

TRANSPECOS BANKS

Texas Banking at its Best

CRA Public File

April 1, 2024

List of Product and Services:

Business Products and Services

- Checking Accounts
- Money Market Accounts
- Savings Accounts
- Certificate of Deposits (CDs)
- Certificate of Deposit Account Registry System (CDARS)
- Insured Cash Sweep (ICS)
- ATMs
- Mail Deposits
- Business Checks
- Business Loans
- Agriculture loans
- SBA Loans
- Internet Banking (Cash Mgmt., ACH, Payroll Direct Deposit for Employees, Bill Pay, Wire Transfers, etc.)
- Mobile Banking
- Remote Deposit Capture
- Debit Cards

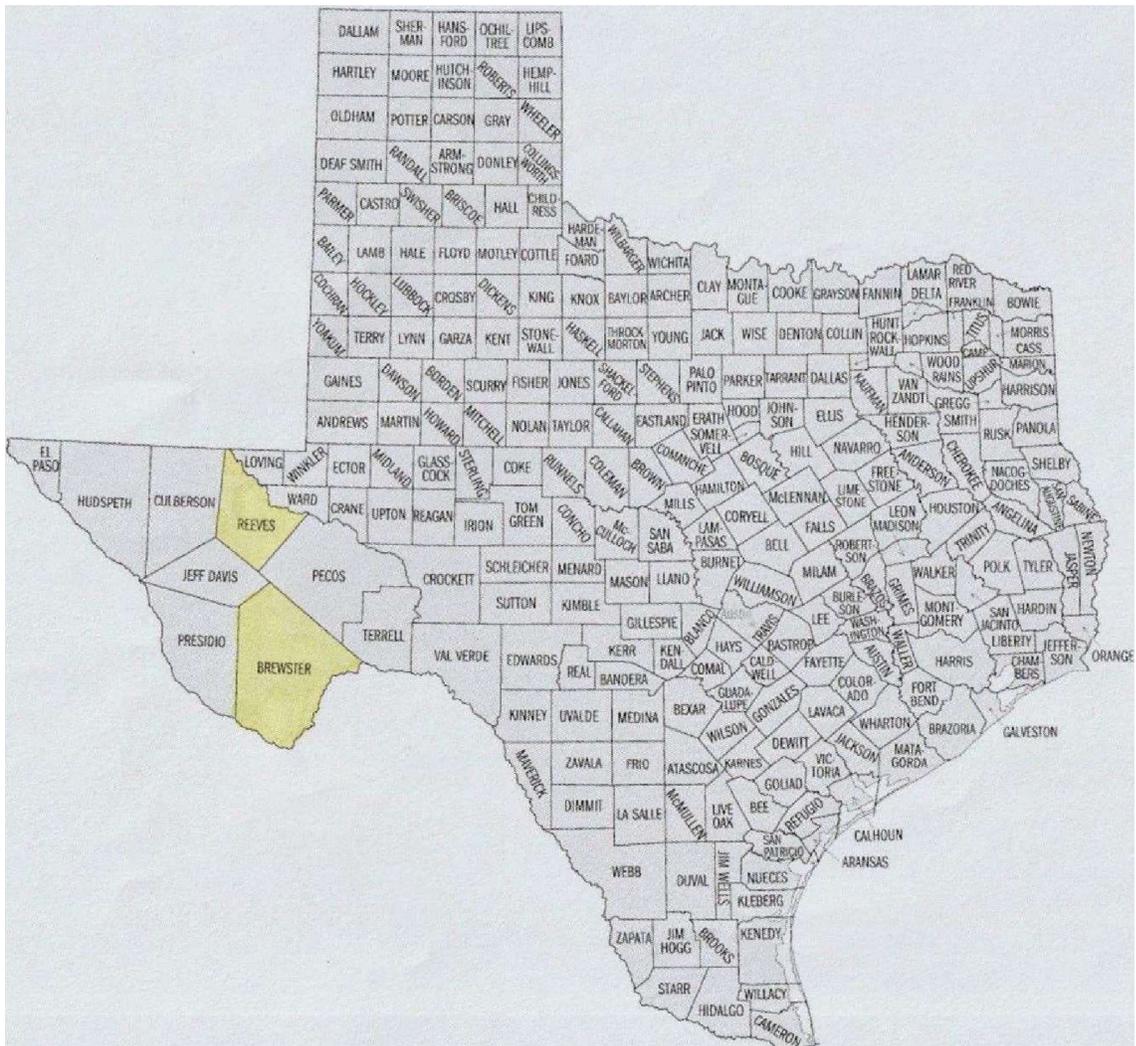
Retail Products and Services

- Checking Accounts
- Money Market Accounts
- Savings Accounts
- IRAs (Roth, Traditional, Coverdell)
- Certificates of Deposits (CDs)
- Certificate of Deposit Account Registry System (CDARS)
- Insured Cash Sweep (ICS)
- Debit Cards
- Mail Deposits
- Personal Checks
- Internet Banking (Transaction history, Check Images, Transfers, Personal Finance, Bill Pay, etc.)
- Mobile Banking
- Bank-By-Phone
- ATMs
- Mortgage Loans
- Home Equity
- Personal line of credit
- Other Consumer Loans (Vehicle, Unsecured, Tractors, etc.)

	Simple Checking	Simple Savings	Business Checking	Business Money Market	Community Checking	Community Money Market	Private Banking Personal Checking	Private Banking Personal Money Market	Private Banking Business Checking	Private Banking Business Money Market
Minimum Opening Deposit	\$25	\$25	\$25	\$25	\$25	\$25	\$500,000	\$500,000	\$500,000	\$500,000
Monthly Service Charge	None	None	None	None	None	None	None	None	\$25	\$25
Interest Bearing*	Yes	Yes	No	Yes	No	Yes	Yes	Yes	No	Yes
Transaction Limit**	No	No	No	No	No	No	No	No	No	No
Debit Card Benefits	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No

#IOLTA accounts and accounts with interest rates contracted for will receive interest

Assessment Area Map:



Assessment Area Description: (Census Tracts by County)

Brewster County

9503.00

9504.00

9505.00

Reeves County

9502.00

9503.00

9504.00

9505.00

Loan to Deposit Ratios for Each Quarter of the Previous Calendar Year:

Quarter	Ratio(%)
1 st Quarter 2023	69.28
2 nd Quarter 2023.	82.91
3 rd Quarter 2023	80.68 91.37
4 th Quarter 2023	81.93 78.58

CRA Written Comments:

No written comments related to the Bank's CRA activities or performance have been received from the public for the current year 2024, or for the prior two calendar years.

FEE SCHEDULE

**Account
Holder:**

Financial Institution: TransPecos Banks, SSB
217 West Third Street
P.O. Drawer 2037
Pecos, TX 79772

Replacement Debit Card	\$7.50
Replacement Debit Card (Rush Order)	\$50.00
Replacement Debit Card PIN	\$3.00
ATM Usage Fee (Cash Withdrawal at Non-proprietary, Non-Allpoint ATM)	\$1.50
ATM Inquiry at Non-proprietary, Non-AllpointATM	\$1.00
Debit Card Balance Adjustment Fee	\$5.00
Surcharge Fee (activity at proprietary ATM by non-customer)	\$5.00
Temporary Checks (per page)	\$2.00
Cashier's Check	\$5.00
Money Order	\$2.00
Check Cashing Fee (non-customer)	2.00% of amount, \$5.00 min
Overdraft (each item paid)	\$32.00
Nonsufficient Funds Item	\$32.00
Returned Check	\$10.00
Account Activity Printout	\$2.00
Special Statement Cutoff	\$7.00
Account Research	\$35.00 per hour
Account Balancing Assistance	\$35.00 per hour
Balance Inquiry (one free inquiry each month)	\$2.00 fee for excess inquiries
Copy of Statement	\$2.00
Telephone Transfer (assisted) from checking or savings	\$2.00
Telephone Transfer (assisted) from Checking or Savings - Frequency Limit	Three per day
Telephone Transfer (assisted) from Checking or Savings - Dollar Limit	\$10,000.00 per day
Stop Payments	\$25.00
Wire Transfer - Outgoing (Domestic)	\$30.00
Wire Transfer - Outgoing (International)	\$50.00
Wire Transfer - Returned Wire	\$20.00
Garnishments and Levies (per account per event)	\$50.00
Collections (Customers Only)	\$5.00
Photo Copies (per page)	\$0.50
Reopen a Previously Closed Account	\$25.00
Deposit Account Control Agreement	\$150.00 per month*
*DACA fee is discounted to \$100 for a \$5MM average monthly balance.	
ICS Manual Sweep Services	\$150.00 per month*

PUBLIC DISCLOSURE

November 27, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

TransPecos Banks, SSB Certificate
Number: 11178

112 East Pecan Street San
Antonio, Texas 782052

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

600 North Pearl Street, Suite 700
Dallas, Texas 75201

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The outstanding Community Development Test rating did not warrant a higher overall rating given the level of satisfactory performance under the Lending Test, thus supporting the overall Satisfactory rating.

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Outstanding.

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment areas 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

TransPecos Banks, SSB (TransPecos Bank), chartered in Pecos, Texas, is a full-service retail bank operating three banking offices in the rural area of west Texas between Midland and El Paso.

TransPecos Financial Corporation is a one-bank holding company that wholly owns TransPecos Bank. The bank has other affiliates and subsidiaries that do not offer credit products or services. The bank received a "Satisfactory" rating based on CRA Small Bank procedures at its previous January 22, 2018, Federal Reserve Bank evaluation.

TransPecos Bank maintains three full-service locations within the State of Texas, with its main branch located in Pecos, Texas. The bank also maintains an administrative office located in San Antonio, Texas. Since the prior evaluation, the bank made some changes to its office locations. Specifically, the bank relocated its Pecos and Alpine branches to different locations within the same city. Overall, the bank operates one branch in a moderate-income, one branch in a middle-income, and one branch in an upper-income census tract. Aside from the relocation of both the Pecos and Alpine branches, the bank did not open or close any other branches or participate in any mergers or acquisitions since the prior evaluation.

TransPecos Bank's lending strategy is comprised of three key components: 1) Commercial lending through relationship banking for small and mid-sized businesses, specifically targeting Texas while accepting nationwide businesses opportunities as well; 2) Home mortgage lending through the BankMD product, a specialized home mortgage product for newly graduated medical school residents across the State of Texas; and 3) Rural and government guaranteed lending through government-related programs that include the Bureau of Indian Affairs (BIA), United States Department of Agriculture (USDA), and Small Business Administration (SBA).

In addition to these key business lines, TransPecos Bank also offers traditional banking products and services to consumers and businesses within its assessment area and the broader state-wide area of Texas. Since the prior evaluation, the bank introduced a new loan product (Braustin Chattel) to meet specific agricultural needs of their market area. The bank provides a variety of deposit services including checking, savings, and money market deposit accounts. Other services include debit cards, drive-thru banking, automated teller machines (ATMs), online banking, and mobile banking.

As of June 30, 2023, the institution reported total assets of approximately \$629.7 million, total loans of \$456.1 million, net loans of \$452.6 million, and total deposits of \$512.2 million. Since the previous CRA evaluation, the bank's total assets increased substantially by 228.1 percent, net loans increased by 320.6 percent, and total deposits increased by 195.6 percent.

As seen in the following table, the mix of outstanding loans as of the June 30, 2023, Report of Income and Condition reflects a similar distribution to that shown for originated loans under the Scope of Evaluation. Commercial loans (Secured by Nonfarm Nonresidential Properties and Commercial and Industrial) represent the largest loan category of outstanding loans at 53.3 percent.

Loan Portfolio Distribution as of 06/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	31,792	7.0
Secured by Farmland	3,577	0.8
Secured by 1-4 Family Residential Properties	158,806	34.8
Secured by Multifamily (5 or more) Residential Properties	608	0.1
Secured by Nonfarm Nonresidential Properties	66,698	14.6
Total Real Estate Loans	261,481	57.3
Commercial and Industrial Loans	176,696	38.7
Agricultural Production and Other Loans to Farmers	4,142	0.9
Consumer Loans	12,078	2.6
Obligations of State and Political Subdivisions in the U.S.	2,400	0.5
Other Loans	97	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(752)	(0.1)
Total Loans	456,142	100.0
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0%.</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 area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas (AA) for which examiners will evaluate its CRA performance. The AA is comprised of two non-contiguous whole counties (Brewster and Reeves) which are both located in the Texas Non-Metropolitan Statistical Areas (Non-MSA). Consequently, the AA conforms to CRA regulatory requirements. Examiners combined these areas for this evaluation, given similar economic and demographic profiles of the Non-MSA area. The bank did not change its AA since the previous CRA evaluation.

Economic and Demographic Data

Using 2020 U.S. Census data, the Non-MSA AA encompasses seven tracts reflecting the following income designations: 0 low-, 4 moderate-, 1 middle-, and 2 upper-income census tracts. The demographic characteristics of the Non-MSA AA changed significantly during the review period as a result of updated U.S. Census data. Based on 2015 American Consumer Survey (ACS) data, the assessment area encompassed eight tracts reflecting the following income designations: 0 low, 2 moderate, 5 middle, and 1 upper-income census tracts. Both Brewster and Reeves include distressed and underserved middle-income census tracts during the review period. In addition, FEMA declared both Brewster and Reeves Counties federal disaster areas in relation to the COVID- 19 pandemic during 2020 and 2021.

The following table shows additional demographic and economic characteristics of the area.

Demographic Information of the Assessment Area Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	7	0.0	57.1	14.3	28.6	0.0
Population by Geography	24,294	0.0	47.3	13.3	39.5	0.0
Housing Units by Geography	10,202	0.0	41.5	18.6	39.9	0.0
Owner-Occupied Units by Geography	5,509	0.0	46.3	15.5	38.2	0.0
Occupied Rental Units by Geography	2,555	0.0	28.7	18.4	52.9	0.0
Vacant Units by Geography	2,138	0.0	44.7	26.8	28.5	0.0
Businesses by Geography	2,214	0.0	39.5	14.9	45.6	0.0
Farms by Geography	101	0.0	35.6	28.7	35.6	0.0
Family Distribution by Income Level	4,688	24.6	15.5	13.8	46.2	0.0
Household Distribution by Income Level	8,064	27.4	13.8	14.6	44.1	0.0
Median Family Income Non-MSAs - TX		\$61,785	Median Housing Value			\$136,415
Families Below Poverty Level		12.9%	Median Gross Rent			\$738
<i>Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Services industry represents the largest portion of the area's businesses at 32.0 percent, followed by Retail Trade at 13.1 percent and Transportation and Communication at 7.6 percent. In addition, Non-Classifiable Establishments represent 22.0 percent of the area businesses. The area's major employers include Sull Ross State University, Big Bend Regional Medical Center, U.S. Customs and Border Patrol, Endeavors Federal Migrant Camp, Reeves County and Pecos-Bartow- Toyah School District.

As illustrated in the table below and based on the U.S. Bureau of Labor Statistics data, since the previous evaluation, unemployment rates for the bank's AA, with the exception of Reeves County in 2021, remained at or lower than both the state and national averages.

Unemployment Rates Non-MSA AA					
Area	2019	2020	2021	2022	YTD 2023
	%	%	%	%	%
Brewster County	2.9	6.7	4.6	3.4	3.6
Reeves County	1.8	7.5	5.8	3.4	3.8
State of Texas	3.5	7.7	5.6	3.9	4.2
National Average	3.7	8.1	5.4	3.7	3.7
<i>Source: U.S. Bureau of Labor Statistics</i>					

Competition

The area contains a low level of competition from other chartered banks due to the area population, with 3 institutions operating 7 branches serving approximately 3,500 people on average inside the market. TransPecos Bank ranks second in market share by capturing 45.1 percent of the area's deposits based on the June 30, 2023, FDIC Deposit Market Share Report. The top two institutions

operate with 6 branches in the area and hold 97.8 percent of the deposits. The area does not contain other finance companies, credit unions, and mortgage companies.

Community Contact(s)

Examiners conducted a community contact interview with a community member knowledgeable of the area's economic, demographic, and housing environment to help assess the area's current economic conditions, community credit needs, and potential opportunities for bank involvement in the area. The contact represents an organization that serves the economic development needs of communities within the assessment area.

The contact noted that the area is experiencing steady growth; the local economy continues to be supported primarily by the oil and gas industry, which has done well in the past few years. As a result, the local area population has increased and is expected to continue growing through the next decade. The contact noted that home mortgage lending for new 1-4 family homes and home improvements is a growing need for the area. Permanent housing supply is low, forcing a large portion of the area workforce to commute from out of town, which restricts the area's ability to grow the local economy. Lastly, the contact indicated that local financial institutions have often outsourced credit operations to other areas in the state and that this practice has impaired their ability to meet the credit needs in the area.

Credit and Community Development Needs and Opportunities

Considering information obtained from the community contact, bank management, and demographic and economic data, examiners determined that the area's primary credit needs included home mortgage and small business lending.

With respect to the area's community development needs, demographic data showing that 57.1 percent of the area's census tracts received low- or moderate-income designations along with distressed/underserved middle-income tract designations and the federal disaster designations suggest a need for activities that revitalize or stabilize qualifying geographies. Demographic data also shows that 40.1 percent of the area's families reported low or moderate incomes, with 12.9 percent living below the poverty level, which suggests a need for activities that benefit projects or organizations that provide community development services targeted to these families.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated January 22, 2018, to the current evaluation dated November 27, 2023. Due to bank growth since the last evaluation, examiners will apply the Federal Financial Institutions Examination Council's (FFIEC) Intermediate Small Bank CRA Examination Procedures, which include the Lending Test and the Community Development Test, to evaluate performance.

Activities Reviewed

For the Lending Test, CRA Intermediate Small Bank procedures require examiners to determine the bank's major product lines from which to review. As an initial matter, examiners may select from among the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans.

The following table shows the bank's 2022 lending activity by loan category. The activity reflects a generally consistent pattern with the bank's lending emphasis since the last evaluation.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction, Land Development, and Other Land Loans	15,931	7.6	13	5.1
Secured by Farmland	0	0.0	0	0.0
Secured by 1-4 Family Residential Properties	66,071	31.5	115	44.9
Multifamily (5 or more) Residential Properties	0	0.0	0	0.0
Secured by Nonfarm Nonresidential Properties	12,968	6.2	10	3.9
Commercial and Industrial Loans	103,120	49.1	45	17.6
Agricultural Production and Other Loans to Farmers	7,439	3.5	7	2.7
Consumer Loans	4,489	2.1	66	25.8
Other Loans	0	0.0	0	0.0
Total Loans	210,018	100.0	256	100.0

Source: Bank Data (01/01/2022 - 12/31/2022)

Considering the dollar volume and number of loans originated, as well as management's stated business strategy, examiners determined that the bank's major product lines include commercial lending (Commercial & Industrial and Secured by Commercial Real Estate) at 55.3 percent of the dollar volume and home mortgage lending (1-4 Family and Multi-Family) at 31.5 percent of the dollar volume. Consumer lending accounts for 25.8 percent by number but only 2.7 percent of the dollar volume; this product does not represent a major product line. Similarly, as agricultural lending accounts for 3.5 percent of the total dollar volume, this product also does not represent a major product line. Therefore, as consumer and agricultural lending do not affect any conclusions or ratings, this evaluation does not discuss them.

The bank's lending emphasis and strategies remained the same throughout the evaluation period. However, due to the limited number of small business and home mortgage loans inside the assessment area, this evaluation presents information for both 2021 and 2022 to demonstrate the bank's Lending Test performance. Examiners placed more weight on the bank's small business lending based on the bank's lending emphasis in this product line.

Examiners reviewed all of the 42 small business loans originated in 2022 that totaled \$10.8 million to evaluate the bank's assessment area concentration performance. Examiners used all 9 small business loans totaling \$2.1 million originated inside the assessment area to evaluate the bank's geographic distribution and borrower profile components. For 2021, the bank originated 536 small business loans totaling \$29.0 million; examiners used all 536 small business loans to evaluate the bank's assessment area concentration performance. Examiners then reviewed all 37 small business loans totaling \$2.5 million originated inside the bank's assessment area to evaluate the bank's geographic distribution and borrower profile components. D&B data provided a standard comparison for small business loans.

In addition, examiners reviewed all of the 115 home mortgage loans originated in 2022 totaling \$66.1 million to evaluate the bank's assessment area concentration performance. Examiners then reviewed all 10 home mortgage loans totaling \$1.3 million originated inside the assessment area in the evaluation of the geographic distribution and borrower profile components. For 2021, the bank originated 133 home mortgage loans totaling \$45.8 million; examiners used all 133 home mortgage loans to evaluate the bank's assessment area concentration performance. Examiners then reviewed all 23 home mortgage loans totaling \$2.7 million originated inside the bank's assessment area to evaluate the geographic distribution and borrower profile components. Examiners utilized 2020 U.S. Census data and 2015 ACS Census data as a standard of comparison for 2022 and 2021 home mortgage loans, respectively.

The scope for the Community Development Test considers applicable current period community development activities, including community development loans, qualified investments, and community development services. Current period activities involve those generated since the previous January 22, 2018, evaluation. This test further encompasses all prior period qualified investments. Prior period qualified investments involve those purchased prior to the previous evaluation but remain outstanding as of this evaluation. Examiners use the book value as of the current evaluation date for all prior period qualified investments.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

TransPecos Bank demonstrated a satisfactory Lending Test record in the Non-MSA AA. Reasonable geographic distribution and borrower profile performance records lifted the substantial majority of loans outside the AA to support this conclusion. The bank also exhibited reasonable performance regarding the loan-to-deposit ratio.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio, calculated from Report of Condition and Income data, averaged 89.9 percent over the past 21 quarters, higher than the average net LTD ratio of 70.1 percent at the previous evaluation. The bank's quarterly net LTD ratios ranged from a low of 63.5 percent on December 31, 2018, to a high of 142.0 percent on January 31, 2021. The net LTD ratio experienced a varied trend throughout the evaluation period.

As evidenced in the table below, examiners identified three similarly situated institutions operating in or near the bank's AA, based on similar products, services, asset size, and location. TransPecos Bank's ratio ranks second among all ratios of similarly situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/2023 (000s)	Average Net LTD Ratio (%)
TransPecos Banks, SSB, Pecos, Texas	629,701	89.9
Southwest Bank, Odessa, Texas	665,543	77.3
Pecos City Bank, Fort Stockton, Texas	323,847	37.2
Bank of Texas, Midland, Texas	571,324	101.9
<i>Source: Reports of Condition and Income 03/31/2018 - 06/30/2023</i>		

Assessment Area Concentration

A substantial majority of loans and other lending related activities are outside the institution's AA. A substantial majority of small business and home mortgage loans originated outside the AA during the review period supports this conclusion. Examiners considered the bank's asset size, office structure, and loan products relative to the AA's size and credit needs.

The following table shows that, for small business and home mortgage loans by the percentages of the number and dollar volume, the bank granted a substantial majority outside the AA in both 2021 and 2022. Examiners considered how geographic location, beyond the activity being within the State of Texas, is not a primary factor in the bank's emphasis on small business and home mortgage lending products. Further, TransPecos Bank was a very active participant in the Small Business Administration's Paycheck Protection Program (PPP) during 2020 and 2021, and facilitated a high volume of PPP loans from customers across the State of Texas. Given the change in the bank's business strategy since the prior evaluation, this factor did not affect the overall performance rating for the institution. Despite the performance context considerations, however, a substantial majority of loans and other lending related activities are outside the institution's AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2022	10	8.7	105	91.3	115	1,322	2.0	64,749	98.0	66,071
2021	23	17.3	110	82.7	133	2,658	5.8	43,139	94.2	45,797
Subtotal	33	13.3	215	86.7	248	3,980	3.6	107,888	96.4	111,868
Small Business										

2022	9	21.4	33	78.6	42	2,133	19.7	8,675	80.3	10,808
2021	37	6.9	499	93.1	536	2,461	8.5	26,577	91.5	29,038
Subtotal	46	8.0	532	92.0	578	4,594	11.5	35,252	88.5	39,846
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Non-MSA AA. Reasonable records of small business and home mortgage lending performance support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the Non-MSA AA. Reasonable performance within moderate-income census tracts supports this conclusion. As the AA does not include any low-income geographies during the review period, examiners focused on the bank's number of loans granted in moderate-income geographies relative to D&B data when arriving at this conclusion.

The following tables reflect the bank's geographic distribution of small business loans for 2022 and 2021. In 2022, the bank's level of small business lending in moderate-income census tracts falls 28.4 percentage points below the percentage of businesses, reflective of poor performance. In 2021, the bank's level of small business loans in moderate-income census tracts is 8.8 percentage points higher than the percent of businesses, reflecting reasonable performance. However, examiners noted that the percentage of businesses in moderate-income census tracts changed significantly from the 2015 ACS to the 2020 U.S. Census. This is primarily due to changes in the categorization of census tract income levels, as there are now four moderate-income census tracts as of the 2020 U.S. Census in the Non-MSA AA. In light of these performance context considerations, the geographic distribution of small business loans reflects reasonable dispersion throughout the Non-MSA AA.

Geographic Distribution of 2022 Small Business Loans Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	39.5	1	11.1	575	27.0
Middle	14.9	5	55.6	1,373	64.4
Upper	45.6	3	33.3	185	8.7
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	9	100.0	2,133	100.0
<i>Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Geographic Distribution of 2021 Small Business Loans Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	15.5	9	24.3	908	36.9
Middle	66.6	26	70.3	1,349	54.8
Upper	18.0	2	5.4	204	8.3
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	37	100.0	2,461	100.0

Source: 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Non-MSA AA. Reasonable performance within moderate-income census tracts supports this conclusion. As the AA does not include any low-income geographies during the review period, examiners focused on the bank's number of loans granted in moderate-income geographies relative to demographic data when arriving at this conclusion.

The following tables reflect the bank's geographic distribution of home mortgage loans for 2022 and 2021. In 2022, the bank's level of home mortgage lending in moderate-income census tracts falls 16.3 percentage points below the percentage of owner-occupied housing units, reflective of poor performance. In 2021, the level of home mortgage loans is 3.0 percentage points lower than the percent of owner-occupied housing units in moderate-income tracts, reflective of reasonable performance. However, examiners noted that the percentage of owner-occupied housing units in moderate-income census tracts changed significantly from the 2015 ACS to the 2020 U.S. Census. This is primarily due to changes in the categorization of tract income levels, as there are now four moderate-income census tracts as of the 2020 U.S. Census in the Non-MSA AA. In light of these performance context considerations, the geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Non-MSA AA.

Geographic Distribution of 2022 Home Mortgage Loans Non-MSA AA					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	46.3	3	30.0	351	26.5
Middle	15.5	2	20.0	416	31.5
Upper	38.2	5	50.0	555	42.0
Not Available	0.0	0	0.0	0	0.0
Total	100.0	10	100.0	1,322	100.0

Source: 2020 U.S. Census, Bank Data. Due to rounding, totals may not equal 100.0%.

Geographic Distribution of 2021 Home Mortgage Loans Non-MSA AA					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	16.6	3	13.0	276	10.4

Middle	63.5	19	82.6	2,364	88.9
Upper	19.9	1	4.3	18	0.7
Not Available	0.0	0	0.0	0	0.0
Total	100.0	23	100.0	2,658	100.0
<i>Source: 2015 ACS, Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the Non-MSA AA, reasonable penetration among businesses of different sizes and individuals of different income levels (including low- and moderate-income). Reasonable performance regarding small business lending outweighed excellent performance regarding home mortgage lending to support this conclusion. Examiners placed more weight on small business lending in forming the overall conclusion.

Small Business Loans

The distribution of borrowers reflects, given the demographics of the Non-MSA AA, reasonable penetration among businesses of different sizes. A reasonable record to businesses with gross annual revenues (GAR) of \$1 million or less primarily supports this conclusion. The companies' gross annual revenues define the borrowers' profiles for this analysis.

The distribution of small business loans based on the borrowers' profiles reflects a reasonable record. The following table shows that the bank originated over three-fourths of its small business loans to businesses with GARs of \$1 million or less in 2022. While the bank's performance falls below D&B data by 6.4 percentage points, the bank's overall level reflects reasonable performance.

Distribution of 2022 Small Business Loans by Gross Annual Revenues Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	59.9	3	33.3	708	33.2
\$100,000 - \$249,999	17.3	2	22.2	240	11.3
\$250,000 - \$499,999	4.4	0	0.0	0	0.0
\$500,000 - \$1,000,000	2.6	2	22.2	142	6.7
Subtotal <= \$1,000,000	84.2	7	77.8	1,090	51.1
>\$1,000,000	2.3	2	22.2	1,043	48.9
Revenue Not Available	13.5	0	0.0	0	0.0
Total	100.0	9	100.0	2,133	100.0
<i>Source: 2022 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

The following table reflects the bank's 2021 small business loan performance. While the bank's performance trails the percentage of businesses with GARs of \$1 million or less by 37.1 percentage points, examiners considered the impact of 17 PPP loans where the bank did not obtain revenue information. After removing these loans from the analysis, the bank's distribution of small business loans to businesses with GARs of \$1 million or less is 80.0 percent, which is in line with the percentage of businesses that reported GARs of \$1 million or less. Considering this performance context information, the distribution of small business loans based on the borrowers' profiles reflects a reasonable record.

Distribution of 2021 Small Business Loans by Gross Annual Revenues Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	50.1	5	13.5	349	14.2
\$100,000 - \$249,999	21.5	3	8.1	65	2.7
\$250,000 - \$499,999	5.4	3	8.1	306	12.4
\$500,000 - \$1,000,000	3.3	5	13.5	184	7.5
Subtotal <= \$1,000,000	80.3	16	43.2	904	36.7
>\$1,000,000	3.1	4	10.8	851	34.6
Revenue Not Available	16.6	17	45.9	706	28.7
Total	100.0	37	100.0	2,461	100.0

Source: 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

The distribution of borrowers reflects, given the demographics of the Non-MSA AA, excellent penetration among individuals of different income levels (including low- and moderate-income). Excellent penetration among low-income individuals primarily supports this conclusion.

For low-income borrowers, the bank's distribution is reflective of excellent performance. The following tables show that the bank originated a clear majority of home mortgage loans by number to low-income borrowers, exceeding the percentage of low-income families by 75.4 percentage points in 2022. The bank's home mortgage lending to low-income borrowers is consistent in 2021, as the bank's levels exceed the demographic by 57.9 percentage points.

For moderate-income borrowers, the bank did not make any home mortgage loans to moderate-income borrowers in either year. However, as noted, examiners considered that the bank made all or nearly all of its home mortgage loans to low-income borrowers. Overall, the distribution of borrowers among individuals of different income levels reflects excellent performance.

Distribution of 2022 Home Mortgage Loans by Borrower Income Level Non-MSA AA					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	24.6	10	100.0	1,322	100.0
Moderate	15.5	0	0.0	0	0.0
Middle	13.8	0	0.0	0	0.0
Upper	46.2	0	0.0	0	0.0
Income Not Available	0.0	0	0.0	0	0.0
Total	100.0	10	100.0	1,322	100.0

Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%.

Distribution of 2021 Home Mortgage Loans by Borrower Income Level Non-MSA AA					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	20.4	18	78.3	2,033	76.5
Moderate	17.0	0	0.0	0	0.0
Middle	19.4	2	8.7	273	10.3
Upper	43.2	3	13.0	352	13.3
Income Not Available	0.0	0	0.0	0	0.0
Total	100.0	23	100.0	2,658	100.0

Source: 2015 ACS; 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

The institution's community development performance demonstrates excellent responsiveness to community development needs in its AA 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 AA.

Community Development Loans

The following table shows that, since the last evaluation, the bank granted 401 community development loans totaling \$38.9 million. This level equates to 10.7 percent of average total assets of \$364.9 million and 14.7 percent of average net loans of \$263.9 million since the last evaluation. The community development loans include 376 PPP loans totaling \$14.1 million. The bank also

made an additional 106 PPP loans totaling \$4.9 million in 2021 that examiners evaluated under the Lending Test instead of the Community Development Test.

The following table illustrates the bank's community development loans by purpose and year. As shown, 98.5 percent of the community development loans by number and 73.3 percent by dollar benefitted revitalization and stabilization efforts within the AA and the broader statewide area. This demonstrates the bank's responsiveness to an identified CD need in the AA.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	3	392	0	0	3	897	6	1,289
2019	0	0	0	0	0	0	3	739	3	739
2020	0	0	2	4,500	1	5,500	382	23,284	385	33,284
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	0	0	0	0	7	3,603	7	3,603
Total	0	0	5	4,892	1	5,500	395	28,523	401	38,915

Source: Bank Data

The community development loans benefitted the following areas:

- Non-MSA AA – 24 loans totaling \$4.9 million
- Broader Statewide – 377 loans totaling \$34.0 million

The following points provide examples of the bank's CD lending.

- **Affordable Housing:** In 2022, the bank originated one loan totaling approximately \$8.8 million to finance the construction and rehabilitation of a multi-use residential and retail building in a low-income census tract of Wichita Falls, Texas. Over half of the rentals units will be priced to target low- to moderate-income tenants, thus supporting affordable housing needs of the broader statewide area.
- **Revitalization/Stabilization:** In 2020, the bank originated 376 PPP loans totaling \$14.1 million to various small businesses. These loans provided stabilization for existing businesses, allowing them to retain jobs during the COVID-19 pandemic.

Qualified Investments

The following table shows that the bank made 35 qualified investments totaling \$48.7 million, which includes 12 qualified investments totaling \$54,000 made within the Non-MSA AA. The bank's overall level of qualified investments equates to 13.3 percent of average total assets of \$364.9 million and 158.5 percent of average total securities of \$30.7 million since the last evaluation.

The following table illustrates the bank’s qualified investments that benefited areas within the AA and in the broader statewide area. As shown, 87.5 percent of the qualified investments by number benefitted community services and 45.5 percent by dollar benefitted revitalization and stabilization efforts within the AA and the broader statewide area. This demonstrates the bank’s responsiveness to identified CD needs in the AA.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA	0	0	12	54	0	0	0	0	12	54
Statewide Activities	0	0	23	107	3	26,380	2	22,114	28	48,601
Total	0	0	35	161	3	26,380	2	22,114	40	48,655

Source: Bank Data

The following points provide examples of the bank’s qualified investments.

- **Community Services:** The bank provided educational grants and donations totaling \$54,000 to two school districts where the majority of students come from low-income families based upon the percentage of students receiving free or reduced price lunches. These activities address the educational needs of low- and moderate-income children within the bank’s assessment area.
- **Revitalization/Stabilization:** The bank granted a \$12.1 million dollar investment to revitalize a historic building located in a low-income tract of downtown San Antonio, Texas. The investment will help retain and attract local businesses and residents that reside in the building, supporting the revitalization and stabilization of a low-income area in the broader statewide area.

Community Development Services

The following table shows that the bank provided 29 community development services since the prior evaluation, which on average equates to 1.7 community development services per office per year. The majority of service hours supported the provision of community services targeted to low- and moderate-income individuals and families, an identified community development need for the bank’s AA. Although not particularly innovative, the community development services are responsive to the needs of the AA.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	4	0	0	4
2019	0	3	0	0	3
2020	1	5	1	0	7
2021	1	5	1	0	7
2022	1	4	1	0	6
YTD 2023	0	2	0	0	2
Total	3	23	3	0	29
<i>Source: Bank Data</i>					

All of the bank's community development services benefitted the bank's Non-MSA AA. The following points provide examples of the bank's community development services.

- **Community Service:** Two bank employees serve as Board members, utilizing their financial expertise, to assist school districts where the majority of students come from low-income families based upon the percentage of students receiving free or reduced price lunches within the bank's AA.
- **Affordable Housing:** One bank employee serves on the advising committee for a local government entity that manages public housing and administers housing assistance programs for low-income individuals.

As noted previously, the bank operates three total branches within the AA, each with an ATM: one branch in a moderate-income, one branch in a middle-income, and one branch in an upper-income census tract. In addition to its branches and ATMs, the bank provides other alternative banking services, such as free 24-hour telephone banking, internet banking, mobile banking, bill pay, remote deposit capture, and night depository services.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDICES

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.