

# **PUBLIC DISCLOSURE**

May 24, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Tolleson Private Bank  
Certificate Number: 57522

5550 Preston Road, Suite B  
Dallas, Texas 75205

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

1601 Bryan Street, Suite 1410  
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.

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	1
DESCRIPTION OF ASSESSMENT AREA .....	2
SCOPE OF EVALUATION.....	5
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	11
GLOSSARY .....	12

## 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.

The Community Reinvestment Act (CRA) requires a bank formulating a Strategic Plan (Plan) to establish measurable goals for helping to meet the credit needs of each assessment area covered by the Plan, particularly the needs of low- and moderate-income geographies and low- and moderate-income individuals, through lending, investments, and services, as appropriate.

### Community Development Goals

- The bank substantially met its established goals for satisfactory performance regarding community development loans.
- The bank met its established goals for satisfactory performance regarding community development investments.
- The bank met its established goals for satisfactory performance regarding community development services.

## DESCRIPTION OF INSTITUTION

Tolleson Private Bank, established in 2003, operates one office in Dallas, Texas. Tolleson Wealth Management, Inc., Dallas, Texas, a top tier holding company, wholly owns Tolleson Wealth Management of Delaware, Inc., Wilmington, Delaware, which in turn wholly owns Tolleson Private Bank. Tolleson Private Bank received a "Needs to Improve" rating at the previous Federal Deposit Insurance Corporation's CRA evaluation dated July 8, 2019, based on Intermediate Small Institution CRA performance criteria.

Tolleson Private Bank functions as a non-traditional institution focused on offering private banking customized for high net worth clients. Management achieves business growth primarily through customer referrals and relationships arising from existing clients of Tolleson Wealth Management, Inc. The sole bank location retains very limited signage, with no drive-thru and no traditional teller line. The bank does not advertise its products or services to the public.

Tolleson Private Bank offers individually customized deposit and loan products specific to each client's needs, including money market accounts, checking accounts, and certificates of deposit. The largest deposit customers remain trust accounts and trust holders, primarily through its wealth management portfolio. Since the bank offers highly customized products, the bank does not maintain a specialization in any loan product. Credit products include home mortgage loans, lines of credit, personal loans, and other investment loans.

Tolleson Private Bank maintains an informational website and offers on-line and telephone banking. The institution keeps lobby hours of 9:00 a.m. until 4:00 p.m. Monday through Friday. Although the single office does not provide a traditional teller line, it does provide an automated teller machine in the lobby. The bank neither opened nor closed any branches during the review period, nor did it experience any mergers or acquisitions.

As of the March 31, 2021 Report of Income and Condition, the bank reported total assets of \$776.6 million, net loans of \$620.7 million, and total deposits of \$718.4 million. Since last CRA evaluation, total assets increased by 35.8 percent, net loans increased 59.1 percent, and total deposits increased 37.6 percent. The following table summarizes the bank’s loan portfolio distribution.

<b>Loan Portfolio Distribution as of March 31, 2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	72,644	11.7
Secured by Farmland	8,928	1.4
Secured by 1-4 Family Residential Properties	294,405	47.4
Secured by Multifamily (5 or more) Residential Properties	20,547	3.3
Secured by Nonfarm Nonresidential Properties	26,045	4.2
<b>Total Real Estate Loans</b>	<b>422,569</b>	<b>68.0</b>
Commercial and Industrial Loans	83,805	13.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	29,948	4.8
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	84,421	13.6
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>620,743</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## **DESCRIPTION OF ASSESSMENT AREA**

Tolleson Private Bank serves north central Texas. The bank designated one contiguous assessment area, containing Dallas County, Texas, in its entirety. As a result of the Plan, the bank expanded from the partial county designation at the prior evaluation to include all 529 contiguous census tracts that comprise Dallas County, located in the Dallas-Plano-Irving, TX Metropolitan Divisional Area (Dallas MD). Dallas County is one of seven counties which make up the Dallas MD. The assessment area (AA) conforms to CRA regulatory requirements.

The following table shows that the bank operates one full-service branch and maintains one ATM at the bank’s sole location.

Full-Service Office Locations					
County/City/Street	Office Type	Census Tract Number	Census Tract Income Level	ATM	Office Opened or Closed Since Last Evaluation
<b>Dallas County:</b> Dallas – 5550 Preston Road, Suite B	Main	0197.00	Upper	Yes	No
<i>Source: Bank data; ACS Census data (2015)</i>					

## **Economic and Demographic Data**

The Dallas MD AA’s 529 census tracts reflect the following income designations based on the 2015 American Community Survey (ACS) Census data: 107 low-, 187 moderate-, 110 middle-, and 120 upper-income tracts, as well as 5 tracts with no income designation. The Federal Emergency Management Agency declared this area a major disaster area during February 2021, due to Texas’ severe winter storms.

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 #	NA* % of #
Geographies (Census Tracts)	529	20.2	35.3	20.8	22.7	0.9
Population by Geography	2,485,003	19.0	37.9	22.4	20.5	0.2
Housing Units by Geography	964,713	19.5	34.0	22.9	23.3	0.2
Owner-Occupied Units by Geography	451,480	10.0	33.4	25.6	30.8	0.2
Occupied Rental Units by Geography	429,799	27.5	35.0	21.0	16.1	0.3
Vacant Units by Geography	83,434	30.1	32.0	17.7	19.9	0.3
Businesses by Geography	257,060	10.6	26.3	26.0	35.8	1.3
Farms by Geography	3,530	10.1	28.3	24.4	36.1	1.2
Family Distribution by Income Level	576,726	31.5	18.9	17.4	32.2	0.0
Household Distribution by Income Level	881,279	29.5	18.8	17.9	33.8	0.0
Median Family Income MSA - 19124 Dallas-Plano-Irving, TX		\$71,149	Median Housing Value			\$171,738
			Median Gross Rent			\$952
			Families Below Poverty Level			15.9%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Moody’s Analytics describes the area’s economy as recovering at a faster than average pace and indicates it is nearing expansionary mode. Total payroll employment on a year-over-year basis fell less than two percent, far better than the national average. Nearly all industries have outperformed their national counterparts including core professional services, finance, construction, retail, and distribution. Healthcare is the only industry that underperformed. The most distressed industry,

hospitality, is still down substantially; however, no worse than the national average. Residential construction is booming and will contribute significantly to overall growth in 2021. Longer term, the concentration of corporate headquarters, technology businesses, financial services, and above-average population growth will contribute to above-average performance.

D&B Business Demographic Data shows that service industries represent the largest portion of the area’s businesses at 38.4 percent, followed by non-classifiable establishments at 21.9 percent, and finance, insurance, and real estate at 11.7 percent. In addition, 64.1 percent of area businesses maintain fewer than five employees. Major employers in the Dallas MD AA include Walmart, Inc., American Airlines, Baylor Scott & White, Lockheed Martin, and UT Southwestern Medical Center.

As seen in the following table, the U.S. Bureau of Labor Statistics shows that the area unemployment levels mirror that of the State of Texas, both of which were lower than the national average after 2018. While the reaction to COVID-19 affected the area’s general economy, the unemployment level in 2020 was still lower compared to the state and national figures, suggesting a relatively stronger economy.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	%	%	%
Dallas MD AA	3.8	3.5	7.7
State of Texas	3.9	3.5	7.7
National Average	3.9	3.7	8.1

*Source: U.S. Bureau of Labor Statistics*

**Competition**

The area contains a high level of competition from other financial institutions operating 599 offices from 111 institutions. Mortgage companies, credit unions, and finance companies also compete for loans in the area adding to the competition level. Tolleson Private Bank ranks 33<sup>rd</sup> in deposit market share by capturing 0.2 percent of the area’s deposits based on the June 30, 2020 FDIC Deposit Market Share Report. Overall, the competition level still allows for lending opportunities.

**Community Contacts**

Examiners utilized two existing community contacts to help assess the area’s current economic conditions, community credit needs, and potential opportunities for bank involvement. The contacts noted that although the Dallas area is experiencing solid growth, affordable housing, particularly in low- and moderate-income areas, continues to be the primary need. As well, heightened needs relating to financial literacy and services to schools in distressed areas exist, particularly in the southern portions of Dallas County.

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

Consistent with most metropolitan areas, the Dallas MD AA creates varied loan demand for small business, residential real estate, and consumer loans. Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business and home mortgage loans represent the area's primary credit needs.

The area's recent federal disaster designations suggest a high need for activities that revitalize or stabilize qualifying geographies. In addition, demographic data showing that 50.4 percent of the area's families reported low- or moderate-incomes which also suggests a high need for affordable housing and activities that benefit projects or organizations that provide community services targeted to these families, including financial education.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated July 8, 2019, to the current evaluation dated May 24, 2021. Examiners used the Interagency Strategic Plan Examination Procedures to evaluate Tolleson Private Bank's CRA performance.

Tolleson Private Bank began operating under a FDIC-approved Plan, effective July 1, 2019. The effective dates of this Plan are July 1, 2019, to June 30, 2022, with annual, automatically adjusting goals for the three-year period. The goals for each year are to be evaluated on an annual basis beginning July 1<sup>st</sup> and ending June 30<sup>th</sup>. As such, reference in this evaluation to the bank's performance in Plan Year One relates to activities conducted from July 1, 2019, to June 30, 2020. Plan Year Two ends after the current examination date (July 1, 2020, to June 30, 2021); however, examiners considered community development activity in the pipeline through June 30, 2021. Since Plan Year Three is not in effect, it was not considered for this evaluation.

The Plan includes measurable satisfactory and outstanding goals for community development activities for Plan Year One and Plan Year Two upon which examiners evaluated the CRA performance. This evaluation includes a review of the bank's performance towards meeting the Plan goals in the bank's defined assessment area for Plan Year One and Plan Year Two. This evaluation relied upon records and reports provided by the bank, publicly available financial information, demographic data, and information gathered as part of the evaluation process.

### **Activities Reviewed**

To evaluate the bank's performance under Plan Year One and Plan Year Two, examiners reviewed bank-provided data on community development loans, investments/grants/donations, and services and considered the following factors.

- The total dollar amount of community development loans and community development investments/grants/donations
- The dollar amount of new community development loans and community development investments/grants/donations

- The total number of community development service hours

For the purposes of evaluating the bank's CRA performance, management provided data on community development loans; community development investments, grants, and donations; and community development services during the evaluation period from July 1, 2019, through the date of this evaluation.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

The following summarizes the bank's performance compared to the measurable goals established under its Plan for both applicable years (Plan Year One and Plan Year Two). The goals have one main objective, community development.

Per the Plan, examiners used an average annual total assets (AATA) figure of \$548.6 million as reported on the December 31, 2018 Uniform Bank Performance Report (UBPR) to complete Plan Year One calculations. Examiners used an AATA figure of \$544.8 million as reported on the December 31, 2019 UBPR to complete Plan Year Two calculations.

### **Community Development Lending**

Tolleson Private Bank substantially met its goal for satisfactory community development lending performance. Tolleson Private Bank did not meet its goals for Plan Year One; however, met its outstanding goals for Plan Year Two regarding community development lending. The Plan includes two measurable goals for community development loans based on the total dollar volume of originations and new originations annually.

Per the Plan, in order to achieve satisfactory performance, the bank must meet an established goal for total dollar volume of originations which equates to 1.5 percent of AATA reported on December 31, 2018 UBPR, for Plan Year One, of which at least 20.0 percent of the goal's lending volume is devoted to new originations or purchases. To achieve outstanding performance that figure increases to 1.75 percent of AATA, for Plan Year One, of which 45.0 percent of that goal's volume is devoted to new originations or purchases. Plan Year Two has the same percentage goals; however, uses the AATA reported on the December 31, 2019 UBPR.

The table below reflects the bank's Plan goals for community development loans, the bank's performance for community development loans by year, and the goals achieved for each respective Plan year.



Community Development Lending Performance								
Plan Year	Bank Established Goals				Bank Performance at Year-End of Plan Year			Plan Goal Met or Exceeded
	Satisfactory		Outstanding		12-Month AATA \$(000)	% AATA % New Actual Performance	Annual CD Loans New CD Loans \$(000)	
	% AATA % New	\$(000) \$(000)	% AATA % New	\$(000) \$(000)				
One	1.5	8,229	1.75	9,600	548,599	0.9	5,089	Not Met
	20.0	1,646	40.0	4,320		8.8	728	Not Met
Two	1.5	8,172	1.75	9,534	544,781	2.0	10,676	Outstanding
	20.0	1,634	40.0	4,290		101.8	8,319	Outstanding

Source: Strategic Plan; Bank Data; and UBPR for 2018 and 2019

During Plan Year One, the bank did not fund two community development lending initiatives totaling \$891,000. Notably, management responded promptly to these changes in circumstances by granting additional loans meeting the definition of community development.

While the bank did not meet the established goals within their assessment area during Plan Year One, examiners noted that the bank originated one additional community development loan totaling approximately \$4.8 million. This loan financed the construction of a 52-unit apartment complex located in a low-income census tract in an adjacent county, Collin County. By including this revitalization and stabilization effort, the bank’s community development lending level to AATA percentage would increase from 0.9 percent, as noted in the table above, to 1.8 percent and the new originations or purchases’ percentage would increase to 67.2 percent. The bank included this loan for consideration under the Plan to illustrate lending activities that serve the broader regional area.

As mentioned, Plan Year Two ends after the current examination date (July 1, 2020, to June 30, 2021); therefore, examiners considered community development activity in the pipeline through June 30, 2021. While not included in the table above, the bank has one community development loan scheduled to originate prior to June 30, 2021. This qualified loan is a renewal of a community development loan for \$2.0 million. The bank’s community development lending level to AATA percentage would increase from 2.0 percent to 2.3 percent while the new originations or purchases’ percentage would remain the same at 101.8 percent, significantly exceeding the bank’s outstanding goals.

The following tables denote community development lending activities for each Plan year by community development purpose.

Community Development Lending Plan Year One										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	1	400	2	1,960	1	728	0	0	4	3,089
2020	1	2,000	0	0	0	0	0	0	1	2,000
<b>Total</b>	<b>2</b>	<b>2,400</b>	<b>2</b>	<b>1,960</b>	<b>1</b>	<b>728</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>5,089</b>

Source: Bank Data (7/1/2019 - 6/30/2020)

Community Development Lending Plan Year Two										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	3	7,900	2	1,957	0	0	0	0	5	9,857
2021	1	69	1	750	0	0	0	0	2	819
<b>Total</b>	<b>4</b>	<b>7,969</b>	<b>3</b>	<b>2,707</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>10,676</b>

Source: Bank Data (7/1/2020 - 5/24/2021)

The following provides notable examples of community development lending activity within the bank’s designated assessment area.

- **Affordable Housing** – In 2020, the bank originated two loans totaling \$7.5 million to an entity that builds affordable housing for low- and moderate-income individuals and families. The loans will provide for 88 units at below fair market rents in a low-income census tract in Dallas.
- **Affordable Housing** – In 2020, the bank provided a \$2.0 million line of credit to a nonprofit organization for the purpose of funding affordable housing purchases in the community, specifically in the South Dallas/Fair Park community in 2020.

### **Community Development Investments**

Tolleson Private Bank met its established goals for satisfactory performance regarding qualified investments. The bank met its goals for outstanding performance based on total dollar volume of qualified investments for both Plan Years, and met its goals for a satisfactory level based on total dollar volume of new qualified investments for both Plan Years, resulting in an overall satisfactory performance. The measurable goals for community development investments are based on the total dollar volume of qualified investments and new qualified investments annually, with goals established based on a percentage of the bank’s AATA for the prior calendar year.

Per the Plan, the bank must meet an established goal for investments with similar performance to that noted under community development lending. Therefore, in order to achieve satisfactory qualified investment performance, the bank must meet a goal of 1.5 percent of AATA, with at least 20.0 percent of the goal’s volume devoted to new qualified investments, grants, or donations. In order to achieve outstanding performance under this factor, the bank must meet a goal of 1.75 percent of AATA, with 45.0 percent of the goal’s volume devoted to new qualified investments, grants, or donations.

The table below reflects the bank’s Plan goals for community development investments, the bank’s performance for community development investments by year, and the goals achieved for each respective Plan year.

Community Development Investments Performance								
Plan Year	Bank Established Goals				Bank Performance at Year-End of Plan Year			Plan Goal Met or Exceeded
	Satisfactory		Outstanding		12-Month AATA \$(000)	% AATA % New Actual Performance	Annual CD Loans New CD Loans \$(000)	
	% AATA % New	\$(000) \$(000)	% AATA % New	\$(000) \$(000)				
One	1.5	8,229	1.75	9,600	548,599	2.8	15,586	Outstanding
	20.0	1,646	40.0	4,320				
Two	1.5	8,172	1.75	9,534	544,781	3.0	16,471	Outstanding
	20.0	1,634	40.0	4,290				

Source: Strategic Plan; Bank Data; and UBPR for 2018 and 2019

The following tables denote community development investment activities for each Plan year by community development purpose.

Community Development Investments Plan Year One										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	5	3,126	5	10,484	1	50	0	0	11	13,660
2020	0	0	2	1,875	0	0	0	0	2	1,875
<b>Subtotal</b>	<b>5</b>	<b>3,126</b>	<b>7</b>	<b>12,359</b>	<b>1</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>15,535</b>
Grants & Donations	1	1	5	50	0	0	0	0	6	51
<b>Total</b>	<b>6</b>	<b>3,127</b>	<b>12</b>	<b>12,409</b>	<b>1</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>15,586</b>

Source: Bank Data (7/1/2019 - 6/30/2020)

Community Development Investments Plan Year Two										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	5	2,560	7	11,868	1	50	0	0	13	14,478
2021	0	0	1	1,899	0	0	0	0	1	1,899
<b>Subtotal</b>	<b>5</b>	<b>2,560</b>	<b>8</b>	<b>13,767</b>	<b>1</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>16,377</b>
Grants & Donations	2	11	15	83	0	0	0	0	17	94
<b>Total</b>	<b>7</b>	<b>2,571</b>	<b>23</b>	<b>13,850</b>	<b>1</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>16,471</b>

Source: Bank Data (7/1/2020 - 5/24/2021)

The following list notable examples of qualified investment activity within the bank’s designated assessment area.

- Economic Development** – The bank continues to renew a \$50,000 investment to a non-profit community development financial institution and community development corporation which provide micro and small business loans to those with limited access to capital. This organization also provides financial assistance as well as credit awareness, mentoring, and support to assist small businesses with the operation and/or expansion of their business.

- **Community Services** – The bank invested \$13.3 million in school bonds, which provided essential infrastructure or supplies that serve the Dallas Independent School District where majority of the students’ families reflect low- and moderate-income and are recipients of the government’s free or reduced lunch programs.
- **Community Service** – The bank donated \$50,000 to a workforce development and community building foundation that focuses on uplifting underserved population and connecting corporations to new, highly skilled pools of talent particularly in South Dallas including providing science, technology, engineering, and math (STEM) education, financial literacy, and training to people of all ages from early childhood to adult job training.

**Community Development Services**

Tolleson Private Bank substantially met its goal for satisfactory community development service performance. Tolleson Private Bank met its outstanding performance goal for Plan Year One; however, had not yet met the Plan Year Two goal. Examiners evaluated community development service goals based on the number of hours spent performing qualified services.

Per the Plan, in order to achieve satisfactory performance, the bank must meet an established goal for services which equates to 350 to 375 hours, while outstanding performance equates to minimum of 376 hours for Plan Year One. For Plan Year Two, the bank must meet an established goal for services which equates to 355 to 380 hours to achieve satisfactory performance, while outstanding performance equates to minimum of 380 hours.

The table below reflects the bank’s Plan goals for community development service hours, the bank’s performance for community development service hours by year, and the goals achieved for each respective Plan year. As shown, Tolleson Private Bank met its outstanding goal for Plan Year One community development services, but had not met the goal for Plan Year Two, as of the evaluation date. However, examiners considered the number of service hours conducted by bank personnel during the ongoing evaluation as well as hours in the pipeline to occur by the end of Plan Year Two (June 30, 2021) adding 41 additional hours, resulting in the bank meeting its satisfactory goal with 362 hours. Further, taking into consideration both years, the bank’s community development services resulted in an overall satisfactory performance.

<b>Community Development Service Hours</b>				
<b>Plan Year</b>	<b>Bank Established Goals</b>		<b>Bank Performance</b>	<b>Plan Goal Met or Exceeded</b>
	<b>Satisfactory</b>	<b>Outstanding</b>	<b>Qualified Service Hours</b>	
	<b>Hours</b>	<b>Hours</b>		
One	350 - 375	376+	440	Outstanding
Two	355 - 380	381+	321	Not Met

*Source: Strategic Plan and Bank Data*

The following tables denote community development service hours for each Plan year by community development purpose.

Community Development Service Hours Plan Year One					
Activity Plan Year One	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Total	0	440	0	0	440
<i>Source: Bank Data (7/1/2019-6/30/2020)</i>					

Community Development Service Hours Plan Year Two					
Activity Plan Year Two	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Total	35.5	285.5	0	0	321
<i>Source: Bank Data (7/1/2020-5/24/2021)</i>					

The following lists notable examples of the bank’s community development services.

- **Community Services** – Bank employees provided their financial expertise in creating the investment policy for a nonprofit community development financial institution that supports communities of color to acquire wealth-building assets such as homeownership and entrepreneurship, with the financial tools and education necessary to optimize positive economic returns. This nonprofit primarily serves low- and moderate-income individuals, families, and small business owners, with an emphasis on diversity and underserved communities.
- **Affordable Housing** – An executive vice president continues to serve on the Board of Dallas Area Habitat for Humanity which operates in Dallas County. The Dallas Area Habitat for Humanity’s mission focuses on providing affordable housing primarily for low- or moderate-income individuals. The employee attends Board meetings, participates in strategic planning, and finance committee meetings.

## 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.

## 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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**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.