

**Commercial Bank  
Banking Hours**

**PARSONS, KANSAS 67357**

**Census Tract 9502 Labette County**

1901 Main Street (Main Office)

9:00 am to 4:00 pm Monday thru Friday

2227 Main Street (West Drive Thru and Lobby)

8:30 am to 5:00 pm Monday thru Friday

1821 Main Street (Downtown Drive Thru)

Lobby

8:30 am to 5:00 pm Monday thru Friday

8:30 am to 12:00 pm Saturday

Drive Thru

8:30 am to 6:00 pm Monday thru Friday

8:30 am to 12:00 pm Saturday

**OSWEGO, KANSAS 67356**

**Census Tract 9507 Labette County**

501 Commercial Street

Lobby

9:00 am to 4:00 pm Monday thru Friday

Drive Thru

8:30 am to 5:00 pm Monday thru Friday

**ERIE, KANSAS 66733**

**Census Tract 9516 Neosho County**

222 S. Main Street

Lobby

9:00 am to 4:00 pm Monday thru Friday

Drive Thru

8:30 am to 4:30 pm Monday thru Thursday

8:30 am to 5:00 pm Friday

**INDEPENDENCE, KANSAS 67301**

**Census Tract 9504 Montgomery County**

501 N. Penn

Lobby

9:00 am to 5:00 pm Monday thru Friday

Drive Thru

8:30 am to 5:00 pm Monday thru Thursday

8:30 am to 6:00 pm Friday

9:00 am to 12:00 pm Saturday

**CHANUTE, KANSAS 66720**

**Census Tract 9519 Neosho County**

1315 S Santa Fe

Lobby

9:00 am to 4:00 pm Monday thru Thursday

9:00 am to 5:00 pm Friday

Drive Thru

8:30 am to 5:00 pm Monday thru Thursday

8:30 am to 5:30 pm Friday

**COFFEYVILLE, KANSAS 67337**

**Census Tract 9510 Montgomery County**

105 E. Ninth

Lobby

9:00 am to 5:00 pm Monday thru Friday

Drive Thru

8:30 am to 5:00 pm Monday thru Thursday

8:30 am to 6:00 pm Friday

## ATM LOCATIONS

Parsons, Kansas 67357  
Located in Labette County

Census Tract 9502

1821 Main Street  
2227 Main Street  
16<sup>th</sup> & Corning  
13<sup>th</sup> & Main Street

Oswego, Kansas 67356  
Located in Labette County

Census Tract 9507

501 Commercial Street

Altamont, Ks 67330

Census Tract 9506

401 S. Wabash

Erie, Kansas 66733  
Located in Neosho County

Census Tract 9516

14100 Hwy. 59 (Pete's One Stop)

Independence, Kansas 67301  
Located in Montgomery County

Census Tract 9504

501 N. Pennsylvania  
401 W. Main (Pete's Gas Station)

Chanute, Kansas 66720  
Located in Neosho County

Census Tract 9519

1315 S. Santa Fe

Coffeyville, Kansas 67337  
Located in Montgomery County

Census Tract 9510

105 E. 9th

Caney, Kansas 67333  
Located in Montgomery County

Census Tract 9513

108 S. McGee

**Commercial Bank  
Branches Closed**

**PARSONS, KANSAS 67357**

Parsons, Kansas 67357

Located in Labette County

Census Tract 9502

- ATM 302 Main St
- Closed March 31, 2012

**CHANUTE, KANSAS 66720**

Chanute, Kansas 66720

Located in Neosho County

Census Tract 9519

- ATM 800 W 14<sup>th</sup> (Inside NCCC)
- Closed March 31, 2012

**WAL-MART, INDEPENDENCE, KANSAS 67331**

121 S. Peter Pan Rd

Independence, Ks 67331

Located in Montgomery County

Census Tract 9503

- Closed October 4, 2013.

**CANEY, KANSAS 67333**

108 S. McGee

Caney, KS 67333

Located in Montgomery County

Census Tract 9513

- Closed May 1, 2024

## **COMMUNITY REINVESTMENT ACT NOTICE**

Under the Federal Community Reinvestment Act (CRA), the Federal Deposit Insurance Corporation (FDIC) evaluates our record of helping to meet the credit needs of this community consistent with safe and sound operations. The FDIC also takes this record into account when deciding on certain applications submitted by us.

### **Your involvement is encouraged.**

You are entitled to certain information about our operations and our performance under CRA, including, for example, information about our branches, such as their location and services provided at them; the public section of our most recent CRA Performance Evaluation prepared by the FDIC, and the comments received from the public relating to our performance in helping to meet community credit needs, as well as our responses to those comments. You may review this information today.

At least 30 days before the beginning of each quarter, the FDIC publishes a nationwide list of the banks that are scheduled for CRA examination in that quarter. This list is available from the Regional Director, Federal Deposit Insurance Corporation, 1100 Walnut St., Suite 2100, Kansas City, Missouri 64104. You may send written comments about our performance in helping to meet community credit needs to James R. Jacquinet, Commercial Bank, 1901 Main Street, Parsons, Kansas 67357 and FDIC Regional Director. You may also submit comments electronically through the FDIC's Web site at [www.fdic.gov/regulations/cra](http://www.fdic.gov/regulations/cra). Your letter, together with any response by us, will be considered by the FDIC in evaluating our CRA performance and may be made public.

You may ask to look at any comments received by the FDIC Regional Director. You may also request from the FDIC Regional Director an announcement of our applications covered by the CRA filed with the FDIC.

**Fee Schedule  
January 2024**

1099 Research Fee	\$ 5.00
Fax (Incoming and Outgoing each)	\$ 2.00
Estate Research – (\$25.00 minimum) – Hourly	\$ 25.00
Coin counting (non-customer)	\$ 5.00
Telephone Transfers	\$ 5.00
Close Account by Mail	\$ 10.00
Wire Transfer – Incoming – Domestic & Foreign	\$ 15.00
Wire Transfer – Outgoing - Domestic	\$ 20.00
Wire Transfer – Outgoing – Foreign – US & Foreign Currency	\$ 75.00
Return Wire	\$ 10.00
Collections – Incoming & Outgoing	\$ 15.00
Foreign Currency Purchase	\$ 25.00
Cashier's Checks	\$ 5.00
Money Orders	\$ 5.00
Night Drop Bag – Lock Bag	\$ 25.00
Night Drop Bag – Blue Zipper Bag One free bag per business customer	\$ 5.00
Contract for Deed Setup	\$500.00
Monthly - \$15.00	
Semi-Annual - \$30.00	
Annual - \$50.00	
Amortization Schedules - \$4.00	
Mail Duplicate Statement to Alternate Address	\$ 5.00

ATM Withdrawal at Foreign ATM	\$ 2.00
ATM Surcharge	\$ 4.00
Account Balancing and Research (per hour)	\$25.00
Insufficient Funds & Overdraft Charges	\$33.00
Snapshot Statement	\$ 5.00
Replacement Check Card	\$ 7.00
Check copy (12 per yr. no charge)	\$ 1.00
Counter Checks (per page)	\$ 5.00
Per Transaction if Check Card is used overseas	\$ 1.00
Dormant Fee	\$10.00
If an account is inactive for 2 years and the balance is below \$100.00	
Check Card Annual Non-Usage Fee	\$ 6.00
Garnishment Fee	\$15.00
Stop payment Fee	\$33.00
Check Quality Reject Fee (per month)	\$ 5.00
Hold Statement at Branch	\$ 5.00
Undeliverable Statement	\$ 5.00
Loan Payment Book ( new loans only) Consumer	\$25.00
Loan Payment Book ( new loans only) Mortgage	\$50.00
NSF Sweep	\$12.00
Deposit Books (Single/Duplicate)	\$2.00
Deposit Books (Triplicate)	\$3.50
Medallion Stamp (Customers Only)	\$20.00
Notary (Non-Customer)	\$5.00

Revised January 2024

**Services Offered By Commercial Bank**  
**Parsons, Kansas – Branch 01**  
**Census Tract 9502 – Labette County**

Checking Accounts  
Interest checking  
Money Market Accounts  
Business Accounts  
Plus Accounts (Enhancement Package)  
Kasasa Cash  
Kasasa Cash Back  
Kasasa Saver  
E – Accounts  
Savings Accounts  
Student Savings Accounts  
Overdraft Privilege  
Internet Banking  
Bill Pay  
Cash Management for Business  
Remote Deposit Capture  
ACH Origination  
ATM/Check Card  
Direct Deposit  
Safe Deposit Boxes  
Money Orders  
Cashier's Checks  
Night Depositories  
Bank – By – Mail  
Quality Help Line  
Certificate of Deposit  
IRA – Individual Retirement Account  
Foreign Currency Exchange  
Government Securities  
Wire Transfers  
Transfer of Funds  
Brokerage Service  
Trust Services  
Estate Planning  
Auto & Personal Loans  
Commercial Loans  
Agriculture Loans  
Real Estate Loans  
Home Improvement Loans



**Services Offered By Commercial Bank**  
**Oswego, Kansas – Branch 02**  
**Census Tract 9507 – Labette County**

Checking Accounts  
Interest checking  
Money Market Accounts  
Business Accounts  
Plus Accounts (Enhancement Package)  
Kasasa Cash  
Kasasa Cash Back  
Kasasa Saver  
E – Accounts  
Savings Accounts  
Student Savings Accounts  
Overdraft Privilege  
Internet Banking  
Bill Pay  
Cash Management for Business  
Remote Deposit Capture  
ACH Origination  
ATM/Check Card  
Direct Deposit  
Safe Deposit Boxes  
Money Orders  
Cashier's Checks  
Night Depositories  
Bank – By – Mail  
Quality Help Line  
Certificate of Deposit  
IRA – Individual Retirement Account  
Foreign Currency Exchange  
Government Securities  
Wire Transfers  
Transfer of Funds  
Brokerage Service  
Trust Services  
Estate Planning  
Auto & Personal Loans  
Commercial Loans  
Agriculture Loans  
Real Estate Loans  
Home Improvement Loans

**Services Offered By Commercial Bank**  
**Erie, Kansas – Branch 03**  
**Census Tract 9516 – Neosho County**

Checking Accounts  
Interest checking  
Money Market Accounts  
Business Accounts  
Plus Accounts (Enhancement Package)  
Kasasa Cash  
Kasasa Cash Back  
Kasasa Saver  
E – Accounts  
Savings Accounts  
Student Savings Accounts  
Overdraft Privilege  
Internet Banking  
Bill Pay  
Cash Management for Business  
Remote Deposit Capture  
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Certificate of Deposit  
IRA – Individual Retirement Account  
Foreign Currency Exchange  
Government Securities  
Wire Transfers  
Transfer of Funds  
Brokerage Service  
Trust Services  
Estate Planning  
Auto & Personal Loans  
Commercial Loans  
Agriculture Loans  
Real Estate Loans  
Home Improvement Loans

**Services Offered By Commercial Bank  
Independence, Kansas – Branch 04  
Census Tract 9504 – Montgomery County**

Checking Accounts  
Interest checking  
Money Market Accounts  
Business Accounts  
Plus Accounts (Enhancement Package)  
Kasasa Cash  
Kasasa Cash Back  
Kasasa Saver  
E – Accounts  
Savings Accounts  
Student Savings Accounts  
Overdraft Privilege  
Internet Banking  
Bill Pay  
Cash Management for Business  
Remote Deposit Capture  
ACH Origination  
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Brokerage Service  
Trust Services  
Estate Planning  
Auto & Personal Loans  
Commercial Loans  
Agriculture Loans  
Real Estate Loans  
Home Improvement Loans

**Services Offered By Commercial Bank**  
**Chanute, Kansas – Branch 06**  
**Census Tract 9519 – Neosho County**

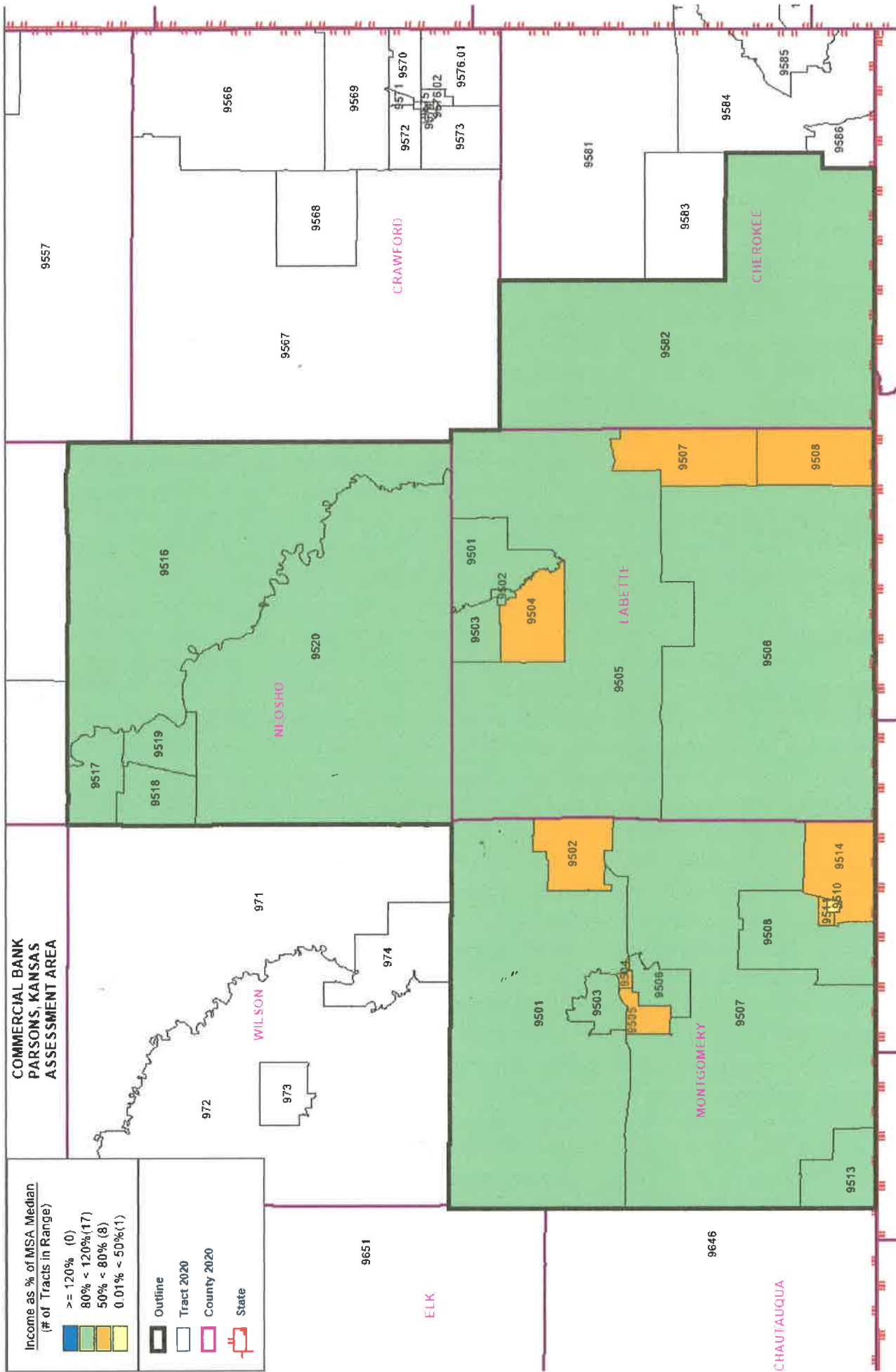
Checking Accounts  
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Wire Transfers  
Transfer of Funds  
Brokerage Service  
Trust Services  
Estate Planning  
Auto & Personal Loans  
Commercial Loans  
Agriculture Loans  
Real Estate Loans  
Home Improvement Loans

**Services Offered By Commercial Bank  
Coffeyville, Kansas – Branch 07  
Census Tract 9510 – Montgomery County**

Checking Accounts  
Interest checking  
Money Market Accounts  
Business Accounts  
Plus Accounts (Enhancement Package)  
Kasasa Cash  
Kasasa Cash Back  
Kasasa Saver  
E – Accounts  
Savings Accounts  
Student Savings Accounts  
Overdraft Privilege  
Internet Banking  
Bill Pay  
Cash Management for Business  
Remote Deposit Capture  
ACH Origination  
ATM/Check Card  
Direct Deposit  
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Discount Brokerage Service  
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Estate Planning  
Auto & Personal Loans  
Commercial Loans  
Agriculture Loans  
Real Estate Loans  
Home Improvement Loans

## LOAN TO DEPOSIT RATIO

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
2015	35.88%	35.60%	37.52%	37.30%
2016	39.95%	39.56%	39.15%	40.28%
2017	40.75%	40.29%	42.69%	41.24%
2018	42.56%	45.24%	49.83%	47.65%
2019	42.28%	46.90%	49.77%	47.87%
2020	48.34%	50.34%	51.07%	47.75%
2021	46.62%	46.01%	46.23%	46.04%
2022	45.45%	47.23%	47.46%	47.54%
2023	50.43%	52.33%	54.59%	52.84%
2024	53.03%	54.03%	56.59%	



**Consumer Complaints**

None



# **PUBLIC DISCLOSURE**

September 13, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Commercial Bank  
Certificate Number: 11777

1901 Main Street  
Parsons, Kansas 67357

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

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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.

Commercial Bank's satisfactory Community Reinvestment Act (CRA) performance under both the Lending Test and the Community Development Test supports the overall rating. The following points summarize the bank's Lending Test and Community Development Test performance.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of small business, home mortgage, consumer, and small farm loans were made within the institution's assessment area.
- The geographic distribution of loans reflects an excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels in the assessment area.
- The institution did not receive any CRA-related complaints since the previous performance evaluation. Therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Satisfactory.**

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

## **DESCRIPTION OF INSTITUTION**

Commercial Bank is a full-service community bank headquartered in Parsons, Kansas. The institution's affiliates include The Lyon County State Bank, Emporia, Kansas; First Bank Kansas, Salina, Kansas; Advantage Trust Company, Salina, Kansas; and First Kansas Bank, Hoisington, Kansas, through the common bank holding company ownership of Ottawa Bancshares, Inc., Salina, Kansas. The institution received an overall Satisfactory rating at its previous FDIC Performance Evaluation dated September 17, 2018, based on FFIEC Interagency Intermediate Small Institution Examination Procedures.

Commercial Bank continues to operate from its full-service main office and two limited-service branch facilities located in Parsons, Kansas, as well as six full-service branch facilities located in Caney, Chanute, Coffeyville, Erie, Independence, and Oswego, Kansas. The three facilities in Parsons and the Oswego branch are located in Labette County; the Caney, Coffeyville, and Independence branches are located in Montgomery County; and the Erie and Chanute branches are located in Neosho County. The bank operates 11 cash-dispensing ATMs; three in Parsons, two in Independence, and one each in Altamont, Caney, Chanute, Coffeyville, Erie, and Oswego. No branches have opened or closed, and no merger or acquisition activity has occurred since the prior CRA evaluation.

Commercial Bank offers traditional loan products, with a primary business focus on commercial, home mortgage, consumer, and agricultural lending. The institution provides a variety of deposit products, including checking, savings, and certificates of deposit. Alternative banking services include internet banking, electronic statements, and mobile banking.

According to the Consolidated Reports of Condition and Income dated June 30, 2021, total assets approximated \$417.1 million, and included total loans of \$174.8 million and total securities of \$188.7 million. Total deposits equaled \$380.4 million. The loan portfolio mix remained relatively consistent throughout the evaluation period.

As illustrated in the following loan portfolio distribution table, the primary loan products by dollar volume are commercial, residential real estate, consumer, and agriculture loans, which represent 34.8 percent, 28.4 percent, 18.5 percent, and 12.0 percent of loans, respectively.

<b>Loan Portfolio Distribution as of June 30, 2021</b>		
<b>Loan Category</b>	<b>\$ (000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	4,807	2.7
Secured by Farmland	13,067	7.5
Secured by 1-4 Family Residential Properties	48,521	27.8
Secured by Multifamily (5 or more) Residential Properties	990	0.6
Secured by Nonfarm Nonresidential Properties	17,639	10.1
<b>Total Real Estate Loans</b>	<b>85,024</b>	<b>48.7</b>
Commercial and Industrial Loans	43,189	24.7
Agricultural Production and Other Loans to Farmers	7,900	4.5
Consumer Loans	32,275	18.5
Obligations of State and Political Subdivisions in the U.S.	6,886	3.9
Other Loans	13	<0.1
Lease Financing Receivable (net of unearned income)	122	0.1
Less: Unearned Income	(589)	(0.4)
<b>Total Loans</b>	<b>174,820</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the institution's ability to meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA regulation requires financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. Management has designated a single contiguous assessment area in the nonmetropolitan portion of southeastern Kansas. Specially, the assessment area consists of 26 census tracts in the entirety of Neosho, Montgomery, and Labette counties, and one census tract in Cherokee County. There have been no changes in the delineation of the assessment area since the previous CRA evaluation.

### **Economic and Demographic Data**

According to the 2015 American Community Survey (ACS) data, Neosho County consists of five middle-income census tracts 9516-9520. Montgomery County consists of 13 census tracts 9501-9513; census tracts 9502, 9504, 9505, 9509, and 9511-9513 are moderate income, and the remaining are middle income. Labette County consists of eight census tracts 9501-9508; census tracts 9502, 9507, and 9508 are moderate-income, and the remaining are middle income. Cherokee County consists of middle-income census tract 9582, located in the western portion of the county. There are no low- or upper-income census tracts in the assessment area. Since the previous evaluation, the income designation for census tract 9507 in Labette County changed from middle to moderate income.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	27	0.0	37.0	63.0	0.0
Population by Geography	73,731	0.0	25.8	74.2	0.0
Housing Units by Geography	35,277	0.0	27.6	72.4	0.0
Owner-Occupied Units by Geography	20,443	0.0	23.8	76.2	0.0
Occupied Rental Units by Geography	8,668	0.0	30.7	69.3	0.0
Vacant Units by Geography	6,166	0.0	35.8	64.2	0.0
Businesses by Geography	3,697	0.0	35.6	64.4	0.0
Farms by Geography	321	0.0	7.5	92.5	0.0
Family Distribution by Income Level	19,436	22.7	20.6	22.3	34.3
Household Distribution by Income Level	29,111	27.6	16.2	19.5	36.7
Median Family Income – Nonmetropolitan Kansas		\$57,229	Median Housing Value		\$68,688
			Median Gross Rent		\$596
			Families Below Poverty Level		13.1%
Source: 2015 ACS Data; 2020 D&B Data Due to rounding, totals may not equal 100.0%					

Service industries represent the largest portion of assessment area businesses at 36.5 percent; followed by retail trade at 15.0 percent; finance, insurance, and real estate at 8.4 percent; and agriculture, forestry, and fishing at 8.0 percent. In addition, 63.2 percent of area businesses have four or fewer employees and 79.6 percent operate from a single location. Major employers in the assessment area include Labette Health Foundation, Grandview Products, and Old Dominion Freight.

The median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. These categories are based on the 2020 FFIEC-updated median family incomes for the nonmetropolitan areas of Kansas.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$64,200)	<\$32,100	\$32,100 to <\$51,360	\$51,360 to <\$77,040	≥\$77,040
Source: FFIEC				

Employment opportunities in the assessment area have improved and consequently unemployment levels declined over most of the evaluation period. According to the U.S. Bureau of Labor Statistics, unemployment rates reached historically low levels in 2018 and 2019, revealing the area's favorable economic conditions. In April of 2020, this trend reversed and unemployment

rates rose rapidly throughout the assessment area, together with the State of Kansas, subsequent to the COVID-19 pandemic. Since May of 2020, unemployment rates in the assessment area and in the state have trended downward again, although not to pre-pandemic levels.

### **Competition**

Commercial Bank operates in a relatively competitive market for credit products and financial services. According to FDIC Deposit Market Share data as of June 30, 2020, 17 financial institutions operate 37 locations within the assessment area. These institutions range from small community banks to large regional financial institutions. Commercial Bank is ranked 2<sup>nd</sup> with 20.0 percent of the deposit market share.

Management is not required nor have they elected to collect and report information regarding its small business, small farm, or home mortgage loans. However, aggregate data provides an indicator of loan demand and is considered in the performance context. The 2019 aggregate lending data shows 49 institutions reported 899 small business loans in the assessment area, which indicates moderate demand for this product. The 2019 small farm aggregate lending data shows 17 institutions reported 188 small farm loans in this assessment area, which indicates moderate demand for this product. The 2020 home mortgage aggregate lending data shows 165 institutions reported 1,806 home mortgage loans in the assessment area. This level of home mortgage lending activity indicates a high level of competition for home mortgage products.

### **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 and opportunities. This information helps determine whether local financial institutions are responsive to these needs.

Examiners conducted a community contact with a representative of a community development organization located in the assessment area. The contact indicated that the local economy was not impacted from the onset of the COVID-19 pandemic, due to industry. The area is home to the Great Plains Industrial Park, which is a great resource for employment opportunities and industrial development; however, the towns are more retail focused. In addition, the contact indicated that the assessment area has multiple Opportunity Zones and two Neighborhood Revitalization Zones. There are no multifamily complexes available for the disabled and low- and moderate-income individuals. The contact mentioned there are several local banks involved in both neighborhood revitalization projects through local government and private entities. The contact was satisfied with the level of banking products and services offered in the community by all financial institutions. Overall, the contact indicated that financial institutions have been very responsive to the area's credit and community development needs.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and community services for low- and moderate-income individuals are primary needs in the assessment area. Single-family housing, multi-family housing, and housing rehabilitation loans are essential. Given the substantial number of low- and moderate-income families in the assessment area, various community services, including financial education, remain in demand for these individuals. Specially, 17.7 percent of

households and 13.1 percent of families live below the poverty level. Further, there is a need for home improvement loans to meet costs associated with the aging housing stock given the atypical median age of 64 years. Economic development, including financing and technical assistance for small businesses, and revitalization of moderate-income areas represent additional community development needs.

The assessment area includes many areas targeted for redevelopment, revitalization, stabilization, and economic development initiatives by federal, state, and local governments. Examples of these special designations include Opportunity Zones, Neighborhood Revitalization Districts, SBA HUB Zones, Rural Opportunity Zones, and the U.S. Housing and the Urban Development HOME Investment Partnership Program. In addition, bank officers have the opportunity to get involved by serving on various local organizations' boards that involve community development activities.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated September 17, 2018, to the current evaluation dated September 13, 2021. Examiners used the Interagency Intermediate Small Institution CRA Examination Procedures to evaluate Commercial Bank's CRA performance, which includes the Lending and Community Development Tests. Please refer to the *Intermediate Small Bank Performance Criteria* section of the Appendices for a summary of the criteria evaluated under the Lending and Community Development Tests. No affiliate lending activities were considered in the evaluation.

### **Activities Reviewed**

Examiners reviewed small business, home mortgage, consumer, and small farm lending to evaluate CRA performance, as these four categories are the primary lending focuses and constitute the largest portions of Commercial Bank's loan portfolio. Examiners gave small business lending the most weight, as it accounts for the majority of the loan portfolio, as of June 30, 2021. Examiners gave secondary weight to home mortgage lending, followed by consumer lending. Small farm lending received the least amount of weight when drawing overall conclusions. This weighting considered the institution's business strategy, the number and dollar volume of loans originated and renewed during the evaluation period, and data from the Consolidated Reports of Condition and Income.

Commercial lending activity in 2020 differed in comparison to 2019. The volume of commercial loans, including small business lending, increased in 2020 compared to the prior calendar year due to the bank extending a number of the Small Business Administration's (SBA) Paycheck Protection Program (PPP) loans in response to the COVID-19 pandemic. Despite the fluctuation in activity between the two years, bank management indicated a review of loans from 2020 would be reflective of lending since the prior evaluation. As such, examiners analyzed small business loans originated in 2020 to evaluate lending performance. Examiners also analyzed home mortgage, consumer, and small farm loans originated or renewed in 2020 to evaluate lending performance. Examiners determined, and bank management agreed, that a review of the lending activity from this timeframe would be representative of the bank's lending performance since the previous CRA evaluation.



the comparable banks' ratios, the average net loan-to-deposit ratio does not fully represent the lending activity of the bank as the bank sells a significant volume of loans on the secondary market, which are not reflected on the balance sheet. While selling secondary market loans does not increase the loan-to-deposit ratio, it does increase the availability of credit since the bank can lend and continue to re-lend dollars as it replenishes its funds from loan sales rather than growing its deposit base.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/2021 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Commercial Bank, Parsons, Kansas	417,097	47.4
Community Bank and Trust, Neosho, Missouri	404,521	54.7
Labette Bank, Altamont, Kansas	498,453	78.6
Bank of Commerce, Chanute, Kansas	395,578	63.7
<i>Source: Reports of Condition and Income 09/30/2018 – 06/30/2021</i>		

#### **Assessment Area Concentration**

Overall, a majority of the institution's lending activity was extended inside the assessment area. As shown in the following table, a majority of the small business, home mortgage, consumer, and small farm loans reviewed, both by number and dollar volume, are within the institution's assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total  #	Dollar Amount of Loans \$(000s)				Total  \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	264	77.9	75	22.1	339	18,186	64.8	9,858	35.2	28,044
Home Mortgage	147	82.1	32	17.9	179	18,863	78.6	5,125	21.4	23,988
Consumer	1,019	74.5	349	25.5	1,368	16,277	70.4	6,848	29.6	23,125
Small Farm	150	87.7	21	12.3	171	7,902	87.3	1,147	12.7	9,049
Source: Bank Data										

#### **Geographic Distribution**

Overall, the geographic distribution of loans reflects an excellent dispersion throughout the assessment area. While home mortgage and consumer lending performance are considered reasonable, small business lending received the most weight. The bank's excellent performance of small business and small farm lending supports this conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts.

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

The geographic distribution of small business lending reflects an excellent dispersion throughout the assessment area. The following table reflects the geographic distribution of the small business loans reviewed by tract income level, and the comparative demographic data regarding the

In 2020, Commercial Bank originated or renewed 339 small business loans totaling \$28.0 million, 179 home mortgage loans totaling \$24.0 million, 1,368 consumer loans totaling \$23.1 million, and 171 small farm loans totaling \$9.0 million. These universes were evaluated under the Assessment Area Concentration criterion. The Geographic Distribution analysis focused on all small business, home mortgage, consumer, and small farm loans made within the assessment area. Specifically, examiners reviewed 264 small business loans totaling \$18.2 million, 147 home mortgage loans totaling \$18.9 million, 1,019 consumer loans totaling \$16.3 million, and 150 small farm loans totaling \$7.9 million. For the Borrower Profile analysis, examiners evaluated lending performance based on a random sample of 58 small business loans totaling \$3.3 million, 51 home mortgage loans totaling \$6.2 million, 67 consumer loans totaling \$963,000, and 51 small farm loans totaling \$2.8 million made within the assessment area. Examiners compared small business and small farm lending performance to 2020 D&B data, and compared home mortgage and consumer lending performance to 2015 ACS data.

For the Community Development Test, examiners reviewed data and records provided by bank management for community development loans, qualified investments, and community development services since the prior CRA evaluation. Furthermore, all SBA PPP loans originated in 2020 and 2021 were considered under the Community Development Test.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Commercial Bank demonstrated satisfactory performance under the Lending Test. While overall Geographic Distribution performance is excellent, reasonable performance under Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria primarily supports this conclusion.

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

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of its assessment area. The bank's net loan-to-deposit ratio, calculated from the Consolidated Reports of Condition and Income, averaged 47.4 percent over the past 12 calendar quarters from September 30, 2018, to June 30, 2021. The average net loan-to-deposit ratio increased by 7.5 percentage points since the previous evaluation.

The quarterly net loan-to-deposit ratio fluctuated from a recent low of 45.8 percent as of June 30, 2021, to a high of 50.2 percent as of September 30, 2020. Additionally, the ratio decreased approximately 1.6 percentage points from the beginning of the evaluation period to the current ratio. In early 2020, the loan-to-deposit ratio increased, which was attributed to the loan growth outpacing the deposit growth; however, late 2020 showed the opposite trend. Deposit growth late in 2020 was driven by the influx of stimulus payments and depositor's behaviors related the COVID-19 pandemic.

As shown in the following table, the institution maintained a ratio in line with similarly-situated institutions. Examiners selected similarly-situated institutions based on their asset size, lending focus, branching structure, and geographic location. Although Commercial Bank's ratio is below

percentages of businesses in the assessment area by tract income level, based on 2020 D&B data. The institution's lending percentage in the moderate-income census tracts exceeds the demographic data.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	35.6	135	51.1	10,901	59.9
Middle	64.4	129	48.9	7,285	40.1
<b>Totals</b>	<b>100.0</b>	<b>264</b>	<b>100.0</b>	<b>18,186</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; Bank Data</i>					

### ***Home Mortgage***

The geographic distribution of home mortgage lending reflects a reasonable dispersion throughout the assessment area. The following table reflects the geographic distribution of the home mortgage loans reviewed by tract income level, and the comparative demographic data regarding the percentages of owner-occupied housing units in the assessment area by tract income level, based on 2015 ACS data. The institution's lending percentage in the moderate-income census tracts is comparable to the demographic data.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate	23.8	33	22.4	3,259	17.3
Middle	76.2	114	77.6	15,604	82.7
<b>Total</b>	<b>100.0</b>	<b>147</b>	<b>100.0</b>	<b>18,863</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data</i>					

### ***Consumer***

The geographic distribution of consumer lending reflects a reasonable dispersion throughout the assessment area. The following table reflects the geographic distribution of the consumer loans reviewed by tract income level, and the comparative demographic data regarding the percentages of households in the assessment area by tract income level, based on 2015 ACS data. The institution's lending percentage in the moderate-income census tracts is comparable to the demographic data.

Geographic Distribution of Consumer Loans					
Tract Income Level	% of Households	#	%	\$(000s)	%
Moderate	25.8	257	25.2	3,611	22.2
Middle	74.2	762	74.8	12,666	77.8
Totals	100.0	1,019	100.0	16,277	100.0
Source: 2015 ACS Data; Bank Data					

### ***Small Farm***

The geographic distribution of small farm lending reflects an excellent dispersion throughout the assessment area. The following table reflects the geographic distribution of the small farm loans reviewed by tract income level, and the comparative demographic data regarding the percentages of farms in the assessment area by tract income level, based on 2020 D&B data. The institution's lending percentage in the moderate-income census tracts exceeds the demographic data.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	7.5	33	22.0	1,624	20.6
Middle	92.5	117	78.0	6,278	79.4
Totals	100.0	150	100.0	7,902	100.0
Source: 2020 D&B Data; Bank Data					

### **Borrower Profile**

Overall, the distribution of loans reflects a reasonable penetration among businesses and farms of different revenue sizes and individuals of different income levels. While consumer lending performance is considered excellent, small business lending received the most weight. The bank's reasonable performance with respect to small business, home mortgage, and small farm lending supports this conclusion. Examiners focused on the percentage by number of small business and small farm loans to business and agricultural operations with gross annual revenues of \$1 million or less, and on home mortgage and consumer loans to low- and moderate -income borrowers.

### ***Small Business***

The distribution of small business loans reflects a reasonable penetration among businesses of different revenue sizes. As illustrated in the following table, the institution originated a majority of sampled loans to businesses with gross annual revenues of \$1 million or less, which compares reasonably to the demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	72.7	45	77.6	1,313	39.4
>\$1,000,000	6.8	13	22.4	2,022	60.6
Revenue Not Available	20.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>58</b>	<b>100.0</b>	<b>3,335</b>	<b>100.0</b>
Source: 2020 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%					

### Home Mortgage

The distribution of home mortgage loans reflects a reasonable penetration among individuals of different income levels. As shown in the following table, the percentage by number of loans to low-income borrowers is comparable to demographic data. Further, the percentage by number of loans to moderate-income borrowers slightly exceeds demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	22.7	11	21.6	529	8.6
Moderate	20.6	12	23.5	681	11.0
Middle	22.3	7	13.7	645	10.4
Upper	34.3	21	41.2	4,330	70.0
<b>Total</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>	<b>6,185</b>	<b>100.0</b>
Source: 2015 ACS Data; Bank Data Due to rounding, totals may not equal 100.0%					

### Consumer

The distribution of consumer loans reflects an excellent penetration among individuals of different income levels. As shown in the following table, the percentage by number of loans to low-income borrowers exceeds demographic data by 24.6 percentage points. Further, the percentage by number of loans to moderate-income borrowers slightly exceeds demographic data.

Distribution of Consumer Loans by Borrower Income Category					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low	27.6	35	52.2	495	51.4
Moderate	16.2	15	22.4	203	21.1
Middle	19.5	8	11.9	75	7.8
Upper	36.7	9	13.4	190	19.7
<b>Totals</b>	<b>100.0</b>	<b>67</b>	<b>100.0</b>	<b>963</b>	<b>100.0</b>
Source: 2015 ACS Data; Bank Data Due to rounding, totals may not equal 100.0%					

***Small Farm***

The distribution of small farm loans reflects a reasonable penetration among farms of different revenue sizes. As shown in the following table, the institution originated all but one of the sampled small farm loans to farms with gross annual revenues of \$1 million or less, which is comparable to the demographic data.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.4	50	98.0	2,549	89.5
>\$1,000,000	0.3	1	2.0	300	10.5
Revenue Not Available	1.2	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>	<b>2,849</b>	<b>100.0</b>
Source: 2020 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%					

**Response to Complaints**

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

**COMMUNITY DEVELOPMENT TEST**

Commercial Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity, needs of the assessment area, and availability of such opportunities. Since the bank was responsive to the community development needs of its assessment area, community development activities benefitting the broader statewide or regional area that includes the bank's assessment area were included in the analysis.

Examiners compared the level of community development activity to eight comparable financial institutions with similar business focuses and asset sizes, and operating in similar markets within the State of Kansas. The comparable institutions were evaluated using Interagency Intermediate Small Institution Examination Procedures during a similar review period. The bank's levels of community development lending and qualified investments increased substantially since the previous evaluation.

**Community Development Loans**

Commercial Bank originated or renewed 478 community development loans totaling approximately \$38.7 million during the evaluation period. As of June 30, 2021, community development loans equaled 9.3 percent of total assets and 22.5 percent of net loans. At the previous evaluation, these ratios were 7.4 percent and 18.3 percent, respectively. Community development lending activity includes 469 loans totaling approximately \$32.5 million originated under the SBA PPP related to the COVID-19 pandemic, of which 43 loans totaling \$7.8 million were originated in the broader statewide or regional area.

According to contemporaneous information, the eight comparable institutions originated or renewed community development loans ranging from \$4.0 million to \$71.1 million. The comparable institutions' community development loans to total assets ratio ranged from 1.1 percent to 13.3 percent. Further, the comparable institutions' community development loans to net loans ratios ranged from 1.8 percent to 25.6 percent. It should be noted that some of the comparable banks' ratios included SBA PPP loan participation, but not all. Overall, Commercial Bank's community development lending levels are comparable to the other eight financial institutions.

The following tables illustrate the community development lending activity by category, area, and year.

Community Development Lending by Activity Area										
Activity Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	5	110	1	90	1	425	428	30,238	435	30,863
Broader Statewide or Regional Area	0	0	0	0	16	2,075	27	5,744	43	7,819
<b>Total</b>	<b>5</b>	<b>110</b>	<b>1</b>	<b>90</b>	<b>17</b>	<b>2,500</b>	<b>455</b>	<b>35,982</b>	<b>478</b>	<b>38,682</b>
<i>Source: Bank Data</i>										

Community Development Lending by Activity Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	1	90	1	425	199	24,092	201	24,607
Year-to-Date 2021	5	110	0	0	16	2,075	256	11,890	277	14,075
<b>Total</b>	<b>5</b>	<b>110</b>	<b>1</b>	<b>90</b>	<b>17</b>	<b>2,500</b>	<b>455</b>	<b>35,982</b>	<b>478</b>	<b>38,682</b>
<i>Source: Bank Data</i>										

Commercial Bank provided financing to businesses that generated jobs for low- and moderate-income individuals, and to single-family properties that provide affordable housing in the assessment area. The following are notable examples of community development loans:

- In 2020 and 2021, the institution originated five affordable housing loans totaling \$110,478 made to low- and moderate-income borrowers. All loans were originated in collaboration with a local government entity.
- In 2020, the institution originated a \$3.3 million SBA PPP loan that maintained 351 jobs within a moderate-income census tract in the City of Coffeyville, Kansas. The loan proceeds stabilized the moderate-income census tract by maintaining jobs, including those for low- and moderate-income individuals.

Since the previous evaluation, the institution collaborated with local government officials and other financial institutions to offer the following programs:

- Tax Rebate Incentive – a program designed to encourage rehabilitation or new construction through the Neighborhood Revitalization Act.
- Incentives Without Walls – a program designed to offer loans that will help create employment opportunities; save existing jobs; provide services and products; develop or strengthen new or existing businesses; acquire, rehabilitate, or preserve properties; and create a strong tax base.
- SBA Loan Programs – the institutions are offering SBA 7(a) loans, low documentation loans, and SBA 504 loans to help meet the credit needs of the communities.

### **Qualified Investments**

The institution's 58 qualified investments and donations totaled approximately \$16.5 million, which includes 20 equity investments totaling \$16.2 million and 38 donations totaling approximately \$293,000. The volume of qualified investments and donations represents 3.9 percent of total assets and 8.9 percent of total securities as of June 30, 2021. The institution's investment activity has increased since the previous evaluation when these ratios equaled 0.4 and 5.0 percent, respectively.

The qualified investment activity is similar to the comparable institutions. These institutions' ratios of qualified investments to total assets averaged 1.7 percent and ranged from 0.4 to 5.5 percent. Furthermore, the ratios of qualified investments to total securities averaged 7.1 percent and ranged from 1.5 to 19.0 percent.

The following tables illustrate the qualified investments by category, area, and year.

Qualified Investments by Activity Area										
Activity Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	0	0	29	740	7	2,020	8	377	44	3,137
Broader Statewide or Regional Area	0	0	4	5,170	5	3,720	4	3,545	13	12,435
Nationwide	0	0	1	880	0	0	0	0	1	880
<b>Total</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>6,790</b>	<b>12</b>	<b>5,740</b>	<b>12</b>	<b>3,922</b>	<b>58</b>	<b>16,452</b>
<i>Source: Bank Data</i>										



Qualified Investments by Activity Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Prior Period	0	0	4	2,105	3	1,144	2	860	9	4,109
2019	0	0	0	0	1	900	0	0	1	900
2020	0	0	3	4,545	3	2,145	3	3,060	9	9,750
Year-to-Date 2021	0	0	0	0	1	1,400	0	0	1	1,400
Subtotal	0	0	7	6,650	8	5,589	5	3,920	20	16,159
Qualified Grants & Donations	0	0	27	140	4	151	7	2	38	293
Total	0	0	34	6,790	12	5,740	12	3,922	58	16,452
Source: Bank Data										

All of Commercial Bank's qualified investments were targeted towards low- and moderate-income individuals.

### **Community Development Services**

During the evaluation period, bank employees provided 94 instances of financial expertise or technical assistance to several different organizations throughout the assessment area. This level of activity increased from 62 instances at the previous evaluation. The level of community development services is comparable to the eight financial institutions previously noted. These institutions received consideration for community development services ranging from 18 to 77 services, with an average of 42 provided services.

The following table illustrates the community development services by category, area, and year.

Community Development Services by Activity Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018*	0	16	5	0	21
2019	0	17	6	0	23
2020	0	17	6	2	25
Year-to-Date 2021	0	17	6	2	25
Total	0	67	23	4	94
Source: Bank Data *9/17/2018 to 12/31/2018					

Community development services included 12 employees serving on the Boards of Directors or committees for 17 different organizations with a primary purpose of community development. Further, 16 of the institution's employees provide financial expertise or assistance to low- or moderate-income individuals or communities by serving as treasurers, council members, or presidents to organizations with the primary purpose of community development. The following are notable examples of community development services provided by bank employees:

- A bank officer serves on the Board of Directors of an entity that provides college scholarships to low- and moderate-income individuals.
- A bank officer serves as a Chairman of an organization that acquires distressed properties, refurbishes the properties, and turns the properties into multifamily affordable housing units, primarily catering to low- and moderate-income individuals.
- A bank officer serves as a committee member of an entity that facilitates business growth by offering interest-free loans to businesses in the local area for improvements to their buildings or equipment, which is responsive to the credit needs of the assessment area.

As previously mentioned, the bank offers SBA loans, which are responsive to the needs of small businesses. Additionally, the bank offers the SBA's PPP loans to accommodate small businesses impacted by the COVID-19 pandemic. Management offers government-sponsored home loan programs through the secondary market. Further, management operates three full-service and two limited-service branches, and five ATMs located in moderate-income census tracts.

## **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. The fair lending visitation identified a violation of the Equal Credit Opportunity Act and the implementing regulation, Regulation B. Although substantive in nature, the violation did not warrant a downgrade of the bank's CRA rating due to the limited impact on the assessment area, and the corrective measures taken by the institution, including management's commitment to enhance the compliance management system to prevent similar violations from occurring.

## **APPENDICES**

### **INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA**

#### **Lending Test**

The Lending Test evaluates the bank'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 geographic distribution of the bank's loans;
- 4) 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; 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).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## **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.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

**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.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**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.



**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**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.