

# **PUBLIC DISCLOSURE**

November 16, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Gulf Capital Bank  
Certificate Number: 59185

1 Riverway, Suite 150  
Houston, Texas 77056

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Dallas Regional Office

600 North Pearl Street, Suite 700  
Dallas, Texas 75201

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

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Gulf Capital Bank's satisfactory Lending Test record supports the overall Community Reinvestment Act (CRA) rating. The following points summarize conclusions regarding the applicable test, discussed in detail elsewhere.

- The loan-to-deposit (LTD) ratio is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the institution's assessment area.
- The geographic distribution of loans reflects poor dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

## DESCRIPTION OF INSTITUTION

This will be Gulf Capital Bank's first CRA evaluation as the de novo bank began operations on December 18, 2019, with a single headquarters location in Houston, Texas. Gulf Capital Bank is focused on offering core banking services to locally-owned, middle-market businesses, their owners, and their employees.

The bank offers a variety of loan products including secured and unsecured commercial loans, letters of credit, and consumer loans with a substantial emphasis on commercial lending. It also provides a variety of consumer and commercial deposit services including checking and savings accounts. Banking hours are similar to other financial institutions in the area. Alternative banking services include online banking and one automated teller machine (ATM).

As of September 30, 2021, total assets equaled \$320.7 million, net loans totaled \$195.2 million, and total deposits equaled \$234.2 million. The bank reported a Return on Average Assets of negative 0.9 percent and a Tier 1 Leverage Capital Ratio of 26.8 percent, as of the same date.

The following table illustrates the mix of outstanding loans as of September 30, 2021, which reflects a distribution supportive of the institution's primary business focus with commercial loans comprising 98.8 percent of the dollar volume of total loans.

<b>Loan Portfolio Distribution as of 09/30/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	2,792	1.4
Secured by Farmland	854	0.4
Secured by 1-4 Family Residential Properties	462	0.2
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	63,591	32.3
<b>Total Real Estate Loans</b>	<b>67,699</b>	<b>34.3</b>
Commercial and Industrial Loans	131,016	66.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	119	0.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	1,684	0.9
<b>Total Loans</b>	<b>197,150</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income (09/30/2021)</i>		

Based on the information discussed in this section as well as other regulatory data, the institution's financial condition, size, product offerings and status of any legal impediments did not affect its ability to meet the assessment area's credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

Gulf Capital Bank designated one assessment area, the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area Assessment Area (Houston MSA AA). The assessment area conforms to CRA regulatory requirements.

The Houston MSA AA consists of all 786 census tracts within Harris County, one of nine counties that make up the Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area, located in Southeast Texas. As noted, the Houston MSA AA accounts for 100 percent of the bank's loans, deposits, and offices considered in this evaluation. Examiners performed a full-scope review of this area and considered the bank's performance in the Houston MSA AA when arriving at applicable conclusions.

The following table shows that the bank operates its full-service headquarters in this area. It also operates one ATM. As noted, the bank opened its one full-service office in this area at inception on December 18, 2019.

Office Locations					
County/City/Street	Office Type	Census Tract Number	Census Tract Income Level	ATM	Office Opened or Closed Since Last Evaluation
<b>Harris County:</b> Houston – 1 Riverway	Main Office	4317.00	Upper	Yes	NA
<i>Source: Bank Data; 2015 American Community Survey (ACS) Census</i>					

### **Economic and Demographic Data**

The area’s 786 census tracts reflect the following income designations based on the 2015 ACS Census data: 147 low-income, 250 moderate-income, 167 middle-income, and 216 upper-income census tracts; 6 tracts did not have an income category. The area received several major disaster declarations during the period under review from the Federal Emergency Management Agency (FEMA) including a Severe Winter Storm and the Texas COVID-19 Pandemic in 2021 and 2020, respectively.

According to business demographic data, professional and business services represents the largest portion of businesses at 16.3 percent, followed by government services at 13.8 percent, and education and health services at 13.2 percent. Major employers in the bank’s assessment area include various chemical and energy companies such as Exxon Mobil Corp., Wood, Shell Oil Co., Schlumberger Ltd., BP North America, and Chevron Corp., as well as other entities such as Landry’s Inc., Fort Bend ISD, S & B Engineers and Constructors Ltd., Staff Force Inc., Haza Foods LLC, Spring ISD, Fiesta Mart Inc., and Lamar ISD.

Based on data from the U.S. Bureau of Labor and Statistics, the following table shows that Harris County’s unemployment rate fell during 2021, but remains consistent with the statewide average and lands above the national average.

Unemployment Rates		
Area	Year End 2020	October 2021
	%	%
Harris County	7.6	5.4
Texas Average	6.9	5.4
National Average	6.7	4.6
<i>Source: Bureau of Labor Statistics</i>		

The following table provides select demographic and economic data for the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Houston MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	786	18.7	31.8	21.3	27.5	0.7
Population by Geography	4,356,362	15.8	30.7	25.3	27.9	0.3
Housing Units by Geography	1,660,235	16.5	29.0	24.1	30.0	0.4
Owner-Occupied Units by Geography	823,646	7.5	25.8	27.9	38.8	0.0
Occupied Rental Units by Geography	675,882	25.1	32.4	21.0	20.9	0.6
Vacant Units by Geography	160,707	26.3	31.6	18.6	23.2	0.3
Businesses by Geography	421,699	12.7	21.2	21.3	44.5	0.3
Farms by Geography	5,304	8.0	18.3	24.8	48.8	0.1
Family Distribution by Income Level	1,024,967	27.7	17.1	17.0	38.1	0.1
Household Distribution by Income Level	1,499,528	27.2	16.9	17.0	38.9	0.0
Median Family Income MSA – 26420 Houston – The Woodland – Sugar Land, TX MSA		\$69,373	Median Housing Value			\$171,147
Families Below Poverty Level		14.9%	Median Gross Rent			\$954
<i>Source: 2015 ACS Census; 2020 D&amp;B Data</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## **Competition**

The assessment area contains a moderate level of competition from other chartered banks based on its population, with each of the 922 offices from its 78 institutions serving about 4,725 people, on average. Credit unions, mortgage companies, finance companies, and payday lenders also compete for loans in the area, thus adding to the competition level. Gulf Capital Bank ranks 46<sup>th</sup> in deposit market share by capturing 0.08 percent of the area’s deposits based on the June 30, 2021, Federal Deposit Insurance Corporation Deposit Market Share Report.

## **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners used an existing contact with a community member familiar with the area’s business and economic environment. The contact stated that Houston MSA AA businesses suffered from the economic devastation caused by the COVID-19 pandemic and that many businesses were not able to fully participate in the Small Business Administration’s (SBA) sponsored Paycheck Protection Program (PPP). Nonetheless, the contact noted that the area’s economy is fueled by diverse industries, most of which continue to positively contribute to its needs and growth. Furthermore, the contact indicated that small business lending is a credit need of the area and area financial institutions do a good job serving general banking and credit needs.

## Credit Needs

The area presents a variety of credit needs and lending opportunities, consistent with its growing population. Considering information obtained from the community contact, bank management, as well as demographic and economic data, examiners concluded that the area's primary credit needs include commercial, residential, and consumer loans.

## SCOPE OF EVALUATION

### General Information

Examiners evaluated performance based on Federal Financial Institutions Examination Council Small Institution CRA Examination Procedures, which include the Lending Test. The appendix lists the applicable test's criteria. This evaluation covers the period from December 18, 2019, to November 16, 2021, the date of the bank's inception to this evaluation's date.

### Activities Reviewed

For the Lending Test, CRA Small Bank procedures require examiners to determine the bank's major product lines for review. As an initial matter, examiners may select from among the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows the bank's originations and purchases over the most recent full calendar year, 2020.

<b>Loans Originated or Purchased</b>				
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Construction and Land Development	0	0.0	0	0.0
Secured by Farmland	0	0.0	0	0.0
Secured by 1-4 Family Residential Properties	0	0.0	0	0.0
Multi-Family (5 or more) Residential Properties	0	0.0	0	0.0
Commercial Real Estate Loans	48,919	18.3	12	21.4
Commercial and Industrial Loans	217,576	81.5	42	75.0
Agricultural Loans	0	0.0	0	0.0
Consumer Loans	515	0.2	2	3.6
Other Loans	0	0.0	0	0.0
<b>Total Loans</b>	<b>267,010</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>
<i>Source: Bank Data (2020)</i>				

Examiners concluded that the bank's major product line, from those loan categories typically considered in CRA evaluations, consists of small business loans based on the dollar volume and number of loans originated as well as on management's stated business strategy.

Since the other typically considered loan categories, or home mortgage, small farm, and consumer loans, do not represent major product lines and thus would not materially affect any conclusions or ratings, this evaluation does not discuss them. Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period.

Based on readily available data, this evaluation initially considered the universe of 18 small business loans totaling \$5.7 million originated or purchased in 2020. Given the bank's de novo status which resulted in lending activities not commencing until the second quarter of 2020 as well as the COVID-19 pandemic which resulted in the bank focusing on the extraordinary demand for PPP loans, examiners also analyzed the universe of 135 small business loans totaling \$22.6 million originated from January 1, 2021, to July 30, 2021, to ensure overall conclusions were representative of the bank's Lending Test performance during the entire evaluation period.

D&B data for 2020 and 2021 provided a standard of comparison for the small business loans reviewed. Examiners placed all weight on the sole lending product reviewed, small business loans. Given the significant increase in both number and dollar volume of lending during 2021, examiners placed more weight on performance in 2021.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Gulf Capital Bank demonstrated a satisfactory record regarding the Lending Test. Reasonable borrower profile performance and the origination of a majority of loans in the bank's assessment area, coupled with a more than reasonable LTD ratio, outweighed a poor geographic loan distribution record to support this conclusion.

#### **Loan-to-Deposit Ratio**

The LTD ratio is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. Examiners considered the average, net LTD ratio's reasonableness in light of information from the performance context including, as applicable, the institution's capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the institution's assessment area.

The bank recorded a 96.6 percent average, net LTD ratio for the 8 calendar quarters since the bank's inception, December 31, 2019, to September 30, 2021. Over the 8 quarters, the bank's quarterly, net LTD ratios ranged from a low of 0.0 percent on December 31, 2019, and March 31, 2020, to a high of 194.9 percent as of June 30, 2020. The quarterly ratios steadily declined from June 30, 2020. The large variations in the LTD ratio reflect the bank's inception, as lending did not occur until June 30, 2020, and as loans have been originated the LTD ratios stabilized accordingly.



Examiners identified and listed in the following table four somewhat comparable institutions reflecting similar lending emphases and asset sizes, and that operate in the bank’s assessment area. The table shows that Gulf Capital Bank’s ratio rises 9.2 percentage points above the lowest listed ratio and lands 13.1 percentage points below the highest listed ratio.

<b>LTD Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 09/30/2021 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Gulf Capital Bank, Houston, Harris County, TX</b>	320,670	96.6
Capital Bank, Jacinto City, Harris County, TX	572,951	87.4
Texas Citizens Bank, Pasadena, Harris County, TX	515,105	95.1
Texan Bank, Houston, Harris County, TX	445,247	97.3
The MINT National Bank, Kingwood, Harris County, TX	336,617	109.7
<i>Source: Reports of Condition and Income (12/31/2019 to 09/30/2021)</i>		

### **Assessment Area Concentration**

A majority of loans and other lending-related activities are in the institution’s assessment area. A majority of small business loans originated inside the assessment area supports this conclusion. Examiners considered the assessment area’s size and economy when arriving at conclusions.

The institution originated a majority of its small business loans inside its assessment area. The following table shows that for small business loans by both the percentages of the number and dollar volume of loans, the bank originated majorities inside its assessment area.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Business										
2020	14	77.8	4	22.2	18	4,238	73.9	1,500	26.1	5,738
2021	102	75.6	33	24.4	135	16,127	71.3	6,485	28.7	22,612
<b>Total</b>	<b>116</b>	<b>75.8</b>	<b>37</b>	<b>24.2</b>	<b>153</b>	<b>20,365</b>	<b>71.8</b>	<b>7,985</b>	<b>28.2</b>	<b>28,350</b>
<i>Source: Bank Data</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the assessment area. A poor record regarding small business loans in the Houston MSA AA supports this conclusion. Examiners considered the bank’s performance relative to the available comparative data and any performance context issues. Examiners focused on the percentages by the number of loans in low- and moderate-income geographies when arriving at conclusions. This factor only considered loans originated inside the bank’s assessment area.

### ***Small Business Loans***

The geographic distribution of small business loans reflects poor performance in the Houston MSA AA. In low- and moderate-income census tracts during 2020, the bank's overall level of lending reflects a poor record. Reasonable performance in moderate-income geographies hampered by poor performance in low-income geographies supports this conclusion. The following table shows that the bank's lack of lending in low-income census tracts in 2020 lands 12.7 percentage points below D&B data, reflective of poor performance. Further, the table shows that in moderate-income census tracts, the bank's level lands 6.9 percentage points lower, reflective of reasonable performance.

In low- and moderate-income census tracts during 2021, the bank's overall level of lending continued to reflect a poor record. Poor performance in moderate-income geographies insufficiently lifted by reasonable performance in low-income geographies supports this conclusion. The following table shows that the bank's level of lending in low-income census tracts in 2021 lands 2.8 percentage points below D&B data, reflective of reasonable performance. Further, the table shows that in moderate-income census tracts, the bank's level lands 10.3 percentage points lower, reflective of poor performance.

Thus, given the relative performance and weighting for the discussed income levels and both years reviewed, the geographic distribution of small business loans reflects a poor record.

<b>Geographic Distribution of Small Business Loans Houston MSA AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2020	12.7	0	0.0	0	0.0
2021	12.6	10	9.8	1,153	7.2
Moderate					
2020	21.2	2	14.3	777	18.3
2021	21.1	11	10.8	3,329	20.6
Middle					
2020	21.3	2	14.3	318	7.5
2021	21.5	13	12.7	1,754	10.9
Upper					
2020	44.5	10	71.4	3,143	74.2
2021	44.6	68	66.7	9,891	61.3
Not Available					
2020	0.3	0	0.0	0	0.0
2021	0.2	0	0.0	0	0.0
<b>Total</b>					
<b>2020</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>4,238</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>102</b>	<b>100.0</b>	<b>16,127</b>	<b>100.0</b>
<i>Source: 2020 and 2021 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

## **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. A reasonable borrower profile distribution record regarding small business lending in the Houston MSA AA and performance context considerations support this conclusion. Examiners considered the bank's performance relative to the available comparative data and any performance context issues. Examiners focused on the bank's overall level of lending to businesses with gross annual revenues (GAR) of \$1 million or less when arriving at this conclusion. This factor only considered loans originated inside the bank's assessment area.

### ***Small Business Loans***

The borrower profile distribution of small business loans reflects reasonable performance throughout the Houston MSA AA. In assessing the bank's performance regarding this factor, examiners also considered Gulf Capital Bank's de novo status and participation in the SBA's PPP and took into account the unique circumstances affecting borrowers and banks resulting from the COVID-19 pandemic.

As reflected in the following table, in 2020, the bank originated 42.8 percent of its small business loans to businesses with GARs of \$1 million or less, typically reflecting poor performance. While the bank's level trailed the percent of businesses reporting GARs of \$1 million or less by 44.2 percentage points, the table also notes 6 small business loans originated to businesses with revenues not available, which examiners determined 5 of the 6 to be PPP loans. Excluding the PPP loans from the calculation, the bank originated 66.7 percent of the small business loans reviewed to businesses with GARs of \$1 million or less in 2020, reflective of reasonable performance.

As also shown in the table, during 2021, the bank originated only 3.9 percent of small business loans to businesses with GARs of \$1 million or less, typically reflective of very poor performance. While the bank's level trails the percent of businesses reporting GARs of \$1 million or less by 83.4 percentage points, the table also notes 95 small business loans to businesses with revenues not available, all of which represent PPP loans. Of the remaining seven loans, the bank originated four, or 57.1 percent, to businesses with GARs of \$1 million or less, thus still reflecting reasonable performance. Further, of the 102 small business loans originated in the Houston MSA AA during 2021, examiners noted that 95, or 93.1 percent, originated as PPP loans, illustrating the bank's willingness to meet credit needs of businesses of varying sizes, including small businesses.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Houston MSA AA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
< \$100,000					
2020	57.2	5	35.7	1,894	44.7
2021	57.5	4	3.9	1,464	9.1
\$100,000 - \$249,999					
2020	20.7	0	0.0	0	0.0
2021	21.4	0	0.0	0	0.0
\$250,000 - \$499,999					
2020	5.7	0	0.0	0	0.0
2021	5.5	0	0.0	0	0.0
\$500,000 - \$1,000,000					
2020	3.4	1	7.1	300	7.1
2021	2.9	0	0.0	0	0.0
<b>Subtotal &lt;= \$1,000,000</b>					
<b>2020</b>	<b>87.0</b>	<b>6</b>	<b>42.8</b>	<b>2,194</b>	<b>51.8</b>
<b>2021</b>	<b>87.3</b>	<b>4</b>	<b>3.9</b>	<b>1,464</b>	<b>9.1</b>
>\$1,000,000					
2020	5.1	2	14.3	750	17.7
2021	4.6	3	2.9	2,087	12.9
Revenue Not Available					
2020	7.9	6	42.9	1,294	30.5
2021	8.1	95	93.1	12,576	78.0
<b>Total</b>					
<b>2020</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>4,238</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>102</b>	<b>100.0</b>	<b>16,127</b>	<b>100.0</b>
<i>Source: 2020 and 2021 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

As a result of the volume of PPP loans without revenue available, examiners evaluated the PPP loans noted above using loan size as a proxy. As illustrated in the following table, 40.0 percent of the PPP loans by number originated in 2020 had loan sizes of less than \$100,000, and 51.6 percent of the PPP loans by number originated in 2021 had loan sizes of less than \$100,000, demonstrating the bank’s willingness to help serve the needs of small businesses in the assessment area.

<b>Distribution of PPP Loans by Loan Size Houston MSA AA</b>				
<b>Loan Size</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt; \$100,000</b>				
2020	2	40.0	89	9.2
2021	49	51.6	2,175	17.3
<b>\$100,000 - \$249,999</b>				
2020	1	20.0	106	10.9
2021	32	33.7	4,733	37.6
<b>\$250,000 - \$499,999</b>				
2020	2	40.0	778	79.9
2021	11	11.6	3,920	31.2
<b>\$500,000 - \$1,000,000</b>				
2020	0	0.0	0	0.0
2021	3	3.1	1,748	13.9
<b>Total</b>				
<b>2020</b>	<b>5</b>	<b>100.0</b>	<b>973</b>	<b>100.0</b>
<b>2021</b>	<b>95</b>	<b>100.0</b>	<b>12,576</b>	<b>100.0</b>
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>				

Thus, when considering the bank’s responsiveness to credit needs of businesses through its significant participation in the PPP coupled with the performance of non-PPP loans, the bank demonstrated a reasonable borrower profile distribution record.

**Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### Lending Test

The Lending Test for CRA Small Banks evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The bank's 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) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## 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.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**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. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**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 the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**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.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.



**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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.

**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.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, 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.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.