

FEDERAL RESERVE SYSTEM
Commonwealth Business Bank
Los Angeles, California

Order Approving the Establishment of a Branch

Commonwealth Business Bank (“CBB”), a wholly owned state member bank subsidiary of CBB Bancorp, Inc. (“Bancorp”), both of Los Angeles, California, 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 1 Bridge Plaza, Suite 655, Fort Lee, New Jersey.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board’s Rules of

¹ 12 U.S.C. § 321. Under section 9 of the FRA, state member banks may establish and operate branches, including a branch to be operated in a state other than the home state of the state member bank, on the same terms and conditions as are applicable to the establishment of branches by a national bank. As such, the Board may approve an application by a state member bank to establish and operate a de novo branch at any location at which a bank chartered by the host state could establish a branch. See 12 U.S.C. § 36(g). The requirements of section 102 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 for the establishment of a de novo interstate branch have also been met. Those provisions require that CBB comply with state filing requirements and submit a copy of the branch application to the host state bank supervisor, and that the Board take into account CBB’s compliance with community reinvestment laws and evaluate its capital and management. See 12 U.S.C. § 36(g)(2); 12 U.S.C. § 1831u(b)(1), (3), (4). New Jersey, the prospective host state, would allow a New Jersey-chartered bank to establish a branch in Fort Lee. See N.J. Stat. Ann. § 17:9A-20 et seq. The New Jersey Department of Banking and Insurance approved CBB’s application to establish a branch on March 5, 2025.

² 12 CFR part 208.

Procedure.³ 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.

Bancorp, with total consolidated assets of approximately \$1.8 billion, is the 647th largest depository organization in the United States, controlling approximately \$1.4 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁴ CBB operates branches in Hawaii, California, and Texas, and the bank's main office is in Los Angeles, California.⁵ The proposed branch would be its first in New Jersey.

Under section 208.6 of the Board's Regulation H,⁶ 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");⁷ and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain

³ 12 CFR 262.3(b).

⁴ Total assets data are as of December 31, 2024. National deposit data are as of September 30, 2024, and national ranking and state deposit data are as of June 30, 2024, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

⁵ In California, CBB is the 77th largest depository organization, controlling approximately \$1.0 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.

⁶ 12 CFR 208.6(b).

⁷ 12 U.S.C. § 2901 et seq.

criteria.⁸ 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 CBB, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information provided by CBB, and the comments received on the proposal. CBB is well capitalized and would remain so upon consummation of the proposal. The Board has considered CBB's asset quality, earnings (including future earnings prospects), and liquidity, and CBB has adequate resources to absorb the costs of the proposal. The Board also has reviewed CBB'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 CBB'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 CBB and the bank's record of compliance with applicable banking, consumer protection, and anti-money-laundering laws. CBB'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 CBB'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 CBB in combatting money-laundering activities, are consistent with approval of the proposal.

⁸ 12 CFR 208.21(a).

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.⁹ In evaluating whether the proposal satisfies the convenience and needs statutory factor, the Board considers the impact that the proposal will or is likely to have on the communities served by the bank.

The Board reviews a variety of information to determine whether the bank's record demonstrates a history of helping to meet the needs of its customers and communities. The Board also reviews the bank's plans regarding the proposed branch and the expected impact of those plans on the communities served by the bank, including 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.¹⁰

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,

⁹ 12 U.S.C. § 321; 12 CFR 208.6(b)(3). Where applicable, the Board also considers any timely substantive comments on the proposal and, in its discretion, may consider any untimely substantive comments on the proposal.

¹⁰ See 12 U.S.C. § 2901(b).

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 CBB, the fair lending and compliance records of the bank, the supervisory views of the Federal Reserve Bank of San Francisco ("Reserve Bank"), confidential supervisory information, information provided by CBB, and the public comments received on the proposal.

Public Comments on the Proposal

The Board received three adverse comments on the proposal, all from the same commenter. The commenter objected to the proposal, stating that CBB does not have a branch in southern Dallas and alleging that CBB has provided too few small business and consumer lending services to the predominantly African American communities of southern Dallas. Further, the commenter alleged that, based on data reported under the Home Mortgage Disclosure Act of 1975 ("HMDA"),¹¹ CBB made no home loans to African Americans in Dallas from 2021 to 2023. The commenter also alleged that CBB has trailed its peer institutions in Dallas in lending to businesses with less than \$1 million in annual revenue.

Business of the Applicant and Response to Comments

Through its network of branches, CBB offers a variety of consumer and commercial products and services. CBB's commercial lending services include real estate, construction, commercial, and industrial term loans and trade finance. CBB also offers Small Business Administration loans. CBB's deposit products for commercial and retail banking markets include checking, interest-bearing and premium money market

¹¹ 12 U.S.C. § 2801 et seq.

checking, business sweep, savings, time deposit, and retirement accounts, as well as mobile banking, including mobile deposit, and internet banking with bill-pay options. CBB notes that it received an overall rating of “Satisfactory” as of February 11, 2019, which was the most recent CRA examination at the time of its response, and that the Reserve Bank specifically concluded that CBB’s CRA performance in the Texas assessment area was “Satisfactory.” In addition, CBB represents that it is not subject to the HMDA’s reporting requirements and made no home loans in Dallas to any consumers because it does not offer a home loan product. Further, CBB represents that its CRA Performance Evaluation reported that CBB’s loans to businesses with less than \$1 million in revenue exceeded the market average for other lenders. CBB also represents that its current Texas branches in Dallas and Carrollton are capable of serving the entire Dallas market, including southern Dallas.

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

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

¹³ 12 U.S.C. § 2906.

evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, the Board and the other federal financial supervisors apply a lending test ("Lending Test"), an investment test ("Investment Test"), and a service test ("Service Test") to evaluate the performance of large banks, such as CBB, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the HMDA, in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;¹⁴ (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.¹⁵

¹⁴ Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of \$1 million or less; small business and small farm loans by loan amount at origination; and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3) (2023).

¹⁵ See 12 CFR 228.22(b) (2023).

The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs. The Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.¹⁶

CRA Performance of CBB

CBB was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the Reserve Bank, as of September 23, 2024 ("CBB Evaluation").¹⁷ The bank received a "Low Satisfactory" rating for the Lending, Investment, and Service Tests.¹⁸

Examiners determined that CBB's lending activity reflected adequate responsiveness to the credit needs of the bank's AAs and that the bank's geographic distribution of loans reflected good penetration throughout its AAs. Examiners found that an adequate percentage of the bank's small business loans were made within the bank's AAs. Examiners also found that the bank demonstrated adequate penetration among businesses of different sizes. Examiners noted that the bank demonstrated an adequate level of community development lending overall, particularly in the state of California.

¹⁶ See 12 CFR 228.23 and 228.24 (2023).

¹⁷ The CBB Evaluation was conducted using Interagency Large Bank CRA Examination Procedures. Examiners reviewed small business loans between October 1, 2018, and December 31, 2023. Examiners also reviewed qualified community development loans, investments, and services from February 12, 2019, through September 23, 2024.

¹⁸ The CBB Evaluation included a full-scope review of the following areas: the Los Angeles-Long Beach-Anaheim metropolitan statistical area ("MSA"); Dallas AA; and Honolulu AA. Examiners noted that the Los Angeles-Long Beach-Anaheim MSA was given the greatest weight in the CBB Evaluation, due to CBB's greater presence in that area.

Examiners found that the bank's level of responsiveness to credit and community needs was adequate, and that the bank made an adequate level of qualified community development investments and grants.

Examiners found that the bank's service delivery systems were reasonably accessible to the bank's geographies and to individuals of different income levels across the AAs, and that the bank's hours and services do not vary in a way that inconveniences portions of the AAs or population. Examiners noted that the bank provides an adequate level of community development services and that the bank's record of opening and closing of branches has improved the accessibility of its delivery systems, particularly to low- and moderate-income geographies and individuals in the Honolulu AA.

Additional Supervisory Considerations

In addition to the CBB Evaluation, the Board has considered the most recent consumer compliance examination and fair lending record of CBB 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. CBB represents that the proposed branch would be the bank's first full-service branch on the East Coast. CBB also represents that the bank focuses on personalized service and that the proposed branch would help the bank serve the financial needs of customers within CBB's geographic footprint. CBB represents that the community, both businesses and consumers, in the region of the proposed branch would benefit from having another depository institution in the market.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the CRA record of CBB, the bank's record of compliance with fair lending and other consumer protection

laws, confidential supervisory information, information provided by CBB, 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 CBB 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 March 21, 2025.

(Signed) Ann E. Misback

Ann E. Misback
Secretary of the Board

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