

# **PUBLIC DISCLOSURE**

March 1, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First State Bank  
RSSD # 435750

1818 North I-35  
Gainesville, Texas 76240

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.

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## INSTITUTION RATING

<b>This institution is rated:</b>	<b>Outstanding</b>
<b>The Lending Test is rated:</b>	<b>Satisfactory</b>
<b>The Community Development Test is rated:</b>	<b>Outstanding</b>

First State Bank (bank or institution) is rated Outstanding. This rating is based on the following conclusions with respect to the performance criteria under the Lending and Community Development Tests in accordance with the Federal Financial Institutions Examination Council's (FFIEC's) Interagency Examination Procedures for Intermediate Small Bank (ISB Examination Procedures).

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the institution's size, financial condition, and credit needs of the assessment areas it serves.
- A majority of the bank's lending is originated within the delineated assessment areas.
- A reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- An excellent dispersion of loans throughout the bank's assessment areas.
- An excellent responsiveness to the community development needs in its assessment areas considering its capacity and the availability of opportunities for community development activities.

## INSTITUTION

### Scope of Examination

The evaluation was conducted using the FFIEC's ISB Examination Procedures to assess the bank's Community Reinvestment Act (CRA) performance in meeting the credit and community development needs. The FFIEC's ISB Procedures require the evaluation to be conducted through two separate tests: Lending Test and Community Development Test. The evaluation considered performance context, including the bank's asset size, financial condition, business strategy, and market competition, as well as the demographic and economic characteristics of the assessment areas the bank serves and their respective credit and community development needs.

The bank's performance was assessed using the full-scope review procedures for two of the bank's delineated assessment areas: Denton and Wise Assessment Area and Cooke and Montague Assessment Area. Approximately 70.6 percent of lending activity (by number of loans), 97.4 percent of the total deposits, and 84.6 percent of total branches were evaluated through the full-scope reviews performed. A limited-scope review was conducted for the remaining delineated assessment area, Sherman-Denison Assessment Area, which was delineated with the establishment of a full-service branch in January 2020 and the conversion of an existing loan production office (LPO) in November 2020. Due to the limited time serving the Sherman-Denison Assessment Area, this evaluation excludes the bank's 2018 and 2019 residential real estate lending in this assessment area and does not weigh heavily the bank's small business lending and community development activities.

The evaluation considered the following data was reviewed:

- The bank's 12-quarter average NLTD ratio, as well as the NLTD ratio for three similarly situated banks.
- The residential real estate lending review included the entire universe of 1,204 loan originations reported on the bank's 2018 and 2019 Home Mortgage Disclosure Act (HMDA) Loan/Application Registers. The small business loan review consisted of a statistically derived sample of 152 small business loans taken from a universe of 606 loans originated or renewed between May 1, 2020 and October 31, 2020.
- Community development loans, investments, and services provided by the bank since the conclusion of the previous Community Reinvestment Act (CRA) evaluation as of October 30, 2017.
- Data provided by two members of the communities served by the bank to further augment the credit and community development needs and economic conditions of the delineated assessment areas.

The bank's response to written complaints with respect to its CRA performance was not evaluated because the institution has not received any such complaints since the prior evaluation.

### Description of Institution

First State Bank, a community bank headquartered in Gainesville, Texas, has the following characteristics:

- The bank is a wholly owned subsidiary of Red River Bancorp Inc., a one-bank holding company.
- The bank reported total assets of approximately \$1.3 billion, gross loans of \$729.4 million, total deposits of \$1.1 billion, and an NLTD ratio of 61.7 percent as of September 30, 2020.
- The bank offers traditional deposit and loan products to meet the needs of its communities and focuses on commercial lending, which is the largest segment of its loan portfolio.
- The bank operates 13 full-service branches, including its main office, and one LPO in the state of Texas. One of the branches is located in a low-income census tract and four branches are located in moderate-income census tracts.
- The bank also operates an automatic teller machine (ATM) at each one of its branches, which were transitioned to interactive teller machines (ITMs) in response to the COVID-19 pandemic. The ITMs provide the bank's customers the opportunity to transact virtually with tellers during extended business hours.
- The bank's hours of operation are similar and consistent with other banks in the region.
- In January 2020, the bank expanded its footprint by opening a branch in Grayson County, Texas, which is the sole county in the Sherman-Denison Metropolitan Statistical Area (MSA).
- The bank converted an existing LPO in Sherman, Texas to a full-service branch on November 23, 2020.
- Since the previous CRA evaluation, the bank closed the Valley View Branch, which was a limited-service branch located in the Denton and Wise Assessment Area.

The following table reflects the loan portfolio mix:

Loan Portfolio Mix as of September 30, 2020		
	\$(000)	%
Residential Real Estate	\$128,522	17.6
Commercial	\$509,711	69.9
Agricultural	\$50,203	6.9
Consumer	\$18,756	2.6
Other	\$22,235	3.1
<b>Gross Loans</b>	<b>\$729,427</b>	
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank's ability to meet various credit needs of the community has not been hampered by its capacity to lend, its financial condition and size, product offerings, prior performance, legal impediments, or other factors. The Federal Reserve Bank of Dallas rated the bank's CRA performance as Satisfactory at the previous performance evaluation dated October 30, 2017. The bank received a Satisfactory rating under the Lending Test and a Satisfactory rating under the Community Development Test.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The evaluation first discusses the bank's overall performance based on the NLTD ratio and level of lending within its delineated AAs. This is followed by a more in-depth discussion of the bank's record of lending in each full-scope AA.

The bank's overall performance under the Lending Test is Satisfactory, as the institution reasonably meets the small business and mortgage credit needs of its assessment areas. The bank's NLTD ratio and distribution of loans to low- and moderate-income (LMI) borrowers and to businesses of different sizes are reasonable. In addition, the bank extended the majority of its loans inside its delineated assessment areas and exhibited excellent geographic dispersion.

#### Net Loan-to-Deposit Ratio

The general purpose of the CRA is to encourage banks to meet the credit needs in their assessment areas while operating in a safe and sound manner. To gain an understanding of the bank's lending activity, the NLTD ratio is used to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the assessment areas, and in comparison, to similarly situated Federal Deposit Insurance Corporation (FDIC)-insured institutions.

The bank's 12-quarter average NLTD ratio, at 61.3 percent, is reasonable given the bank's size and financial condition, the credit needs of the assessment area, and the competitive local banking environment. as it is similar to the average NLTD ratios for three similarly of situated local banks within the same period of time. The 12-quarter average NLTD ratios of the similarly situated banks ranged from 60.3 percent to 88.0 percent.

#### Lending in Assessment Area

This performance criterion evaluates the percentage of lending extended inside and outside of the bank's delineated assessment areas. The bank extended the majority of its loans, by number and dollar, within its three assessment areas.

Lending Inside and Outside the Assessment Areas								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	35	72.9	\$3,436	68.2	13	27.1	\$1,599	31.8
Home Purchase - Conventional	507	67.2	\$116,291	66.3	247	32.8	\$59,070	33.7
Home Purchase - FHA	65	61.9	\$13,626	61	40	38.1	\$8,724	39
Home Purchase - VA	14	56	\$3,990	57.3	11	44	\$2,978	42.7
Multi-Family Housing	4	44.4	\$2,238	26.1	5	55.6	\$6,352	73.9
Other Purpose Closed-End	24	75	\$2,748	62.3	8	25	\$1,664	37.7
Refinancing	191	82.7	\$42,588	80.2	40	17.3	\$10,513	19.8
<b>Total HMDA</b>	<b>840</b>	<b>69.8</b>	<b>\$184,917</b>	<b>67</b>	<b>364</b>	<b>30.2</b>	<b>\$90,900</b>	<b>33</b>
<b>Total Small Business</b>	<b>122</b>	<b>80.3</b>	<b>\$11,594</b>	<b>84.3</b>	<b>30</b>	<b>19.7</b>	<b>\$2,166</b>	<b>15.7</b>
<b>TOTAL LOANS</b>	<b>962</b>	<b>70.9</b>	<b>\$196,511</b>	<b>67.9</b>	<b>394</b>	<b>29.1</b>	<b>\$93,066</b>	<b>32.1</b>

Note: Affiliate loans not included

The remaining analyses are based on loans made inside the bank's assessment areas.

#### Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

This performance criterion evaluates the bank's lending to borrowers of different income levels and businesses of different revenue sizes. The bank's HMDA and small business lending exhibit an overall reasonable penetration among individuals of different income levels (including LMI) and businesses of different sizes in both full-scope assessment areas. Small business loans were given the greatest weight for this evaluation since these loans constitute the majority of the bank's lending. Data supporting this analysis can be seen in detail in the separate assessment area discussions.

#### Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of lending within its assessment areas by income level of census tracts. The bank's overall geographic distribution of loans reflects an excellent dispersion throughout the assessment areas. Loans were generally made in close proximity to the bank's branches and there were no conspicuous gaps or anomalies in the lending patterns. The distribution by income level of census tract was excellent for HMDA and small business loans in both full-scope assessment areas. Nearly two-thirds of the HMDA loans reviewed were originated in the Denton and Wise Assessment Area; thus, greater weight was given to the bank's performance in this assessment area. Data supporting this analysis can be seen in detail in the separate assessment area discussions.

### **COMMUNITY DEVELOPMENT TEST**

The Community Development Test evaluates the bank's responsiveness to the community development needs of the institution's assessment areas through its originations and participations in community development loans, investments, and services, considering the bank's capacity and availability of such opportunities within the delineated assessment areas.

The bank's responsiveness to community development needs is Outstanding. The bank has applied its community development resources strategically to meet the substance of community needs, primarily through community development loan initiatives and social services targeted to low- and moderate-income individuals in the communities it serves. The bank originated a significant amount of qualified Paycheck Protection Program (PPP) loans to small businesses in response to the COVID-19 pandemic, representing the majority of the 796 community development loans extended within its assessment areas. Moreover, the bank received community development credit for 128 PPP loans, totaling approximately \$18.4 million, which benefit a broader statewide or regional area. The table below depicts a summary of the bank's community development activities in its assessment areas since the previous CRA evaluation. Data supporting this analysis can be seen in detail in the separate assessment area discussions.

COMMUNITY DEVELOPMENT ACTIVITIES									
Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#
Affordable Housing	1	\$546	0	\$0	0	\$0	0	\$0	0
Community Services	1	\$4,500	0	\$0	2	\$6	2	\$6	27
Economic Development	793	\$99,862	0	\$0	0	\$0	0	\$0	0
Revitalization and Stabilization	1	\$2,717	0	\$0	20	\$219	20	\$219	0
Totals	796	\$107,626	0	\$0	22	\$226	22	\$226	27

#### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. Established policies and procedures are designed to ensure ongoing compliance with applicable laws and regulations.



## **DENTON AND WISE METROPOLITAN ASSESSMENT AREA (Full-Scope Review)**

### **Description of Institution's Operations in Denton and Wise Assessment Area**

The Denton and Wise Assessment Area comprises the entirety of the contiguous Denton and Wise counties. The assessment area is located on the northwest edge of the Dallas-Fort Worth-Arlington Metropolitan Statistical Area (MSA), which also includes the following counties: Collin, Dallas, Ellis, Hunt, Kaufman, Johnson, Parker, and Tarrant counties. The Dallas-Fort Worth-Arlington MSA is comprised of two metropolitan divisions (MDs): the Dallas-Plano-Irving, Texas MD and the Fort Worth-Arlington-Grapevine, Texas MD. Denton County is located in the Dallas-Plano, Irving, Texas MD, and Wise County is located in the Dallas-Fort Worth-Arlington, Texas MD.

- The bank operates six branches in the assessment area, representing 46.2 percent of its branching structure. One of the branches is located in a low-income census tract, two are located in moderate-income census tracts, two are in middle-income census tracts, and the remaining branch is located in an upper-income census tract.
- According to the June 30, 2020 FDIC Market Share Report, 42 federally insured depository institutions operate 171 branches, holding deposits of \$305.2 billion within the assessment area. The bank ranked ninth in deposit market share, with \$767.2 million or 0.1 percent of all deposits.
- Primary competitors in the market include Charles Schwab Bank, SSB (87.7 percent), Charles Schwab Premier Bank, SSB (7.8 percent), and JPMorgan Chase Bank, NA (1.0 percent).
- In 2018, there were 682 financial institutions that reported HMDA data in the assessment area. The bank ranked 36<sup>th</sup> in HMDA market share, with 260 or 0.6 percent of total HMDA-reportable originations and purchases. Wells Fargo Bank and JPMorgan Chase Bank led the market, with 11.9 percent and 6.0 percent of market share, respectively. In 2019, 700 institutions reported HMDA data in the assessment area. First State Bank ranked 37<sup>th</sup> in market share, with 267 or 0.6 percent of the market. Wells Fargo Bank and JPMorgan Chase Bank led the market with 8.5 percent and 5.7 percent of the market, respectively.
- To augment the evaluation, an interview with a leader at a community housing authority serving the assessment area was conducted to ascertain the credit needs of the communities, the responsiveness of area banks in meeting those credit needs, and the local economic conditions.

### **Demographic Characteristics**

- According to the United States Census Bureau, the assessment area population in 2019 was 957,191, which represents a 32.6 percent increase since 2010.
- Denton County is more populated than Wise County, containing 92.7 percent of the total assessment area population.
- Major municipalities in the assessment area include the cities of Denton and Decatur, which are the county seats of Denton and Wise counties, respectively.

### **Income Characteristics**

- According to the 2015 American Community Survey (ACS), the assessment area consists of 148 census tracts: six census tracts (4.1 percent) are low-income tracts, 19 (12.8 percent) are moderate-income tracts, 59 (39.9 percent) are middle-income tracts, and 64 (43.2 percent) are upper-income tracts.

- There are approximately 198,656 families in the assessment area. By family income, approximately 15.2 percent of these families are classified as low-income, 14.0 percent are moderate-income, 18.2 percent are middle-income, and 52.7 percent are upper-income families.
- Of the families in the assessment area, 6.1 percent are living below poverty, which is lower than the family poverty rate for the state of Texas, at 13.5 percent.
- Income level designations, as shown in the table below, had a slight increase in median family income in both counties from 2019 to 2020.
- According to D&B, 45,626 businesses operate in the assessment area in 2020, of which 43,022 or 94.3 percent reported revenues of less than \$1 million.

<b>Dallas-Plano-Irving, TX MD</b>		
<b>Income Level</b>	<b>2019</b>	<b>2020</b>
Median Family Income	\$83,100	\$86,200
Low-income	< \$41,550	< \$43,100
Moderate-income	\$41,550 < \$66,480	\$43,100 < \$68,960
Middle-income	\$66,480 < \$99,720	\$68,960 < \$103,440
Upper-income	≥ \$99,720	≥ \$103,440
<b>Fort Worth-Arlington-Grapevine, TX MD</b>		
<b>Income Level</b>	<b>2019</b>	<b>2020</b>
Median Family Income	\$75,300	\$81,100
Low-income	< \$37,650	< \$40,550
Moderate-income	\$37,650 < \$60,240	\$40,550 < \$64,880
Middle-income	\$60,240 < \$90,360	\$64,880 < \$97,320
Upper-income	≥ \$90,360	≥ \$97,320

#### Housing Characteristics

- In 2020, the assessment area contained 297,682 housing units. with a median age of 26 years.
- The assessment area median housing value is \$191,427, which is higher than the state median housing value of \$136,000.
- The housing in the assessment area is slightly less affordable compared to the state of Texas given their affordability ratios<sup>1</sup>, at 38.3 percent and 39.1 percent, respectively.
- The community contact noted the area is in need of more affordable housing other than government assisted housing.
- Owner-occupied units in the assessment area comprise 61.2 percent of the housing stock, with rental and vacant properties representing 32.3 percent and 6.5 percent, respectively. Of the owner-occupied housing units, 0.5 percent are located in low-income census tracts, 6.0 percent are in moderate-income census tracts, 40.7 percent are in middle-income census tracts, and 52.9 percent are in upper-income census tracts.

#### Employment and Economic Conditions

- According to 2020 D&B data, 45,626 businesses and 737 farms operate in the assessment area.
- Demand for agricultural land in the area continues to increase. However, the demand for land is for investment and residential development.

<sup>1</sup> The calculation of the affordability ratio is the median household income divided by median housing value. A higher ratio means housing is more affordable.

- While there is a high demand for rural acreage, there are not many rural properties available for sale.
- Activity in the oil and gas sector has declined due to the falling prices of oil and decrease in demand. However, energy production and support service firms' primary goals are to grow production and business activity, in efforts to reduce debt.
- Major employment sectors in the assessment area are retail trade, healthcare, and educational services.
- The 2018 and 2019 unemployment rates in the assessment area are lower than the state and national average. The following chart shows unemployment rates relevant to the assessment area for 2018 and 2019.
- The community contact described the local economy as stable and positioned for continued growth, which is supported by the low unemployment rates noted, population growth, and demand for land.
- The community contact believes there is opportunity for banks to be more involved in small business lending and small business development.

Annual Average Unemployment Rate		
AREA	2018	2019
Denton County	3.2	3.0
Wise County	3.4	3.2
Dallas-Fort Worth-Arlington MSA	3.5	3.3
State of Texas	3.8	3.5
United States	3.9	3.7

The following table details selected characteristics of the assessment area.

DENTON AND WISE COUNTIES 2020 AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	6	4.1	4,798	2.4	1,334	27.8	30,157	15.2
Moderate	19	12.8	17,643	8.9	2,530	14.3	27,792	14.0
Middle	59	39.9	82,684	41.6	5,652	6.8	36,100	18.2
Upper	64	43.2	93,531	47.1	2,544	2.7	104,607	52.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	148	100.0	198,656	100.0	12,060	6.1	198,656	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% by Unit	#	% by Unit	#	% by Unit
Low	12,403	823	0.5	6.6	10,422	84.0	1,158	9.3
Moderate	34,107	10,883	6.0	31.9	20,325	59.6	2,899	8.5
Middle	130,191	74,106	40.7	56.9	45,936	35.3	10,149	7.8
Upper	120,981	96,291	52.9	79.6	19,557	16.2	5,133	4.2
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	297,682	182,103	100.0	61.2	96,240	32.3	19,339	6.5
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	1,333	2.9	1,232	2.9	87	4.3	14	2.3
Moderate	4,446	9.7	3,996	9.3	403	20.1	47	7.9
Middle	15,849	34.7	14,944	34.7	729	36.3	176	29.5
Upper	23,998	52.6	22,850	53.1	788	39.3	360	60.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	45,626	100.0	43,022	100.0	2,007	100.0	597	100.0
Percent of Total Businesses:				94.3		4.4		1.3
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	4	0.5	4	0.5	0	0.0	0	0.0
Moderate	37	5.0	35	4.8	2	100.0	0	0.0
Middle	354	48.0	353	48.1	0	0.0	1	100.0
Upper	342	46.4	342	46.6	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	737	100.0	734	100.0	2	100.0	1	100.0
Percent of Total Farms:				99.6		.3		.1
Based on 2015 American Community Survey 5-year estimate data, 2020 FFIEC census tract designations, and 2020 D&B data. (NOTE: Total percentages may not total 100.0% due to automated rounding differences.)								

## **Conclusions with Respect to Performance Tests in Denton and Wise Assessment Area**

### **LENDING TEST**

#### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's distribution of lending to borrowers reflects a reasonable penetration among individuals of different income levels, including LMI, and businesses of revenue different sizes.

#### **Residential Real Estate (HMDA) Lending:**

HMDA lending by borrower income in the assessment area is reasonable when compared to demographic characteristics as well as the performance of aggregate HMDA lenders with loan originations or purchases in the assessment area. The bank originated 527 HMDA loans within the assessment area in 2018 and 2019 combined.

While the bank's lending to LMI borrowers is below the assessment area demographics, it generally outperformed aggregate lenders in both years. Several factors may account for the limited level of lending compared to assessment area demographics, including LMI families' difficulty to meet underwriting criteria, such as down payment requirements and closing costs. Based on the 2015 ACS data, 15.2 percent, and 14.0 percent of the families in the assessment area are considered low-income and moderate-income families. Moreover, LMI families are impacted by the limited availability of affordable housing noted by the community contact and the assessment area's low affordability ratio at 38.3 percent.

DISTRIBUTION OF 2018 HMDA LOANS BY BORROWER INCOME LEVELS DENTON AND WISE COUNTIES							
Borrower Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans <sup>3</sup>							
Low	5	541	1.9	0.9	2.1	0.9	15.2
Moderate	31	4,664	11.9	7.6	10.2	6.4	14.0
Middle	51	9,692	19.6	15.8	19.7	15.6	18.2
Upper	155	42,009	59.6	68.6	52.7	57.2	52.6
Unknown	18	4,295	6.9	7.0	15.3	19.9	0.0
Home Purchase Loans							
Low	1	120	0.6	0.3	1.4	0.7	15.2
Moderate	19	3,156	10.7	7.0	9.8	6.5	14.0
Middle	33	7,237	18.5	16.1	20.3	17.2	18.2
Upper	111	31,840	62.4	70.8	53.7	62.2	52.6
Unknown	14	2,605	7.9	5.8	14.8	13.5	0.0
Refinanced Loans							
Low	4	421	6.5	3.3	4.4	2.5	15.2
Moderate	9	1,306	14.5	10.2	13.2	9.0	14.0
Middle	14	2,139	22.6	16.8	20.5	16.8	18.2
Upper	34	8,777	54.8	68.8	49.9	60.2	52.6
Unknown	1	115	1.6	0.9	12.0	11.6	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	2.7	1.8	15.2
Moderate	1	80	9.1	7.7	5.5	4.7	14.0
Middle	3	246	27.3	23.8	13.9	11.3	18.2
Upper	5	483	45.5	46.7	70.5	70.2	52.6
Unknown	2	225	18.2	21.8	7.5	12.0	0.0
Multifamily							
Low	0	0	0.0	0.0	0.0	0.0	15.2
Moderate	0	0	0.0	0.0	0.0	0.0	14.0
Middle	0	0	0.0	0.0	0.0	0.0	18.2
Upper	0	0	0.0	0.0	6.0	1.0	52.6
Unknown	1	1,350	100.0	100.0	94.0	99.0	0.0
<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank's assessment area reported by all HMDA filers. <sup>2</sup> Based on 2015 ACS 5-year estimate data. <sup>3</sup> Multifamily loans are not considered in the Borrower Analysis. Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table. (NOTE: Total percentages may not total 100.0% due to automated rounding differences.)							

DISTRIBUTION OF 2019 HMDA LOANS BY BORROWER INCOME LEVELS DENTON AND WISE COUNTIES							
Borrower Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans <sup>3</sup>							
Low	9	1,188	3.4	1.8	2.2	1.0	15.2
Moderate	37	6,207	13.9	9.3	11.2	7.1	14.0
Middle	45	9,172	16.9	13.8	20.3	16.3	18.2
Upper	149	44,773	55.8	67.2	50.9	56.0	52.7
Unknown	27	5,238	10.1	7.9	15.5	19.6	0.0
Home Purchase Loans							
Low	3	467	1.6	1.0	1.8	0.8	15.2
Moderate	26	4,590	14.1	9.7	12.2	8.2	14.0
Middle	31	6,597	16.8	13.9	22.4	19.0	18.2
Upper	106	32,552	57.6	68.4	50.6	59.1	52.7
Unknown	18	3,357	9.8	7.1	13.0	12.9	0.0
Refinanced Loans							
Low	3	441	5.0	2.7	2.9	1.5	15.2
Moderate	10	1,480	16.7	9.2	10.0	6.1	14.0
Middle	11	2,360	18.3	14.7	17.3	13.7	18.2
Upper	33	10,888	55.0	67.8	51.0	58.4	52.7
Unknown	3	895	5.0	5.6	18.8	20.4	0.0
Home Improvement Loans							
Low	1	170	6.7	10.9	2.5	1.5	15.2
Moderate	0	0	0.0	0.0	7.5	6.3	14.0
Middle	2	145	13.3	9.3	15.0	13.2	18.2
Upper	8	980	53.3	63.0	71.1	75.2	52.7
Unknown	4	261	26.7	16.8	3.8	3.7	0.0
Multifamily							
Low	0	0	0.0	0.0	0.0	0.0	15.2
Moderate	0	0	0.0	0.0	0.0	0.0	14.0
Middle	0	0	0.0	0.0	0.0	0.0	18.2
Upper	0	0	0.0	0.0	1.9	0.1	52.7
Unknown	2	725	100.0	100.0	98.1	99.9	0.0

<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank’s assessment area reported by all HMDA filers.

<sup>2</sup> Based on 2015 ACS 5-year estimate data.

<sup>3</sup> Multifamily loans are not considered in the Borrower Analysis. Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table.  
(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

### Small Business Lending

The borrower distribution of small business loans is reasonable. According to 2020 D&B data, 94.3 percent of businesses in the assessment area are small businesses, with annual revenue of less than \$1 million. The bank extended 74.1 percent by number and 37.6 percent by dollar volume to small businesses. Although the bank's performance is below demographic, this can be attributed to the high level of competition from large national and regional banking institutions located within the assessment area. Additionally, the low percentage by volume to small businesses can be explained by the bank's efforts to produce small-dollar loans. The total amount of loans under \$100 thousand was 48 or 82.7 percent of the total amount of loans originated to small businesses.

### Geographic Distribution of Loans

The bank's geographic distribution of loans reflects excellent penetration throughout the assessment area.

### Residential Real Estate (HMDA) Lending:

The geographic distribution of HMDA loans reflects excellent penetration throughout the assessment area. The geographic distribution of total HMDA lending in 2019 is below to 2018 performance, with stronger lending in moderate-income tracts. The table below shows the bank's performance in LMI and middle-income census tracts exceeds the performance of aggregate HMDA lenders as well as the percentage of owner-occupied housing units in the assessment area. Additionally, no gaps or lapses in lending were identified within the assessment area. Home purchase lending was given more weight in the analysis of geographic distribution due to volume, and the volume of the multifamily lending was not sufficient to conduct a meaningful analysis.

### Home Purchase Loans

The geographic distribution of home purchase loans is excellent despite the bank not originating any home purchase loans in low-income census tracts in 2018 or 2019. The bank's performance is strong given the limited volume of owner-occupied units in low-income census tracts within the assessment area. Moreover, the bank outperformed aggregate lenders in moderate-income and middle-income tracts as well as percentage of owner-occupied units.

### Refinanced Home Loans

The geographic distribution of refinanced home loans is excellent. Although the bank did not originate any refinanced home loans in low-income census tracts in 2018 or 2019, the bank's performance is reasonable given the limited volume of owner-occupied units in low-income census tracts within the assessment area. The bank outperformed aggregate lenders in moderate-income and middle-income census tracts and was above the demographic figure in 2018 and 2019.

### Home Improvement Loans

The geographic distribution of home improvement loans is excellent. While the bank did not originate home improvement loans in low-income census tracts in 2018 or 2019, aggregate lenders slightly outperformed the bank. Moreover, there are limited owner-occupied units the in



low-income census tracts within the assessment area in 2018 and 2019. In addition, the bank outperformed aggregate lenders in moderate- and middle-income tracts as well as percentage of owner-occupied units.

#### Multifamily Loans

The low volume of multifamily loans in 2018 and 2019 was not sufficient to provide a meaningful analysis. In 2018, the bank's sole multifamily loan was originated in a low-income census tract. Additionally, in 2019, the bank originated one loan in a low-income census tract and one loan in a moderate-income census tract. These originations, while limited, show the bank's willingness to originate multifamily loans in low and moderate-income tracts.

DISTRIBUTION OF 2018 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY DENTON AND WISE COUNTIES							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans <sup>4</sup>							
Low	1	1,350	0.4	2.2	0.3	1.7	0.5
Moderate	34	7,080	13.1	11.6	3.6	3.9	6.0
Middle	140	30,453	53.8	49.8	37.6	31.7	40.7
Upper	85	22,318	32.7	36.5	58.5	62.7	52.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	0.2	0.1	0.5
Moderate	27	5,745	15.2	12.8	3.4	2.3	6.0
Middle	91	21,722	51.1	48.3	36.9	31.4	40.7
Upper	60	17,491	33.7	38.9	59.4	66.2	52.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	0.3	0.2	0.5
Moderate	4	1,034	6.5	8.1	4.0	2.8	6.0
Middle	38	7,379	61.3	57.8	41.3	34.9	40.7
Upper	20	4,345	32.3	34.1	54.4	62.1	52.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	0.1	0.1	0.5
Moderate	2	136	18.2	13.2	3.0	2.6	6.0
Middle	6	663	54.5	64.1	29.8	25.6	40.7
Upper	3	235	27.3	22.7	67.0	71.8	52.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Multifamily Loans							% of Multifamily Units <sup>2</sup>
Low	1	1,350	100.0	100.0	19.3	23.6	15.0
Moderate	0	0	0.0	0.0	36.1	23.4	24.7
Middle	0	0	0.0	0.0	28.9	28.6	44.8
Upper	0	0	0.0	0.0	15.7	24.4	15.5
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0

<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank's assessment area reported by all HMDA filers.

<sup>2</sup> Based on 2015 ACS 5-year estimate data and 2018 FFIEC census tract designations.

<sup>3</sup> Includes only loans originated in census tracts where the income level is unknown. It does not include loans for which census tract locations were not reported, which is 0.0% by number and 0.0% by dollar for aggregate lenders.

<sup>4</sup> Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table.

(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

DISTRIBUTION OF 2019 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY DENTON AND WISE COUNTIES							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans <sup>4</sup>							
Low	2	767	0.7	1.2	0.3	0.6	0.5
Moderate	23	4,425	8.6	6.6	3.2	2.7	6.0
Middle	147	37,442	55.1	56.2	38.1	31.8	40.7
Upper	95	23,944	35.6	36.0	58.3	64.8	52.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	0.3	0.2	0.5
Moderate	16	2,956	8.7	6.2	3.4	2.4	6.0
Middle	107	28,649	58.2	60.2	39.9	34.0	40.7
Upper	61	15,958	33.2	33.6	56.5	63.4	52.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Refinanced Loans							
Low	1	357	1.7	2.2	0.2	0.1	0.5
Moderate	4	755	6.7	4.7	2.9	1.9	6.0
Middle	28	7,586	46.7	47.2	35.5	29.6	40.7
Upper	27	7,366	45.0	45.9	61.3	68.3	52.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	0.2	0.1	0.5
Moderate	1	149	6.7	9.6	1.5	1.2	6.0
Middle	9	897	60.0	57.6	29.8	25.9	40.7
Upper	5	510	33.3	32.8	68.5	72.8	52.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Multifamily Loans							% of Multifamily Units <sup>2</sup>
Low	1	410	50.0	56.6	14.8	10.4	15.0
Moderate	1	315	50.0	43.4	27.8	13.1	24.7
Middle	0	0	0.0	0.0	29.6	17.6	44.8
Upper	0	0	0.0	0.0	27.8	58.9	15.5
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0

<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank's assessment area reported by all HMDA filers.

<sup>2</sup> Based on 2015 ACS 5-year estimate data and 2019 FFIEC census tract designations.

<sup>3</sup> Includes only loans originated in census tracts where the income level is unknown. It does not include loans for which census tract locations were not reported, which is 0.0% by number and 0.0% by dollar for aggregate lenders.

<sup>4</sup> Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table.

(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

## Small Business Lending

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. The bank's small business lending in LMI and middle-income census tracts, by number and dollar volume, exceed the percentage of businesses operating in such census tracts by number and dollar volume. Conversely, the bank's small business lending in upper-income census tracts, by number and dollar volume, was below the demographic figure. Furthermore, no gaps or lapses in lending were identified within the assessment area.

<b>DISTRIBUTION OF MAY 1 - OCTOBER 31, 2020 SMALL BUSINESS LOANS BY INCOME LEVEL OF GEOGRAPHY DENTON AND WISE COUNTIES</b>					
Census Tract Income Level	Small Business Loans <sup>1</sup>				% of Businesses <sup>2</sup>
	#	\$(000)	# %	\$ %	
Low	7	544	12.1	11.2	2.9
Moderate	9	1,165	15.5	24.0	9.7
Middle	26	2,062	44.8	42.4	34.7
Upper	16	1,092	27.6	22.5	52.6
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0
<sup>1</sup> CRA defines small businesses loans as loans in the amount of \$1 million or less. <sup>2</sup> The percentage of businesses in the assessment area is based on 2020 D&B data and 2020 FFIEC census tract designations. <sup>3</sup> Includes only loans originated in census tracts where the income level is unknown. It does not include loans for which census tract locations were not reported. (NOTE: Total percentages may not total 100.0% due to automated rounding differences.)					

## COMMUNITY DEVELOPMENT TEST

The bank's responsiveness to community development needs is excellent considering the bank's capacity and the need and available opportunities. The bank has applied its community development resources strategically to meet the substance of community needs, primarily through economic development initiatives to low- and moderate-income individuals in the communities it serves. The bank made a significant amount of qualified PPP loans to small businesses in response to the COVID-19 pandemic, representing .3 percent or 8.3 percent dollar volume of the qualified economic development loans extended within the assessment area.

The table below depicts a summary of the bank's community development activities since the last CRA evaluation.

DENTON AND WISE ASSESSMENT AREA									
COMMUNITY DEVELOPMENT ACTIVITIES									
Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#
Affordable Housing	1	\$547	0	\$0	0	\$0	0	\$0	0
Community Services	0	\$0.0	0	\$0	1	\$2	1	\$2	0
Economic Development	348	\$44,227	0	\$0	0	\$0	0	\$0	0
Revitalization and Stabilization	1	\$2,717	0	\$0	10	\$144	10	\$144	0
Totals	350	\$47,491	0	\$0	11	\$146	11	\$146	0

**SHERMAN-DENISON METROPOLITAN STATISTICAL AREA  
(Limited-Scope Review)**

**Description of Institution's Operations in Sherman-Denison MSA Assessment Area**

The Sherman-Denison MSA Assessment Area consists of the entirety of the contiguous Sherman and Denison counties, which comprise the Sherman-Denison MSA. As of September 30, 2020, the bank operated one branch within the assessment area. On November 23, 2020, the bank converted the LPO in Sherman, Texas to a branch, increasing the bank's presence in the assessment area to two branches. As of June 30, 2020, the bank had \$30.1 million in deposits in this assessment area, representing a market share of 1.0 percent and 2.6 percent of the bank's total deposits in Texas. Given the bank's recent expansion into the assessment area and limited lending activity, a limited-scope review was conducted. Moreover, the bank's performance in this assessment area carried the least weight when rating the overall bank's performance in meeting the credit and community development needs of the communities it serves.

**Conclusions with Respect to Performance Tests in the Sherman-Denison MSA Assessment Area**

Through the use of available facts and data, including performance and demographic information, each assessment area's performance was evaluated and compared with the bank's performance in the state of Texas.

The institution's lending performance in the assessment area is consistent with the institution's overall lending performance. Under the Lending Test, the dispersion of loans, as well as the distribution of lending by income level of borrower and revenue size of businesses, were consistent with the assessment areas receiving full-scope reviews. Additionally, the institution's community development performance in the assessment area is consistent with the institution's overall community development performance. The institution originated 47 qualified loans totaling \$5.1 million. Please refer to the tables in Appendix A for information on small business lending regarding this assessment area. Given that the bank entered the assessment in 2020 and the HMDA lending reviewed was originated and/or purchased in 2018 and 2019, the evaluation did not consider the bank's HMDA lending performance for the assessment area.

## **COOKE AND MONTAGUE NONMETROPOLITAN ASSESSMENT AREA (Full-Scope Review)**

### **Description of Institution's Operations in Cooke and Montague Assessment Area**

The Cooke and Montague Assessment Area consists of the contiguous, non-metropolitan, counties of Cooke and Montague. The assessment area is located northwest of the Dallas-Fort Worth- Arlington MSA in North Central Texas and just south of the Oklahoma border.

- The bank operated five branches and one LPO within the assessment area.
- According to the June 30, 2020 FDIC Deposit Market Share Report, 11 federally insured depository institutions are located within the assessment area, operating 18 branches holding deposits of \$1.70 billion. The bank ranked first in deposit market share with 43.5 percent of all deposits. Primary competitors in the market include: Legend Bank, N.A. (16.8 percent), Muenster State Bank (8.5 percent), and Prosperity Bank (7.2 percent).
- The bank ranked first out of 201 financial institutions originating and purchasing HMDA reportable loan in the assessment area, exhibiting 10.9 percent of the HMDA market share in 2018. Wells Fargo Bank and Guild Mortgage Company were the next closest, with 8.2 percent and 6.2 percent of the HMDA market share, respectively. The bank held its leading status in 2019, ranking first out of 216 financial institutions that reported HMDA data in the assessment area, with 9.6 percent of the HMDA market share. Guild Mortgage Company and Wells Fargo Bank ranked second and third in the market, with 5.7 percent and 4.6 percent of market share, respectively.
- To augment the evaluation, an interview with a leader at a at an economic development center serving the assessment area was conducted to ascertain the credit needs of the communities, the responsiveness of area banks in meeting those credit needs, and the local economic conditions.

### **Demographic Characteristics**

- According to the United States Census Bureau, the 2019 assessment area population was 61,075, which represents a 5.0 percent increase since 2010.
- Cooke County is more populated than Montague County, containing 67.6 percent of the total assessment area population.
- Major municipalities in the assessment are include the cities of Gainesville and Montague, which are the county seats of Cooke and Montague counties, respectively.

### **Income Characteristics**

- In 2020, the Cooke and Montague assessment area consisted of 14 census tracts: three (21.4 percent) moderate-income census tracts, eight (57.1 percent) middle-income census tracts, and three (21.4 percent) upper-income census tracts. There are no low-income census tracts located in the assessment area.
- The assessment area has approximately 15,734 families, of which 18.0 percent are classified as low-income, 15.5 percent are moderate-income, 19.7 percent are middle-income, and 46.8 percent are upper-income. Of the families in the assessment area, 11.2 percent are living below poverty, which is lower than the state's family poverty rate of 13.5 percent.
- Income level designations, as shown in the table below, had a slight increase in median family income from 2019 to 2020. According to D&B, the assessment area has a total of 2,824 businesses in 2020, of these, 2,578 (91.3 percent) reported revenues of less than \$1 million.

Income Level	2019	2020
Median Family Income	\$57,000	\$59,100
Low-income	< \$28,500	< \$29,550
Moderate-income	\$28,500 < \$45,600	\$29,550 < \$47,280
Middle-income	\$45,600 < \$68,400	\$47,280 < \$70,920
Upper-income	≥ \$68,400	≥ \$70,920

#### Housing Characteristics

- In 2020, the assessment area contained 26,801 housing units, with a median age of 43 years and a median housing value of \$114,529, which is lower than the state median housing value of \$136,000.
- The affordability ratio<sup>2</sup> for the assessment area is 43.3 percent. By comparison, the affordability ratio for the state of Texas is 39.1 percent]. Therefore, housing in the assessment area is more affordable compared to the state of Texas.
- Owner-occupied units comprise 59.9 percent of the housing stock in the assessment area. Rental and vacant properties represent 24.5 percent and 15.6 percent of the housing stock, respectively. Of the owner-occupied housing units, 8.8 percent are in moderate-income census tracts, 58.1 percent are in middle-income census tracts, and 33.1 percent are in upper-income census tracts.

#### Employment and Economic Conditions

- According to D&B data, there are a total of 2,791 businesses and 246 farms in the assessment area in 2020. Demand for agricultural land in the area continues to increase. The demand for the land, however, is not for agricultural production. The demand for land is for investment and residential development. There is a high demand for acreage, however there are not many rural properties available for sale. Activity in the oil and gas sector has declined due to the falling prices of oil and decrease in demand. However, energy production and support service firms' primary goals are to grow production and business activity, in efforts to reduce their level of debt.
- Major employment sectors in the assessment area are retail trade, healthcare, and energy related employers. The 2019 unemployment rate in Cooke County is 2.8% and Montague County is 2.8%, which compares favorably to the state and national rates.
- The contact described the local economy as stable and positioned for continued growth, banking institutions performing well within the community and that small businesses are getting the financial support needed to support their businesses. The contact specifically mentioned that the bank did a very good job of supporting the community with PPP loans during the pandemic.

Annual Average Unemployment Rate		
AREA	2018	2019
Cooke County	3.1	2.8
Montague County	3.2	2.8
State of Texas	3.8	3.5
United States	3.9	3.7

The following table details selected characteristics of the assessment area.

<sup>2</sup> The calculation of affordability ratio is the median household income divided by median housing value. A higher ratio means housing is more affordable.



COOKE AND MONTAGUE COUNTIES 2020 AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	2,836	18.0
Moderate	3	21.4	1,821	11.6	502	27.6	2,439	15.5
Middle	8	57.1	9,083	57.7	1,053	11.6	3,102	19.7
Upper	3	21.4	4,830	30.7	210	4.3	7,357	46.8
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	14	100.0	15,734	100.0	1,765	11.2	15,734	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% by Unit	#	% by Unit	#	% by Unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	3,741	1,415	8.8	37.8	1,647	44.0	679	18.2
Middle	15,751	9,319	58.1	59.2	3,888	24.7	2,544	16.2
Upper	7,309	5,311	33.1	72.7	1,042	14.3	956	13.1
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	26,801	16,045	100.0	59.9	6,577	24.5	4,179	15.6
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	566	20.3	489	19.2	70	35.2	7	16.3
Middle	1,318	47.2	1,227	48.1	73	36.7	18	41.9
Upper	907	32.5	833	32.7	56	28.1	18	41.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2,791	100.0	2,549	100.0	199	100.0	43	100.0
Percent of Total Businesses:								
			91.3		7.1		1.5	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	9	3.7	9	3.7	0	0.0	0	0.0
Middle	110	44.7	107	44.0	2	100.0	1	100.0
Upper	127	51.6	127	52.3	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	246	100.0	243	100.0	2	100.0	1	100.0
Percent of Total Farms:								
			98.8		.8		.4	
Based on 2015 American Community Survey 5-year estimate data, 2020 FFIEC census tract designations, and 2020 D&B data. (NOTE: Total percentages may not total 100.0% due to automated rounding differences.)								

## **Conclusions with Respect to Performance Tests in Cooke and Montague Assessment Area**

### **LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES AND FARMS OF DIFFERENT SIZES**

The bank's distribution of lending to borrowers reflects a reasonable penetration among individuals of different income levels, including LMI, and businesses of different revenue sizes. The distribution of HMDA loans by borrower income level is reasonable, as the bank performed comparable to or above aggregate HMDA lenders in originating HMDA loans to LMI borrowers in 2018 and 2019. The distribution of the remainder of the bank's lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to LMI borrowers. In addition, the bank's lending to businesses of different revenue levels is reasonable, as the majority of small business loans made in the assessment area were extended to businesses with annual revenues of \$1 million or less.

#### **Residential Real Estate (HMDA) Lending:**

HMDA lending by borrower income is reasonable when compared to demographic characteristics of the community, as well as the performance of aggregate HMDA lenders with loan originations or purchases in the assessment area in 2018 and 2019. While the bank's lending to LMI borrowers did not match the assessment area demographic, it generally outperformed aggregate lenders in both years. Several factors may account for the limited level of lending compared to assessment area demographics, such as down payment requirements and closing costs. Based on the ACS, 18.0 percent of families were considered low-income, and 15.5 percent were classified as moderate-income. Difficulties of LMI families to meet loan underwriting criteria may affect the bank's ability to originate loans in the assessment area.

DISTRIBUTION OF 2018 HMDA LOANS BY BORROWER INCOME LEVELS COOKE AND MONTAGUE COUNTIES							
Borrower Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans <sup>3</sup>							
Low	4	229	2.5	0.9	1.9	0.9	18.0
Moderate	12	1,076	7.5	4.0	7.9	4.3	15.4
Middle	29	3,285	18.1	12.2	16.2	11.7	19.7
Upper	102	20,160	63.8	75.0	56.7	66.2	46.9
Unknown	13	2,139	8.1	8.0	17.3	16.9	0.0
Home Purchase Loans							
Low	3	179	2.6	0.9	1.8	0.9	18.0
Moderate	8	675	7.0	3.2	7.9	4.2	15.4
Middle	19	2,348	16.7	11.2	17.6	12.9	19.7
Upper	73	15,744	64.0	75.2	57.5	68.1	46.9
Unknown	11	1,979	9.6	9.5	15.2	13.9	0.0
Refinanced Loans							
Low	1	50	3.0	1.1	2.7	1.1	18.0
Moderate	3	311	9.1	6.8	8.1	4.9	15.4
Middle	8	754	24.2	16.5	14.4	9.6	19.7
Upper	20	3,376	60.6	73.7	59.2	71.1	46.9
Unknown	1	92	3.0	2.0	15.6	13.3	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	0.0	0.0	18.0
Moderate	0	0	0.0	0.0	14.3	12.7	15.4
Middle	1	43	14.3	6.5	17.1	25.2	19.7
Upper	5	555	71.4	83.3	62.9	55.0	46.9
Unknown	1	68	14.3	10.2	5.7	7.2	0.0
Multifamily							
Low	0	0	0.0	0.0	0.0	0.0	18.0
Moderate	0	0	0.0	0.0	0.0	0.0	15.4
Middle	0	0	0.0	0.0	0.0	0.0	19.7
Upper	0	0	0.0	0.0	0.0	0.0	46.9
Unknown	0	0	0.0	0.0	100.0	100.0	0.0

<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank’s assessment area reported by all HMDA filers.

<sup>2</sup> Based on 2015 ACS 5-year estimate data.

<sup>3</sup> Multifamily loans are not considered in the Borrower Analysis. Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table.

(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

DISTRIBUTION OF 2019 HMDA LOANS BY BORROWER INCOME LEVELS COOKE AND MONTAGUE COUNTIES							
Borrower Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans <sup>3</sup>							
Low	3	186	2.0	0.6	1.6	0.8	18.0
Moderate	11	1,343	7.2	4.4	7.9	3.8	15.5
Middle	36	4,689	23.5	15.5	18.3	12.1	19.7
Upper	96	22,389	62.7	74.0	57.0	67.1	46.8
Unknown	7	1,642	4.6	5.4	15.2	16.1	0.0
Home Purchase Loans							
Low	3	186	2.7	0.9	1.1	0.5	18.0
Moderate	8	1,064	7.3	5.2	9.3	4.6	15.5
Middle	28	3,637	25.5	17.8	20.2	14.0	19.7
Upper	65	14,340	59.1	70.1	55.8	67.3	46.8
Unknown	6	1,234	5.5	6.0	13.6	13.6	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	2.1	1.4	18.0
Moderate	3	279	8.3	3.0	4.5	1.7	15.5
Middle	6	877	16.7	9.6	14.4	8.4	19.7
Upper	26	7,619	72.2	83.0	62.2	68.7	46.8
Unknown	1	408	2.8	4.4	16.8	19.8	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	13.6	7.2	18.0
Moderate	0	0	0.0	0.0	22.7	20.9	15.5
Middle	0	0	0.0	0.0	18.2	12.1	19.7
Upper	2	180	100.0	100.0	45.5	59.9	46.8
Unknown	0	0	0.0	0.0	0.0	0.0	0.0
Multifamily							
Low	0	0	0.0	0.0	0.0	0.0	18.0
Moderate	0	0	0.0	0.0	0.0	0.0	15.5
Middle	0	0	0.0	0.0	0.0	0.0	19.7
Upper	1	163	100.0	100.0	50.0	9.8	46.8
Unknown	0	0	0.0	0.0	50.0	90.2	0.0

<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank’s assessment area reported by all HMDA filers.

<sup>2</sup> Based on 2015 ACS 5-year estimate data.

<sup>3</sup> Multifamily loans are not considered in the Borrower Analysis. Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table.

(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

## Small Business Lending

Considering the bank's performance when compared to the assessment area demographics, the distribution of small business loans by revenue size of businesses is reasonable. According to 2020 D&B data, 91.3 percent of businesses in the assessment area are considered small businesses. During the sample period, the bank extended 67.8 percent by number and 36.7 percent by dollar volume to small business loans. Although the bank's performance is below demographic, this can be attributed to the level of competition from banking institutions located within the assessment area. Additionally, the low percentage by dollar volume to small

businesses can be explained by the bank's efforts to produce small dollar loans. The total amount of loans under \$100 thousand was 47 or 79.7 percent of the total amount of loans originated to small businesses.

<b>DISTRIBUTION OF MAY 1 - OCTOBER 31, 2020 SMALL BUSINESS LOANS BY REVENUE SIZE COOKE AND MONTAGUE COUNTIES</b>					
Business Revenue by Size	Small Business Loans <sup>1</sup>				% of Businesses <sup>2</sup>
	#	\$(000)	# %	\$ %	
\$1MM or less	40	2,403	67.8	36.7	91.3
Over \$1MM	15	3,829	25.4	58.5	7.1
Not Known	4	308	6.8	4.7	1.5
<sup>1</sup> CRA defines small businesses loans as loans in the amount of \$1 million or less. <sup>2</sup> The percentage of businesses in the assessment area is based on 2020 D&B Data. (NOTE: Total percentages may not total 100.0% due to automated rounding differences.)					

### Geographic Distribution of Loans

The bank's geographic distribution of loans reflects a reasonable penetration throughout the assessment area. The assessment area has three moderate-income census tracts, which provides limited opportunities for extending HMDA and small business loans. Generally, the bank extended loans in close proximity to its branches, and no conspicuous gaps or anomalies in the lending patterns were noted. The distribution of the bank's lending in middle- and upper-income geographies did not affect the conclusions about the institution's performance in moderate-income geographies.

### Residential Real Estate (HMDA) Lending:

Despite the bank's HMDA lending being below the assessment area demographic figures and the performance of aggregate lenders in both 2018 and 2019, the geographic distribution of HMDA loans reflects reasonable penetration throughout the assessment area. The assessment focused on the bank's home purchase and refinanced home loans, as the volume of home improvement and multifamily loans originated was insufficient to conduct a meaningful analysis.

### Home Purchase Loans

The geographic distribution of home purchase loans is reasonable given that there are no low-income census tracts within the assessment area. The bank's performance is reasonable given the limited volume of owner-occupied units in moderate-income census tracts within the assessment area. Moreover, the bank performed similarly to aggregate lenders in moderate-income and middle-income tracts as well as percentage of owner-occupied units.

### Refinanced Home Loans

The geographic distribution of refinanced home loans is reasonable. Although the bank did not originate any refinanced home loans in moderate-income census tracts in 2019, the bank's performance is reasonable given the limited volume of owner-occupied units in low-income census tracts within the assessment area. The bank outperformed aggregate lenders in moderate-income census tracts and was slightly below the demographic figure in 2019.

DISTRIBUTION OF 2018 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY COOKE AND MONTAGUE COUNTIES							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans <sup>4</sup>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	5	441	3.1	1.6	4.9	5.1	8.8
Middle	89	11,894	55.6	44.2	55.6	44.7	58.1
Upper	66	14,554	41.3	54.1	39.4	50.1	33.1
Unknown <sup>3</sup>	0	0	0.0	0.0	0.1	0.1	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	3	327	2.6	1.6	5.2	3.2	8.8
Middle	68	9,775	59.6	46.7	56.3	45.2	58.1
Upper	43	10,823	37.7	51.7	38.3	51.5	33.1
Unknown <sup>3</sup>	0	0	0.0	0.0	0.1	0.2	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	2	114	6.1	2.5	2.4	1.4	8.8
Middle	16	1,673	48.5	36.5	55.6	47.0	58.1
Upper	15	2,796	45.5	61.0	42.0	51.6	33.1
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	8.6	9.0	8.8
Middle	3	171	42.9	25.7	45.7	43.4	58.1
Upper	4	495	57.1	74.3	45.7	47.6	33.1
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Multifamily Loans							% of Multifamily Units <sup>2</sup>
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	100.0	100.0	41.1
Middle	0	0	0.0	0.0	0.0	0.0	54.6
Upper	0	0	0.0	0.0	0.0	0.0	4.2
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank's assessment area reported by all HMDA filers. <sup>2</sup> Based on 2015 ACS 5-year estimate data and 2018 FFIEC census tract designations. <sup>3</sup> Includes only loans originated in census tracts where the income level is unknown. It does not include loans for which census tract locations were not reported, which is 0.0% by number and 0.0% by dollar for aggregate lenders. <sup>4</sup> Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table. (NOTE: Total percentages may not total 100.0% due to automated rounding differences.)							

DISTRIBUTION OF 2019 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY COOKE AND MONTAGUE COUNTIES							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans <sup>4</sup>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	8	1,034	5.2	3.4	5.5	3.0	8.8
Middle	76	11,792	49.7	39.0	56.7	45.7	58.1
Upper	69	17,423	45.1	57.6	37.7	51.2	33.1
Unknown <sup>3</sup>	0	0	0.0	0.0	0.1	0.1	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	6	771	5.5	3.8	5.7	3.3	8.8
Middle	61	9,374	55.5	45.8	62.5	51.5	58.1
Upper	43	10,316	39.1	50.4	31.6	45.1	33.1
Unknown <sup>3</sup>	0	0	0.0	0.0	0.1	0.1	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	5.2	2.7	8.8
Middle	13	2,268	36.1	24.7	44.4	33.9	58.1
Upper	23	6,915	63.9	75.3	50.4	63.4	33.1
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	9.1	5.0	8.8
Middle	1	75	50.0	41.7	59.1	63.2	58.1
Upper	1	105	50.0	58.3	31.8	31.8	33.1
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
Multifamily Loans							% of Multifamily Units <sup>2</sup>
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	1	163	100.0	100.0	0.0	0.0	41.1
Middle	0	0	0.0	0.0	100.0	100.0	54.6
Upper	0	0	0.0	0.0	0.0	0.0	4.2
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0

<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank's assessment area reported by all HMDA filers.

<sup>2</sup> Based on 2015 ACS 5-year estimate data and 2019 FFIEC census tract designations.

<sup>3</sup> Includes only loans originated in census tracts where the income level is unknown. It does not include loans for which census tract locations were not reported, which is 0.0% by number and 0.0% by dollar for aggregate lenders.

<sup>4</sup> Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table.

(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)



## Small Business Lending

The geographic distribution of small business loans reflects reasonable penetration throughout the assessment area. Although the bank did not meet the demographic of small businesses located in moderate-income census tracts, the performance is reasonable considering the limited opportunities and needs in these geographies. There are no low-income census tracts and small businesses only make up 20.3 of the total businesses within the assessment area.

<b>DISTRIBUTION OF MAY 1 - OCTOBER 31, 2020 SMALL BUSINESS LOANS BY INCOME LEVEL OF GEOGRAPHY COOKE AND MONTAGUE COUNTIES</b>					
Census Tract Income Level	Small Business Loans <sup>1</sup>				% of Businesses <sup>2</sup>
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	0.0
Moderate	9	914	15.3	14.0	20.3
Middle	16	1,668	27.1	25.5	47.2
Upper	34	3,958	57.6	60.5	32.5
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0

<sup>1</sup> CRA defines small businesses loans as loans in the amount of \$1 million or less.

<sup>2</sup> The percentage of businesses in the assessment area is based on 2020 D&B data and 2020 FFIEC census tract designations.

<sup>3</sup> Includes only loans originated in census tracts where the income level is unknown. It does not include loans for which census tract locations were not reported.

(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

## COMMUNITY DEVELOPMENT TEST

The bank's responsiveness to community development needs is excellent considering the bank's capacity and the opportunities available. The bank has applied its community development resources strategically to meet the substance of community needs, primarily through economic development initiatives targeted to LMI individuals in its community. The bank made a significant amount of qualified PPP loans to small businesses in response to the COVID-19 pandemic. The 271 qualified economic development loans within the assessment areas were in large part due to the PPP loans originated.

The table below depicts a summary of the bank's community development activities since the previous CRA evaluation.

COOKE AND MONTAGUE ASSESSMENT AREA									
COMMUNITY DEVELOPMENT ACTIVITIES									
Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#
Affordable Housing	0	\$0	0	\$0	0	\$0	0	\$0	0
Community Services	1	\$4,500	0	\$0	1	\$5	1	\$5	27
Economic Development	270	\$32,223	0	\$0	0	\$0	0	\$0	0
Revitalization and Stabilization	0	\$0	0	\$0	6	\$71	6	\$71	0
Totals	271	\$36,773	0	\$0	7	\$76	7	\$76	27

## **APPENDICES**

**Appendix A – Metropolitan Limited Scope Assessment Area Loan Tables**

<b>DISTRIBUTION OF MAY 1 - OCTOBER 31, 2020 SMALL BUSINESS LOANS BY INCOME LEVEL OF GEOGRAPHY SHERMAN-DENISON MSA</b>					
Census Tract Income Level	Small Business Loans <sup>1</sup>				% of Businesses <sup>2</sup>
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	0.0
Moderate	1	81	20.0	42.4	23.0
Middle	3	60	60.0	31.4	49.3
Upper	1	50	20.0	26.2	27.7
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0
Not Reported	0	0	0.0	0.0	0.0
<sup>1</sup> CRA defines small businesses loans as loans in the amount of \$1 million or less. <sup>2</sup> The percentage of businesses in the assessment area is based on 2020 D&B data and 2020 FFIEC census tract designations. <sup>3</sup> Includes only loans originated in census tracts where the income level is unknown. It does not include loans for which census tract locations were not reported. (NOTE: Total percentages may not total 100.0% due to automated rounding differences.)					

<b>DISTRIBUTION OF MAY 1 - OCTOBER 31, 2020 SMALL BUSINESS LOANS BY REVENUE SIZE SHERMAN-DENISON MSA</b>					
Business Revenue by Size	Small Business Loans <sup>1</sup>				% of Businesses <sup>2</sup>
	#	\$(000)	# %	\$ %	
\$1MM or less	5	191	100.0	100.0	92.3
Over \$1MM	0	0	0.0	0.0	6.4
Not Known	0	0	0.0	0.0	1.3
<sup>1</sup> CRA defines small businesses loans as loans in the amount of \$1 million or less . <sup>2</sup> The percentage of businesses in the assessment area is based on 2020 D&B Data. (NOTE: Total percentages may not total 100.0% due to automated rounding differences.)					

## **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.