	27.6	284	42.8
Unknown-income	435	0.5	377	0.5	52	0.9	6	0.9
<b>Total Assessment Area</b>	<b>80,406</b>	<b>100.0</b>	<b>74,197</b>	<b>100.0</b>	<b>5,545</b>	<b>100.0</b>	<b>664</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>92.3</b>		<b>6.9</b>		<b>0.8</b>

Income Characteristics

For the purposes of classifying borrower income, this evaluation uses American Community Survey (ACS) data for the relevant geographies. The following chart reflects the median family income for the LVHP Assessment Area during applicable years, reflecting a steady increase between 2018 and 2020. It also provides a range of the annual family income for each income category (low, moderate, middle, and upper).

LVHP Assessment Area

<b>Median Family Income LVHP Assessment Area</b>			
<b>Income Level</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Median Family Income	\$64,800	\$67,800	\$70,800
Low-income	< \$32,400	< \$33,900	< \$35,400
Moderate-income	\$32,400 < \$51,840	\$33,900 < \$54,240	\$35,400 < \$56,640
Middle-income	\$51,840 < \$77,760	\$54,240 < \$81,360	\$56,640 < \$84,960
Upper-income	≥ \$77,760	≥ \$81,360	≥ \$84,960

According to 2020 FFIEC Data, the LVHP Assessment Area is home to 465,442 families, approximately 40 percent of which are classified as low- or moderate-income. The percentage of families living below the poverty line in the LVHP Assessment Area is similar to the rate of the state of Nevada. Despite the level of lower-income families in the assessment area, more than 40 percent of assessment area families are classified as upper-income.

#### Employment and Economic Conditions

The table below shows the annual average unemployment rate in the bank's LVHP Assessment Area, the state of Nevada, and the national unemployment rate during the applicable years of the review period.

<b>Annual Average Unemployment Rate (%)</b>			
<b>AREA</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Assessment Area	4.6	4.1	14.9
State of Nevada	4.4	3.9	13.0
United States	3.9	3.7	8.1

The LVHP Assessment Area unemployment rates for 2018 and 2019 were slightly higher than the national average but remained below five percent. In 2020, the COVID-19 pandemic and subsequent measures taken to curb its spread caused the national unemployment rate to more than double. As shown in the table, unemployment in the assessment area increased more sharply than the national average, with the rate more than tripling in 2020.

The leisure and hospitality industry is the primary driver in the LVHP Assessment Area economy, with seven of the ten largest employers in Clark County being casinos and resorts. As a result, the sharp decline in travel as a result of the COVID-19 pandemic affected the LVHP Assessment Area particularly hard.

#### Community Representatives

Organizations which received community development financing from Charles Schwab Bank were contacted in conjunction with this evaluation in order to provide specific context regarding lending, investment, and service opportunities and how they were addressed by the bank. In addition, information was reviewed from the bank's community needs assessment, performed in conjunction with the development of the Plan. Representatives indicated community needs primarily with respect to affordable housing, small business development, and job creation. Specific grant and service opportunities including programmatic seed funding and nonprofit capacity building in the area.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **2019 – 2021 CRA Strategic Plan**

The Plan established two main goals for the LVHP Assessment Area and the BSRA for each Plan year as follows:

- Plan Year One (2019)
  - Combined \$70 million in qualifying loans and investments, or \$56 million in qualifying loans and investments with sufficient level of innovative and/or complex activity.
  - Provide 350 qualifying service hours, or 280 hours with sufficient level of innovative and/or complex activity.
- Plan Year Two (2020)
  - Combined cumulative \$166.2 million in qualifying loans and investments, or \$133 million in qualifying loans and investments with sufficient level of innovative and/or complex activity.
  - Provide 1,750 qualifying service hours, or 1,400 hours with sufficient level of innovative and/or complex activity.

Charles Schwab Premier Bank's performance relative to each goal exceeded the goals for an Outstanding rating under one of the established paths. Premier's performance thresholds and actual performance for 2019 and 2020 are presented in the following plan year sections.

### **Plan Year 1**

Charles Schwab Premier Bank's Plan Year One performance exceeds the approved goals for an Outstanding rating.

### **Combined Lending and Investments Goals**

Premier's approved 2019 Strategic Plan combines CRA-qualifying loans with community development loans and investments; therefore, for the purposes of this evaluation, the lending test and investment test have been combined. Premier's performance relative to the lending and investment tests is rated Outstanding.

The bank originated \$77.5 million in CRA-qualifying loans and community development loans and investments throughout the bank's LVHP Assessment Area and BSRA, exceeding the \$70 million threshold for an outstanding rating. The table below presents the bank's lending and investments during Plan Year One of the Plan.

2016 CRA Strategic Plan

<b>LENDING AND INVESTMENTS GOALS AND PERFORMANCE 2019 STRATEGIC PLAN – YEAR ONE</b>					
Area	Component	Satisfactory	Outstanding (w/Innovation)	Outstanding (by volume)	Actual Performance
LVHP AA	Loans	\$1,000,000	\$1,400,000	\$1,750,000	\$1,750,000
	Investments	\$1,000,000	\$1,400,000	\$1,750,000	\$1,750,000
	<b>AA Subtotal</b>	<b>\$2,000,000</b>	<b>\$2,800,000</b>	<b>\$3,500,000</b>	<b>\$3,500,000</b>
	Other Activity*	\$2,000,000	\$2,800,000	\$3,500,000	\$ 3,500,000
	<b>AA Total</b>	<b>\$4,000,000</b>	<b>\$5,600,000</b>	<b>\$7,000,000</b>	<b>\$7,000,000</b>
BSRA	Loans or	-	-	-	\$70,500,000
	Investments	-	-	-	-
	<b>BSRA Subtotal</b>	<b>\$36,000,000</b>	<b>\$50,400,000</b>	<b>\$63,000,000</b>	<b>\$70,500,000</b>
<b>Total</b>		<b>\$40,000,000</b>	<b>\$56,000,000</b>	<b>\$70,000,000</b>	<b>\$77,500,000</b>

\*Other Activity includes loans and/or investments made beyond the level required by the Loans or Investments components

While the bank’s performance under the lending and investment tests for Plan Year One of the Plan exceeds the threshold for an Outstanding rating based on volume alone, some of the bank’s activities are considered highly responsive, innovative, or complex lending and investment initiatives.

Responsive, innovative, and complex activities include an \$11.25 million loan to Opportunity Fund Community Development, an organization which funds small businesses that Schwab Bank helped to expand into Nevada. Additionally, the bank made a loan to Rural Nevada Development Corporation, a non-profit development corporation serving the rural Clark and Washoe counties, and the twenty-seven Native American tribes of Nevada by addressing critical issues such as affordable housing, down payment assistance, homeowner rehabilitation and small business alternative lending practices.

**Service Goals**

Charles Schwab Premier Bank’s performance relative to the community development service goal is rated Outstanding.

Premier provided 339 hours of qualified community development services during Plan Year One of the Plan in the bank’s LVHP Assessment Area.

<b>COMMUNITY DEVELOPMENT SERVICE GOALS AND PERFORMANCE 2019 PLAN – YEAR ONE</b>					
Area	Component	Satisfactory	Outstanding (w/Innovation)	Outstanding (by volume)	Actual Performance
LVHP	Community Development Services	200	280	350	339

The bank’s performance under the community development services test for Plan Year One of the Plan exceeds the volume threshold for an Outstanding rating with sufficient innovative or complex community development services.

The bank became the first bank partner of the Listen4Good Initiative. Listen4Good is a fund for shared insight initiative that delivers tailored solutions for direct-service nonprofits committed to using feedback to bring about positive changes in the ways they make decisions, deliver services,

2016 CRA Strategic Plan

and partner with clients. The bank identified that the bank’s assessment area had a relatively underdeveloped nonprofit and social service sector, and that area nonprofits did not have the skills, staff, budget, or capacity to implement data tools that could help them better serve their clients. The bank became the first co-founder of the initiative in Nevada to sponsor more than one partner to help develop the skills and ability of important local nonprofits.

Another example of particularly responsive and innovative services is the bank’s partnership with the Nevada Housing Coalition Initiative, formed to raise awareness and build the capacity of communities to create high quality, dignified, and attainable housing for all Nevadans. In response to a growing housing crisis in Nevada, the bank undertook efforts to raise awareness and voice concerns to other financial institutions and regulatory agencies. These discussions led to the forming of the Nevada Housing Coalition, which helped to pass a new \$10 million state tax credit for affordable housing projects.

**Plan Year 2**

Premier’s performance relative to the lending and investment tests in Plan Year Two is rated Outstanding.

Premier’s cumulative CRA-qualifying loans and community development loans and investments totaled \$169.4 million throughout the bank’s LVHP Assessment Area and BSRA, exceeding the \$166.3 million threshold for an outstanding rating. The table below present the bank’s lending and investments during Plan Year Two of the Plan.

LENDING AND INVESTMENTS GOALS AND PERFORMANCE 2019 PLAN - YEAR TWO					
Area	Component	Satisfactory	Outstanding (w/Innovation)	Outstanding (by volume)	Actual Performance
LVHP AA	Loans	\$2,000,000	\$2,800,000	\$3,500,000	\$3,500,000
	Investments	\$2,000,000	\$2,800,000	\$3,500,000	\$3,500,568
	<b>AA Subtotal</b>	<b>\$4,000,000</b>	<b>\$5,600,000</b>	<b>\$7,000,000</b>	<b>\$7,000,568</b>
	Other Activity*	\$5,500,000	\$7,700,000	\$9,625,000	\$11,750,000
	<b>AA Total</b>	<b>\$9,500,000</b>	<b>\$13,300,000</b>	<b>\$16,625,000</b>	<b>\$18,750,568</b>
BSRA	Loans or	-	-	-	\$105,500,000
	Investments	-	-	-	\$44,126,918
	<b>BSRA Subtotal</b>	<b>\$85,500,000</b>	<b>\$119,700,000</b>	<b>\$149,625,000</b>	<b>\$149,626,918</b>
<b>Total</b>		<b>\$95,000,000</b>	<b>\$133,000,000</b>	<b>\$166,250,000</b>	<b>\$168,377,486</b>

\*Other Activity includes loans and/or investments made beyond the level required by the Loans or Investments components

While the bank’s total performance under the lending and investment tests for Plan Year Two of the Plan exceeds the threshold for an Outstanding rating based on volume alone, some of the bank’s lending activities are considered highly responsive, innovative, or complex lending and investment initiatives.

These responsive, innovative, and complex activities include the bank’s loan to the Disability Opportunity Fund (DOF), funding a very small CDFI which is particularly responsive to the needs of people with disabilities and their families by financing creative and highly scalable solutions. DOF is the first-of-its-kind CDFI to use the structure in new and innovative ways to serve the needs of a community which, according to the BLS and U.S. Interagency Council of

Homelessness, experiences a higher rate of homelessness, unemployment, and underemployment relative to the general population.

### Service Goals

Charles Schwab Premier Bank's performance relative to the community development service goal is rated Outstanding.

Premier provided 2,930 hours of qualified community development services under Plan Year Two of the 2019 Plan.

COMMUNITY DEVELOPMENT SERVICE GOALS AND PERFORMANCE 2019 PLAN – YEAR TWO					
Area	Component	Satisfactory	Outstanding (w/Innovation)	Outstanding (by volume)	Actual Performance
LVHP	Community Development Services	400	560	700	700

The bank's performance under the community development services test for Plan Year Two of the 2019 Plan meets the volume threshold for an Outstanding rating without the need for innovative or complex community development services. However, some of the bank's community development service initiatives are nonetheless considered particularly responsive to the needs of the bank's delineated assessment area.

During the review period for the bank's performance under Plan Year Two of the 2019 Plan, the nation was hit by the Covid-19 pandemic. In response to the Covid-19 pandemic, the Governor of Nevada issues a Stay-At-Home-Order in March of 2020. This order severely limited the in-person community development services that could be offered by CSB during Plan Year Two of the 2019 Plan. However, shortly after the order was given, the bank began serving with the Volunteer Financial Navigator Program, offering financial expertise to those struggling to navigate financial issues caused by the pandemic. The bank worked with Green Path on HUD credit counseling, provided financial education through a partnership with Vegas PBS, and assisted Clark County with an Emergency Rental Assistance Program under the CAREs Act Housing Assistance Program. In addition to these efforts, the bank also re-tooled laptops to provide low- and moderate-income students with the equipment necessary for remote learning following the closure of local schools for in-person learning.

## Appendices

### Appendix A – General Information

#### Acronyms

ATM	Automated Teller Machine
CDC	Community Development Corporation
CDFI	Community Development Financial Institution
CRA	Community Reinvestment Act (Regulation BB)
FDIC	Federal Deposit Insurance Corporation
HMDA	Home Mortgage Disclosure Act (Regulation C)
HUD	Department of Housing and Urban Development
LIHTC	Low Income Housing Tax Credit
LMI	Low- and Moderate-Income
LTD	Loan-to-Deposit Ratio
LTV	Loan-to-Value Ratio
MD	Metropolitan Division
MSA	Metropolitan Statistical Area
OCC	Office of the Comptroller of the Currency
OMB	Office of Management and Budget
REIS	Regional Economic Information System
SBA	Small Business Administration
USDA	United States Department of Agriculture

**Rounding Convention:** Because the percentages in the tables were rounded to the nearest tenth in most cases, some columns may not total exactly to 100 percent.

## Appendix B – Glossary

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts average about 4,000 inhabitants, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to the population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language:

1. Affordable housing (including multi-family rental housing) for low- or moderate-income individuals.
2. Community services targeted to low- or moderate-income individuals.
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less.
4. Activities that revitalize or stabilize –
  - a. Low- or moderate-income geographies.
  - b. Designated disaster areas.
  - c. Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
    - i. Rates of poverty, unemployment, and population loss.
    - ii. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of the applicants; the amount of loan requested; and the disposition of the application (for example, approved, denied, or withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.



**Appendix C – 2018 Performance Evaluation**

**2018 Large Bank Examination Procedures**

**Institution’s CRA Rating:** Charles Schwab Premier Bank is rated Outstanding.

The following table indicates the performance level of Charles Schwab Premier Bank with respect to the lending, investment, and service tests.

Performance Levels	Charles Schwab Premier Bank Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			X
Low Satisfactory			
Needs to Improve			
Substantial Non Compliance			

**Summary of Major Factors Supporting Rating**

Major factors supporting the institution’s rating include:

- Is a leader in making community development loans.
- Makes use of innovative and flexible lending practices in serving credit needs.
- Has an excellent level of qualified community development investments and grants, particularly those not routinely provided by private investors and is occasionally in a leadership position.
- Exhibits excellent responsiveness to credit and community development needs.
- Provides a relatively high level of community development services.

**Examination Scope**

Charles Schwab Premier Bank’s 2018 performance was evaluated under the Interagency Large Institution Examination Procedures. These procedures establish three distinct tests under which an institution is evaluated: the lending test, investment test, and service test. As Premier does not offer lending products nor does it operate branches, analysis of the bank’s performance is limited to the allocation of community development loans, investments, and services from Charles Schwab Bank, SSB. Specific limitations to the scope of the review are addressed in the respective test sections below.

**LENDING TEST**

Premier offers no loan products. Analysis of the bank’s lending performance is determined through the evaluation of allocated loans from Charles Schwab Bank, SSB. As a result, no review of retail lending performance is possible, and the bank’s performance is instead based upon the bank’s allocated community development lending.

## **Community Development Lending**

The bank is a leader in making community development loans in the assessment area. Premier's community development lending reflects good responsiveness to the credit needs of the assessment area. During the review period, three loans totaling \$48 million in the LVHP Assessment Area were allocated to Premier.

A significant majority of the community development loan volume (\$33 million) was originated to Clearinghouse CDFI, a full-service, direct lender financing projects that create jobs and services to help people work, live, dream, grow, and thrive in healthy communities. The bank's engagement with Clearinghouse CDFI is representative of the bank's strategy of leveraging expertise and resources of local, regional, and national partners to deploy capital. This strategy is an effective way to respond to community needs despite the bank's lack of brick and mortar presence in the assessment area.

## **INVESTMENT TEST**

The bank has an excellent level of qualified community development investments and grants, particularly those not routinely provided by private investors and is occasionally in a leadership position. During the review period, two investments totaling approximately \$9.1 million were allocated to Premier. Both of the allocated investments were proprietary investments in multi-family housing properties eligible to receive low income housing tax credits. The bank's focus on affordable housing efforts in the LVHP Assessment Area reflect good responsiveness to identified needs in the community, as the lack of affordable housing in the LVHP Assessment Area is a well-documented concern.

## **SERVICE TEST**

The bank's Service Test performance is good. Its retail and community development services reflect good responsiveness to the needs of the assessment area.

### **Retail Services**

Charles Schwab Premier Bank maintains no physical presence in the assessment area and offers no loan or deposit products. As a result, no analysis can be performed of the bank's performance related to the provision of retail services. Premier's service test performance is based upon the bank's provision of community development services.

### **Community Development Services**

The bank provides a relatively high level of community development services in the assessment area. During the review period, 236 hours of qualified community development services were allocated to Premier. The bank's community development services were primarily focused on the provision of financial literacy education and efforts related to the creation or preservation of affordable housing in the assessment area.

The bank identified a disparity between the percentage of Nevada residents with a post-secondary education and the forecasted percentage of future jobs which will require at least that level of education. In response to the variety of factors that encourage Nevada residents to

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Appendix C

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abandon higher education, the bank provided financial wellness training designed to encourage and enable Nevada residents to pursue a post-secondary degree. The bank provided significant community development services to this initiative. Further, the bank provided community development services to help Earned Assets Resource Network (EARN) to launch a series of initiatives, including “Saver Life” and “Bank On”, designed to help low- and moderate-income communities.