

FEDERAL RESERVE SYSTEM

Vista Bank
Ralls, Texas

Order Approving the Establishment of a Branch

Vista Bank, a state member bank subsidiary of Vista Bancshares, Incorporated, both of Ralls, Texas, has requested the Board's approval under section 9 of the Federal Reserve Act ("FRA")¹ and the Board's Regulation H² to establish a branch at 5840 West Northwest Highway, Dallas, Texas.³

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

Vista Bancshares, Incorporated, with total assets of \$803.6 million, is the 970th largest depository organization in the United States, controlling approximately

¹ 12 U.S.C. § 321.

² 12 CFR part 208.

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

⁴ 12 CFR 262.3(b).

\$734.3 million in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁵ Vista Bank operates through 13 branches located in Texas, and the bank's main office is in Ralls, Texas.⁶

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

Financial, Managerial, and Other Supervisory Considerations

In considering the financial history and condition, earnings prospects, and capital adequacy of Vista Bank, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information provided by Vista Bank, and the comment received on the proposal. Vista Bank is well capitalized and would remain so upon consummation of the proposal. The asset quality,

⁵ Total assets, national asset ranking, and national deposit data are as of March 31, 2019, and state deposit data are as of June 30, 2018, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

⁶ In Texas, Vista Bank is the 96th largest depository organization, controlling approximately \$669.3 million in deposits, which represent approximately 0.1 percent of the total amount of deposits of insured depository institutions in that state.

⁷ 12 CFR 208.6(b).

⁸ 12 U.S.C. § 2901 et seq.

⁹ 12 CFR 208.21(a).

earnings, and liquidity of Vista Bank are consistent with approval, and Vista Bank appears to have adequate resources to absorb the costs of the proposal. In addition, future earnings prospects are considered consistent with approval. The Board also has reviewed Vista Bank's proposed investment in the branch and concludes that the bank's investment is consistent with regulatory limitations on investment in bank premises.¹⁰

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

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

Convenience and Needs Considerations

In considering the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institution is helping to meet the credit needs of these communities, as well as other potential effects of the proposal on the convenience and needs of the communities to be served.¹¹ In its evaluation, the Board places particular emphasis on the record of the relevant depository institution under the CRA. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local

¹⁰ 12 CFR 208.21(a).

¹¹ 12 CFR 208.6(b)(3).

communities in which they operate, consistent with their safe and sound operation,¹² and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank branching proposals.¹³

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

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Vista Bank, the fair lending and compliance records of the bank, confidential supervisory information, information provided by Vista Bank, and the public comment received on the proposal.

Public Comment on the Proposal

One commenter objected to the proposal, alleging that Vista Bank discriminates against African Americans and "redlines" African American neighborhoods in Houston and Dallas, Texas.¹⁴ Specifically, the commenter alleged that Vista Bank has

¹² 12 U.S.C. § 2901(b).

¹³ 12 U.S.C. § 2903.

¹⁴ Redlining is the practice of providing unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristics of the residents of the area in which a credit seeker resides or will reside or in which a property to be mortgaged is located. See Interagency Fair Lending Examination Procedures (August 2009), available at <https://www.ffiec.gov/pdf/fairlend.pdf>.

denied African American individuals and African American-owned businesses equal access to capital and credit by heavily concentrating its branches in predominantly white neighborhoods and its banking services to white individuals and white-owned businesses in Houston and Dallas. The commenter also alleges that Vista Bank disfavors certain African American neighborhoods in Houston and Dallas with respect to its branching activities and in other respects. After the comment period ended, the commenter filed a second objection, noting that the proposed branch would not be located in an African-American neighborhood in Dallas and generally alleging that the claims of discrimination raised in the initial comment also apply to African American neighborhoods and census tracts in Lubbock, Texas, and other areas in which Vista Bank has branches.

Business of the Applicant and Response to Comment

Vista Bank offers a broad range of retail and commercial banking products to consumers and businesses through its network of branches. The products and services include commercial, real estate, agricultural, and consumer loans; personal checking and savings accounts; business checking and savings accounts; online banking; and treasury management services.

In responding to the commenter, Vista Bank notes that it does not have any branches in Houston or any full-service branches in Dallas.¹⁵ Vista Bank denies the

¹⁵ The commenter's claims of discrimination in branching and the provision of various products and services in Houston are without merit, since Vista Bank does not have operations in Houston. The commenter's claim of discrimination in branching and the provision of various products and services in Dallas also are unsubstantiated, as Vista Bank currently does not have any full-service branches in Dallas, and there is no evidence to suggest that the placement of the LDPO or the offering of products and services in Dallas is discriminatory. With respect to the commenter's claims that Vista Bank discriminates against African Americans in the provision of various products and services in Lubbock, Texas, and the other areas in which Vista Bank operates, these claims are not supported by any verifiable evidence or data. As such, these allegations are considered to be wholly unsubstantiated and, therefore, non-substantive.

Accordingly, the sole claim being considered by the Board concerns the allegation that Vista Bank discriminates in the placement of branches in Lubbock and other areas in which the bank operates branches.

commenter's allegations of discrimination and asserts that other allegations, such as that the bank denied "equal access to capital home equity loans" to African Americans, are clearly frivolous since the bank does not offer home equity loans to any customers. Vista Bank cites its satisfactory CRA examination record and asserts that the proposed branch would directly benefit the public by, among other things, promoting competition among financial service providers in the Dallas assessment area ("AA"). Vista Bank further represents that additional community services and financial support would be provided by Vista Bank to charities and organizations that benefit underserved communities in the Dallas AA. Although the proposed branch would not be located in a majority-minority census tract, Vista Bank asserts that the products and services offered by the branch would be competitively priced and designed to meet the convenience and needs of the public, including customers located in majority-minority and LMI communities within the Dallas AA (such as providing free accounts that can be opened and accessed online without going to the branch). Vista Bank further represents that the proposed branch would offer lending products to individuals of different income levels, regardless of location, including but not limited to automobile loans, secured and unsecured personal loans, residential mortgage loans, and SBA loans.

Record of Performance Under the CRA

In evaluating the CRA performance of the involved institution, the Board generally considers the institution's most recent CRA evaluation, as well as other information and supervisory views from the relevant federal supervisor, which in this case is the Federal Reserve Bank of Dallas ("Reserve Bank").¹⁶ In addition, the Board considers information provided by the applicant and by public commenters.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to

¹⁶ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

meet the credit needs of its entire community, including LMI neighborhoods.¹⁷ An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a lending test ("Lending Test") and a community development test ("Community Development Test") to evaluate the performance of an intermediate small bank, such as Vista Bank, in helping to meet the credit needs of the communities it serves. The Lending Test specifically evaluates the institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act ("HMDA"),¹⁸ automated loan reports, and other reports generated by the institution in order to assess the institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on the institution's (1) loan-to-deposit ratio and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments; (2) percentage of loans and, as appropriate, other lending-related activities located in the bank's AAs; (3) record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; (4) geographic distribution of loans; and (6) record of taking action, if warranted, in response to written complaints about the institution's performance in helping to meet credit needs in the bank's AAs.¹⁹ The Community Development Test

¹⁷ 12 U.S.C. § 2906.

¹⁸ 12 U.S.C. § 2801 et seq.

¹⁹ See 12 CFR 228.26(b).

evaluates the number and amounts of the institution's community development loans and qualified investments; the extent to which the institution provides community development services; and the institution's responsiveness through such activities to community development lending, investment, and service needs.²⁰

CRA Performance of Vista Bank

Vista Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the Reserve Bank, as of June 12, 2017 ("Vista Bank Evaluation").²¹ The bank received "Satisfactory" ratings for both the Lending Test and the Community Development Test.²²

Examiners determined that the bank's loan-to-deposit ratio was reasonable given the bank's size, financial condition, and the credit needs of the bank's AAs. Examiners found that a majority of Vista Bank's home mortgage and small business loans were originated in the bank's AAs. Examiners noted that Vista Bank's distribution of loans based on income and revenue levels of borrowers reflected a reasonable penetration among individuals of different income levels and businesses of different sizes. In addition, examiners found that the bank's geographic distribution of loans reflected reasonable dispersion throughout the bank's AAs. Examiners concluded that the bank did a reasonable job of meeting the small business needs of its AAs.

²⁰ See 12 CFR 228.26(c).

²¹ The Vista Bank Evaluation was conducted using Intermediate Small Bank CRA Examination Procedures, consisting of the Lending and Community Development tests described above. Examiners reviewed HMDA data reported by the bank from January 1, 2012, through December 31, 2016, and a sample of small business loans originated by the bank between July 1, 2016, through December 31, 2016. Examiners also reviewed community development loans, investments, and services from October 9, 2012, through June 12, 2017. However, the rating was based on community development activities by the bank since it transitioned to an intermediate small bank effective January 1, 2017.

²² The Vista Bank Evaluation included a full-scope review of the bank's two AAs: the Lubbock, Texas AA, which consists of Lubbock and Crosby counties, part of the Lubbock Metropolitan Statistical Area; and the Hale County, Texas AA, which consists of Hale County, a non-metropolitan area.

Examiners found that Vista Bank's performance under the Community Development Test demonstrated adequate responsiveness to the community development needs of the bank's AAs, considering the bank's capacity, loan demand, and available lending opportunities in those areas. Examiners determined that the bank had applied its community development resources strategically to meet the substance of community needs, through qualified community development investments, loans, and services targeted to LMI individuals, as well as revitalization and stabilization efforts. Examiners noted that the bank transitioned to an intermediate small bank on January 1, 2017, and, prior to that date, the bank was not required to participate in community development activities.

Vista Bank's Efforts Since the Vista Bank Evaluation

Vista Bank represents that, since the Vista Bank Evaluation, it has continued to help meet the credit needs of its AAs by expanding its capabilities to accept online deposit account applications on the bank's website, so that customers throughout the bank's AAs do not have to visit a physical location to open checking, savings, and time deposit accounts. Vista Bank represents that it has made community development loans that promote and support economic development and revitalization, as well as loans to organizations providing community services to LMI individuals and families. The bank asserts that it maintains investments in three small business investment companies and that the bank directed these companies to use the bank's investment to support businesses in the bank's AAs. Vista Bank also asserts that it has invested in school, city, and county bonds that benefit low and moderate income areas in the bank's communities in Texas. Additionally, Vista Bank maintains that its team members have volunteered to provide free tax preparation services to LMI individuals and that the bank has provided other contributions to benefit the community, such as a financial education program for youths in Lubbock, and has sponsored cultural and educational initiatives for LMI families in Dallas.

Additional Supervisory Considerations

In addition to the Vista Bank Evaluation, the Board has considered the results of a 2019 examination of Vista Bank's compliance with the requirements of the Fair Housing Act, which included a review of the bank's fair lending risk management program. A redlining review included an evaluation of the bank's fair lending risk management processes with respect to the bank's monitoring, branching, marketing, and outreach activities. The Board also has considered Vista Bank's supervisory record with the Texas Department of Banking.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. Vista Bank asserts that the proposed branch would provide economic benefits and offer a broad range of financial services and products in the Dallas market and enable the bank to reach more consumers and businesses, including those located in majority-minority or LMI areas. Vista Bank represents that members of the public would benefit from the volunteer services and community support that would be provided by the branch through Vista Outreach, the Bank's community outreach program, to ensure adequate coverage of CRA-service-related activities in the Dallas market area.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the CRA record of Vista Bank, the bank's records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Vista Bank, the public comment on the proposal, and other potential effects of the proposal on

the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.²³ The Board's approval is specifically conditioned on compliance by Vista Bank with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on any commitments made to the Board in connection with this proposal. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

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

²³ The Board construes the comment received on the proposal to include a request that the Board hold public hearings on the proposal. Under its rules, the Board may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. 12 CFR 262.3(e). The Board has considered the commenter's request in light of all the facts of record. Notice of the application was published in the relevant newspaper of general circulation on May 24, 2019. The comment period ended on June 20, 2019. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted written comments that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and that would be clarified by a public hearing. In addition, the request does not demonstrate why the written comment does not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

By order of the Board of Governors,²⁴ effective September 10, 2019.

Ann E. Misback (signed)

Ann E. Misback
Secretary of the Board

²⁴ Voting for this action: Chair Powell, Vice Chair Clarida, Vice Chair for Supervision Quarles, and Governors Brainard and Bowman.