

FEDERAL RESERVE SYSTEM
Bank7
Oklahoma City, Oklahoma

Order Approving the Establishment of a Branch

Bank7, Oklahoma City, Oklahoma, a wholly owned state member bank subsidiary of Bank7 Corp. (“Holdings”), Oklahoma City, Oklahoma, 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 4003 East 51st Street, Tulsa, Oklahoma.³

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

Holdings, with total consolidated assets of approximately \$1.8 billion, is the 612th largest depository organization in the United States, controlling approximately

¹ 12 U.S.C. § 321. 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. 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). Bank7 has branches in Oklahoma and is permitted to establish additional branches under the laws of Oklahoma. See Okla. Stat. title 6 § 501.2.

² 12 CFR part 208.

³ Bank7 represents that the proposed branch is intended to replace an existing branch of Bank7 that will close.

⁴ 12 CFR 262.3(b).

\$1.6 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁵ Bank7 operates branches in Oklahoma, Texas, and Kansas, and the bank's main office is in Oklahoma City, Oklahoma.⁶

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

Financial, Managerial, and Other Supervisory Considerations

In considering the financial history and condition, earnings prospects, and capital adequacy of Bank7, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information provided by Bank7, and the comments received on the proposal. Bank7 is well

⁵ Total assets, national asset ranking, and national deposit data are as of December 31, 2023, and state deposit data are as of June 30, 2023, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

⁶ In Oklahoma, Bank7 is the 16th largest depository organization, controlling approximately \$1.3 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.

⁷ 12 CFR 208.6(b).

⁸ 12 U.S.C. § 2901 *et seq.*

⁹ 12 CFR 208.21(a).

capitalized and would remain so upon consummation of the proposal. The Board has considered Bank7's asset quality, earnings (including future earnings prospects), and liquidity, and Bank7 has adequate resources to absorb the costs of the proposal. The Board also has reviewed Bank7's proposed investment in the branch and concludes that the bank's investment is consistent with regulatory limitations on investment in bank premises.

In considering Bank7'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 Bank7 and the bank's record of compliance with applicable banking, consumer protection, and anti-money-laundering laws. Bank7's directors and senior executive officers have substantial knowledge of and experience in the banking and financial services sectors.

Based on this review and all the facts of record, the Board determines that Bank7's management, financial history and condition, capital adequacy, compliance with applicable banking and consumer protection laws, and future earnings prospects, as well as the effectiveness of Bank7 in combatting money-laundering activities, are consistent with approval of the proposal.

Convenience and Needs Considerations

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

The Board reviews a variety of information to determine whether the bank's record demonstrates a history of helping to meet the needs of its customers and

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

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

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

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Bank7; the fair lending and compliance records of the bank; the supervisory views of the Federal Reserve Bank of Kansas City ("Reserve Bank"); confidential supervisory information; information provided by Bank7; and the public comments received on the proposal.

¹¹ See 12 U.S.C. § 2901(b).

Public Comments on the Proposal

A commenter objected to the proposal, stating that Bank7 does not have a branch in Southern Dallas and alleging that Bank7 failed to provide small business and consumer lending services to the predominantly African American and Hispanic communities of Southern Dallas. Further, the commenter alleged that the bank failed to conduct a community credit needs assessment for majority African American and Hispanic census tracts within the Dallas-Fort Worth (“DFW”) metropolitan statistical area (“MSA”). The commenter also alleged that, in the DFW MSA, Bank7 does not provide certain banking products and programs or offer any solutions for unbanked or underbanked residents.

In addition, the commenter alleged that Bank7 made a smaller percentage of residential mortgage loans in majority African American and Hispanic communities when compared to its peer institutions in the DFW MSA. The commenter also alleged that Bank7 made a significantly lower level of loans in predominantly minority areas in Southern Dallas when compared to lending in majority white areas in Northern Dallas.

Business of the Applicant and Response to Comments

Through its network of branches, Bank7 offers a variety of consumer and commercial products and services, including business and consumer accounts, small business and mortgage loans, bill pay services, wire transfers, and lockbox services. Bank7 emphasizes that, in its most recent CRA examination, it received an overall rating of “Satisfactory,” as well as “Satisfactory” on the Lending Test and “Outstanding” on the Community Development Test. In addition, Bank7 represents that it created and implemented a small business grant program that provides grants to small businesses in the Southern Dallas community. Bank7 represents that this program was made in partnership with a local non-profit and that the bank will continue working with community organizations throughout the Dallas metro area to explore ways to assist businesses.

Record of Performance Under the CRA

In evaluating the CRA performance of the involved institution, the Board generally considers the institution's most recent CRA performance evaluation, as well as other information and supervisory views of the relevant federal supervisor, which in this case is the Reserve Bank.¹² In addition, the Board considers information provided by the applicant and by any 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 meet the credit needs of its entire community, including LMI neighborhoods.¹³ An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, the Board and the other federal financial supervisors apply a Lending Test and a community development test ("Community Development Test") to evaluate the performance of an intermediate small bank, such as Bank7, in helping to meet the credit needs of the communities it serves. The Lending Test specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act of 1975 ("HMDA"),¹⁴ automated loan reports, and other reports generated by the institution in order to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on the institution's (1) loan-to-deposit ratio and, as

¹² See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

¹³ 12 U.S.C. § 2906.

¹⁴ 12 U.S.C. § 2801 *et seq.*

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 assessment areas (“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 (5) 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.¹⁵ The Community Development Test 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.¹⁶

CRA Performance of Bank7

Bank7 was assigned an overall “Satisfactory” rating at its most recent CRA performance evaluation by the Reserve Bank, as of November 29, 2021 (“Bank7 Evaluation”).¹⁷ The bank received a “Satisfactory” rating for the Lending Test and an “Outstanding” rating for the Community Development Test.¹⁸

¹⁵ See 12 CFR 228.26(b) (2023).

¹⁶ See 12 CFR 228.26(c) (2023).

¹⁷ The Bank7 Evaluation was conducted using Intermediate Small Bank CRA Examination Procedures. Examiners reviewed home mortgage loans between January 1, 2018, and December 31, 2020. Examiners reviewed small business and small farm loans between January 1, 2020, and December 31, 2020. Examiners also reviewed community development loans, qualified investments, and community development services from September 18, 2018, through December 31, 2020.

¹⁸ The Bank7 Evaluation included a full-scope review of the bank’s AAs within the Oklahoma City MSA; Dewey, Ellis, Harper, and Woodward counties in Oklahoma; Gray County, Kansas; and the Dallas-Plano-Irving Metropolitan Division. The Bank7 Evaluation included a limited-scope review of the bank’s AAs within the Tulsa-Broken Arrow-Owasso, Oklahoma MSA and Grant County, Oklahoma.

With respect to the Lending Test, examiners found that a majority of Bank7's loans were made within the bank's AAs. Examiners also found that the bank's net loan-to-deposit ratio was more than reasonable given Bank7's size and financial condition, as well as the credit needs of the bank's AAs. Examiners determined that the bank's geographic distribution of loans reflected reasonable dispersion throughout the bank's AAs, and that the bank's loan distribution by borrower profile reflected reasonable penetration among businesses and farms of different revenue sizes.

With respect to the Community Development Test, examiners determined that Bank7's overall community development performance, as reflected by community development loans, qualified investments, and community development services, demonstrated excellent responsiveness to the community development needs of the bank's AAs.

Bank7's Efforts Since the Bank7 Evaluation

Bank7 represents that since the Bank7 Evaluation, Bank7 has undertaken additional CRA initiatives, including through community development loans and investments that support Southern Dallas. Bank7 represents that the bank's initiatives have, among other things, helped create jobs for LMI individuals and support small businesses. In addition, Bank7 represents that its employees have participated in various community development service activities including those that support financial literacy.

Additional Supervisory Considerations

In addition to the Bank7 Evaluation, the Board has considered the most recent consumer compliance examination and fair lending record of Bank7 and consulted with the Reserve Bank regarding the bank's CRA, consumer compliance, and fair lending records.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. Bank7 represents that the

proposed branch would provide a convenient location for existing and new customers in the community. Bank7 also represents that the proposed branch would replace an existing branch of Bank7 and would allow the bank to offer additional services and better serve consumer accounts.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the CRA record of Bank7, the bank's record of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Bank7, the public comments on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs considerations are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Bank7 with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on any commitments made to the Board in connection with this proposal. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

Approval of this application is also subject to the establishment of the

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

By order of the Board of Governors,¹⁹ effective August 1, 2024.

(Signed) Ann E. Misback

Ann E. Misback
Secretary of the Board

¹⁹ Voting for this action: Chair Powell, Vice Chair Jefferson, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook, and Kugler.