

# **PUBLIC DISCLOSURE**

June 3, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Yampa Valley Bank  
Certificate Number: 35407

600 South Lincoln Avenue  
Steamboat Springs, Colorado 80487

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 Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area’s credit needs.
- A majority of loans are inside the institution’s assessment area.
- The assessment area does not include any low- and moderate-income geographies, and a review of the geographic distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any Community Reinvestment Act (CRA) related complaints since the previous evaluation; therefore, this criterion 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 the 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

Yampa Valley Bank’s operations continue from its headquarters in Steamboat Springs, Colorado. Routt County Bancorporation, a one-institution holding company, located in Steamboat Springs, Colorado, wholly owns Yampa Valley Bank. This CRA evaluation does not consider any affiliate activities, since there are no relevant new or existing affiliates or subsidiaries. The institution received a “Satisfactory” CRA rating based on Small Institution Examination procedures at its previous FDIC Performance Evaluation dated June 14, 2021.

The institution’s full-service main office is located in Steamboat Springs, Colorado, and the branch office is located in Craig, Colorado. The institution did not open or close any office locations during the evaluation period. Lastly, the institution did not participate in any merger or acquisition activity during the evaluation period.

Yampa Valley Bank offers a variety of loan products including commercial, home mortgage, construction, agricultural, and consumer loans, primarily focusing on commercial lending. In addition, the institution offers a variety of deposit products and services including checking, money market, savings, certificates of deposit, individual retirement, and health savings accounts. Since the prior evaluation, the institution introduced its BankOn checking account to reach unbanked customers. Alternative delivery systems include telephone banking, online banking with bill pay, mobile banking, remote deposit capture, debit cards, and two institution-owned deposit-taking automated teller machines at the main and branch office locations and an off-site automated teller machine located at the Steamboat Resort. Operating hours are characteristic for the community served with extended drive-up hours available at the main and branch office locations.

As of March 31, 2024, Yampa Valley Bank reported total assets of \$611.0 million, total loans of \$440.8 million, and total deposits of \$564.1 million. Since the prior evaluation, assets, loans, and deposits increased 26.5 percent, 41.3 percent, and 31.2 percent, respectively.

The following table reflects the loan mix by dollar volume as of March 31, 2024. Examiners determined the institution’s primarily loan products are commercial and home mortgage lending.

<b>Loan Portfolio Distribution as of 03/31/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	86,423	19.6
Secured by Farmland	28,372	6.4
Secured by 1-4 Family Residential Properties	142,146	32.2
Secured by Multifamily (5 or more) Residential Properties	13,255	3.0
Secured by Nonfarm Nonresidential Properties	125,868	28.6
<b>Total Real Estate Loans</b>	<b>396,064</b>	<b>89.8</b>
Commercial and Industrial Loans	25,919	6.0
Agricultural Production and Other Loans to Farmers	8,725	2.0
Consumer Loans	5,407	1.2
Obligations of State and Political Subdivisions in the U.S.	5,829	1.3
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	1,132	0.3
<b>Total Loans</b>	<b>440,812</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income.</i>		

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

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Yampa Valley Bank designated one Non-Metropolitan Statistical Area (Non-MSA) assessment area in the State of Colorado. The assessment area encompasses the whole counties of Moffat, Rio Blanco, and Routt in northwestern Colorado. The institution’s assessment area comprises 16 total census tracts with the following income designations, according to 2020 U.S. Census Data: 7 middle- and 9 upper-income census tracts. Although the assessment area did not change since the prior evaluation, changes in demographic data based on 2020 U.S. Census Data increased the overall number of census tracts. In Rio Blanco County, one census tract received an underserved designation in 2021, while two census tracts were considered underserved in 2022 and 2023.

### Economic and Demographic Data

The following table illustrates select demographic, housing, and business information for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	16	0.0	0.0	43.8	56.3	0.0
Population by Geography	44,650	0.0	0.0	45.5	54.5	0.0
Housing Units by Geography	26,519	0.0	0.0	41.3	58.7	0.0
Owner-Occupied Units by Geography	12,733	0.0	0.0	42.9	57.1	0.0
Occupied Rental Units by Geography	5,098	0.0	0.0	50.3	49.7	0.0
Vacant Units by Geography	8,688	0.0	0.0	33.7	66.3	0.0
Businesses by Geography	11,515	0.0	0.0	31.1	68.9	0.0
Farms by Geography	555	0.0	0.0	47.2	52.8	0.0
Family Distribution by Income Level	11,330	19.1	12.4	20.1	48.4	0.0
Household Distribution by Income Level	17,831	20.8	13.8	17.6	47.9	0.0
Median Family Income Non-MSAs-CO		\$72,390	Median Housing Value			\$442,439
			Median Gross Rent			\$1,008
			Families Below Poverty Level			9.5%

*Source: 2020 U.S. Census and 2023 D&B Data. Due to rounding, totals may not equal 100 percent. (\*) The NA category consists of geographies that have not been assigned an income classification.*

According, to the Colorado Office of Economic Development and International Trade, all of Moffat, Rio Blanco, and Routt counties are designated as Enterprise Zone areas. The state of Colorado legislature created the Enterprise Zone Program to encourage development in economically distressed areas of the state. The state’s 16 designated enterprise zones have high unemployment rates, low per capita income, or slow population growth.

Data from Colorado Office of Economic Development and International Trade also noted the following largest employers in the assessment area: Pioneer’s Medical Center, Tri-State Generation and Transmission, Steamboat Ski and Resort Association, and Colorado Mountain College. The major industries in the assessment area include Health and Wellness, Outdoor Recreation, Tourism, and Energy and Natural Resources.

According to 2023 D&B data, the number of businesses significantly increased in the assessment area by 5,656 compared to the 2020 D&B data noted in the prior CRA Public Evaluation.

The following table reflects annual unemployment rates during the evaluation period for each county that comprises the institution’s assessment area, the State of Colorado, and the nationwide average, according to the Bureau of Labor Statistics. The unemployment rates for each county that comprise the assessment area, the State of Colorado, and the National average reflect a downward trend during the evaluation period.

<b>Annual Unemployment Rates</b>			
<b>Area</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Moffat County, CO	5.2	3.2	3.2
Rio Blanco County, CO	6.0	3.8	3.3
Routt County, CO	4.6	2.6	2.5
State of Colorado	5.5	3.1	3.2
National Average	5.3	3.6	3.6

*Source: Bureau of Labor Statistics*

Examiners utilized the 2023 Federal Financial Institution Examination Council (FFIEC) median family income level to analyze home mortgage loans under the borrower profile criterion. The following table presents the income categories based on the 2023 FFIEC updated median family income for the Non-MSA of Colorado.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>CO NA Median Family Income (99999)</b>				
2023 (\$90,900)	<\$45,450	\$45,450 to <\$72,720	\$72,720 to <\$109,080	≥\$109,080

*Source: FFIEC.*

As of May of 2024, Realtor.com reveals the median list prices for homes in the assessment area have increased during the evaluation period. Specifically, in Routt County the median list price of homes increased 32.0 percent year-over-year to \$1.4 million. In Moffat County, the median list price of homes increased 22.3 percent year-over-year to \$400 thousand. For Rio Blanco County, the median list price of homes trended up 8.2 percent year-over-year to \$395 thousand.

The Federal Emergency Management Agency (FEMA) issued a disaster declaration on March 28, 2020, which ran through May 11, 2023, affecting the assessment area due to the Coronavirus Disease 2019 (COVID-19) pandemic.

### **Competition**

The assessment area hosts financial services market with a low level of competition. According to FDIC Deposit Market Share Data as of June 30, 2023, eight financial institutions operate 16 full-service branches within the assessment area. Of these institutions, Yampa Valley Bank ranks first with a 28.8 percent deposit market share.

### **Community Contact**

As part of the evaluation process, examiners obtain information from third parties knowledgeable of the assessment area to assist in identifying the credit and community development needs of the area. This information not only helps in identifying credit and community development needs and opportunities, but also assists in determining whether local financial institutions are responsive to those needs.

Examiners contacted an economic development organization serving the assessment area. The organization's efforts for the area encompasses business retention and expansion; economic and community diversification; building effective local and regional partnerships; participating in regional transportation; industry diversification; and housing initiatives. The contact noted mining, quarrying, and oil & gas extraction industries are a significant part of the local economy. However, the closing of coal-fired power stations are causing economic uncertainty for the local population. The contact mentioned a primary credit need for the area is commercial funding, specifically, for start-up businesses to have access to capital. In addition, the contact mentioned a housing shortage hinders growth in the area. Affordable housing in the area is a community need with a significant influx of retirees and migrants, lack of downsizing options for housing, and rising inventory prices in the housing market. The contact noted that local financial institutions are formally and informally participating in activities with community organizations. Overall, the contact feels local financial institutions performance to meet the community needs is adequate, given the remoteness of the area.

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

Information from the community contact along with demographic and economic information confirm that commercial and home mortgage lending represent primary credit needs of the area. Although the assessment area does not contain low- or moderate-income census tracts, demographic data shows that 31.5 percent of the area's families reported low- or moderate-incomes, which suggests a community development need for activities that provide community services to these families. Additionally, while the rural nature of the area presents challenges and limitations to lending, community contact comments suggest a high demand for commercial lending and affordable housing. Lastly, economic development, revitalization and stabilization opportunities exist in designated Enterprise Zones.

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the prior evaluation dated June 14, 2021, to the current evaluation dated June 3, 2024. Examiners applied the Intermediate Small Institution procedures to evaluate Yampa Valley Bank’s performance. These procedures include two tests: the Lending Test and the Community Development Test. The appendix lists each tests’ criteria. In accordance with the Intermediate Small Institution procedures, examiners conducted a full-scope review on the assessment area to evaluate performance.

### Activities Reviewed

Intermediate Small Institution procedures require examiners to determine the institution’s major product lines from which to review. Examiners may select from the same loan categories used for Large Bank evaluations: home mortgage, small business, small farm, and consumer loans.

The following table shows the institution’s lending activity for 2023.

<b>Loans Originated or Purchased</b>				
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Construction and Land Development	62,011	30.5	77	11.3
Secured by Farmland	14,144	7.0	22	3.2
Secured by 1-4 Family Residential Properties	57,902	28.5	167	24.4
Multi-Family (5 or more) Residential Properties	3,003	1.5	3	0.4
Commercial Real Estate Loans	38,896	19.1	44	6.4
Commercial and Industrial Loans	19,530	9.6	145	21.2
Agricultural Loans	5,593	2.8	62	9.1
Consumer Loans	2,055	1.0	164	24.0
Other Loans	0	0.0	0.0	0.0
<b>Total Loans</b>	<b>203,134</b>	<b>100.0</b>	<b>684</b>	<b>100.0</b>
<i>Source: Bank Data 1/1/2023 - 12/31/2023 (includes renewals and paid-off loans in 2023 calendar year). Due to rounding, totals may not equal 100.0 percent.</i>				

Considering the institution’s business strategy, loan composition, and number and dollar volume of loans originated during the evaluation period, examiners determined commercial lending represents the institution’s primary lending focus, followed by home mortgage lending. Therefore, examiners reviewed the institution’s small business and home mortgage lending activity to evaluate performance. Agricultural and consumer loans do not represent major product lines and would not provide meaningful analysis or materially affect any ratings or conclusions. As a result, this evaluation does not include a review of small farm or consumer loans. The institution’s records indicate overall lending increased since the previous evaluation; however, lending focus and product mix remained consistent.

With the data being readily available, examiners analyzed the full universe of 151 small business loans totaling \$26.1 million originated or purchased in 2023, the most recent calendar, and used 2023 D&B data to serve as the standard of comparison for small business loans. Examiners also

analyzed the full universe of 51 home mortgage loans totaling \$19.4 million originated or purchased in 2023, and used 2020 U.S. Census Data demographics to serve as the standard of comparison for home mortgage loans.

Examiners considered the universe of loan categories when determining loan product weighting. The following table shows that small business loans represent the majority by number and dollar of the loan categories reviewed for this evaluation. While this evaluation presents both the number and dollar volume of loans, examiners emphasize performance by number of loans because the number of loans better indicates the number of businesses and individuals served. Given management’s business strategy of emphasizing commercial lending coupled with examiners placing emphasis on the number of loans to evaluate performance, small business loans received more weight when drawing conclusions.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Business	151	26,052	151	26,052
Home Mortgage	51	19,390	51	19,390

*Source: Bank Data.*

For the Community Development Test, the institution’s management provided data on community development loans, qualified investments, and community development services since the previous CRA evaluation. Examiners evaluated the community development activity quantitatively based on the financial capacity of the institution as well as qualitatively based on the ability and capacity to meet assessment area needs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Yampa Valley Bank demonstrated satisfactory performance under the Lending Test. Reasonable records regarding the loan-to-deposit ratio and borrower profile as well as a majority of loans originated inside the assessment area support this conclusion.

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

Yampa Valley Bank’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area’s credit needs. The average net loan-to-deposit ratio over the last 12 calendar quarters since the previous evaluation averaged 70.3 percent, decreasing from the 87.2 percent reflected at the prior evaluation. The ratio fluctuated throughout the evaluation period, ranging from a low of 65.0 percent as of March 31, 2022, to a high of 77.0 percent as of March 31, 2024.

Yampa Valley Bank reported an average net loan-to-deposit ratio that reflects similar performance to similarly situated institutions, as shown in the following table. Examiners selected similarly

situated institutions based on their asset size, geographic location, and lending focus.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Institutions</b>	<b>Total Assets as of 3/31/2024 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Yampa Valley Bank, Steamboat Springs, Colorado</b>	<b>611,005</b>	<b>70.3</b>
Mountain Valley Bank, Walden, Colorado	543,546	71.4
Timberline Bank, Grand Junction, Colorado	741,619	77.0

*Source: Reports of Condition and Income 6/30/2021 – 3/31/2024.*

### **Assessment Area Concentration**

The following table shows that Yampa Valley Bank originated a majority of small business and home mortgage loans, by number and dollar volume, inside the institution’s assessment area.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollars Amount of Loans</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	
Small Business	134	88.7	17	11.3	151	24,168	92.8	1,884	7.2	26,052
Home Mortgage	40	78.4	11	21.6	51	13,449	69.4	5,941	30.6	19,390

*Source: 2023 Bank Data. Due to rounding, totals may not equal 100.0 percent.*

### **Geographic Distribution**

The assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels. Examiners focused on lending to businesses with gross annual revenues of \$1 million or less and low- and moderate-income individuals when arriving at this conclusion. This factor only considers loans granted inside the institution’s assessment area.

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

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. Reasonable performance to businesses with gross annual revenue of \$1 million or less supports this conclusion. The following table shows the institution originated more than seven out of every ten small business loans to businesses with gross annual revenue of \$1 million or less, reflecting reasonable performance.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	91.3	101	75.4	15,324	63.4
>\$1,000,000	1.9	33	24.6	8,844	36.6
Revenue Not Available	6.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>134</b>	<b>100.0</b>	<b>24,168</b>	<b>100.0</b>

*Source: 2023 D&B Data; 2023 Bank Data. Due to rounding, totals may not equal 100.0 percent.*

### ***Home Mortgage Loans***

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. As noted in the following table, the institution’s lending level falls 11.6 percentage points below comparable demographic data to low-income families. Considering the high cost of housing for this area as well as the higher median family income relative to the statewide non-metropolitan median family income, the institution’s performance is considered reasonable to low-income borrowers. The institution’s level of lending to moderate-income borrowers falls 2.4 percentage points below comparable demographic data, reflecting reasonable performance.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	19.1	3	7.5	230	1.7
Moderate	12.4	4	10.0	210	1.6
Middle	20.1	9	22.5	873	6.5
Upper	48.4	24	60.0	12,136	90.2
Not Available	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>13,449</b>	<b>100.0</b>

*Source: 2020 U.S. Census; 2023 Bank Data. Due to rounding, totals may not equal 100.0 percent.*

### **Response to Complaints**

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

### **COMMUNITY DEVELOPMENT TEST**

Yampa Valley Bank demonstrated excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and services, as

appropriate, considering the institution’s capacity and the need and availability of opportunities for community development in the institution’s assessment area.

### **Community Development Loans**

Yampa Valley Bank originated 46 community development loans totaling \$52.7 million during the evaluation period. This dollar amount equates to 9.4 percent of average total assets of \$557.6 million since the previous evaluation and 14.6 percent of average net loans of \$360.8 million for the same period. Of the 46 total community development loans origination, 39 community development loans totaling \$30.2 million benefitted the institution’s assessment area.

The excellent volume of community development loans also prove provide to be highly responsive to the institution’s assessment area needs considering the institution addressed a broad range of identified needs. A majority of community development lending supported economic development followed by affordable housing which are significant needs in the assessment area. The following tables illustrate the institution’s community development loans by assessment area, purpose and year.

<b>Community Development Lending by Assessment Area</b>										
<b>Assessment Area (AA)</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
AA	8	6,127	1	20	29	17,706	1	6,297	<b>39</b>	<b>30,150</b>
Statewide Activities	0	0	0	0	4	17,870	0	0	<b>4</b>	<b>17,870</b>
Regional Activities	0	0	0	0	3	4,643	0	0	<b>3</b>	<b>4,643</b>
<b>Total</b>	<b>8</b>	<b>6,127</b>	<b>1</b>	<b>20</b>	<b>36</b>	<b>40,219</b>	<b>1</b>	<b>6,297</b>	<b>46</b>	<b>52,663</b>

*Source: Bank Data.*

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2021*	2	2,750	0	0	8	4,813	0	0	<b>10</b>	<b>7,563</b>
2022	4	2,077	0	0	14	14,618	1	6,297	<b>19</b>	<b>22,992</b>
2023	1	300	1	20	14	20,788	0	0	<b>16</b>	<b>21,108</b>
2024 YTD	1	1,000	0	0	0	0	0	0	<b>1</b>	<b>1,000</b>
<b>Total</b>	<b>8</b>	<b>6,127</b>	<b>1</b>	<b>20</b>	<b>36</b>	<b>40,219</b>	<b>1</b>	<b>6,297</b>	<b>46</b>	<b>52,663</b>

*Source: Bank Data.; \*since June 2021*

The following are examples of notable community development lending activities in the assessment area:

- **Revitalize and Stabilize** – The institution originated a loan totaling \$6.3 million to finance the construction to rehabilitate a community-wide water waste facility located in an enterprise zone. The rehabilitation of the community-wide water waste facility will continue

to provide water treatment services to approximately 401 single family resident homes and sewer services to 90 homes on individual wells- and sewer -vaults in the community, thereby aiding to attract and retain new and existing residents to the area.

- **Economic Development** – The institution originated a loan through the Small Business Association program to a local entity to purchase commercial real estate to construct their facility. The proceeds of this loan meets the purpose of economic development by assisting in permanent job creation and retention, and provides additional jobs for low- and moderate-income families.

**Qualified Investments**

During the evaluation period, the institution made use of 62 qualified investments in the forms of investment bonds and donations reflecting a combined total of \$7.9 million. This total dollar amount of qualified investments equates to 1.4 percent of average total assets and 4.9 percent of average total securities for the same time period. Of the 62 qualified investments, 60 qualified investments totaling \$6.3 million benefitted the institution’s assessment area.

The volume of qualified investments by the institution adequately addresses the community development needs of the assessment area which includes one qualified investment benefitting the regional area. The institution proved adequately responsive to community development needs, as majority of the qualified investments supports community service followed by affordable housing needs. The following table reflects the number and dollar volume of qualified investments by community development purpose and assessment area.

Qualified Investments by Assessment Area										
Assessment Area (AA)	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
AA	3	6,157	48	141	9	9	0	0	60	6,307
Statewide Activities	0	0	0	0	0	0	0	0	0	0
Regional Activities	1	1,541	1	10	0	0	0	0	2	1,551
<b>Total</b>	<b>4</b>	<b>7,698</b>	<b>49</b>	<b>151</b>	<b>9</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>62</b>	<b>7,858</b>

*Source: Bank Data.*

The following is a notable example of qualified investment activity in the assessment area.

- **Affordable Housing** - The institution purchased three bonds totaling \$6.2 million in a state-sponsor organization whose mission is to strengthen the state of Colorado by investing in affordable housing and community development. More specifically, this state-sponsor organization finances single-family mortgages and supports development of apartments for low- and moderate- income residences.

**Community Development Services**

During the evaluation period, the institution’s employees provided 39 community development services to 12 different organizations, including one organization that provides regional service activities. The institution’s level of community development services reflect excellent responsiveness to identified assessment area needs, particularly, with respect to qualitative considerations and performance context. The community development services addressed a variety of community development purposes, but primarily focused on community service.

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

<b>Community Development Services by Assessment Area</b>					
<b>Assessment Area (AA)</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
AA	4	30	4	0	<b>38</b>
Statewide Activities	0	0	0	0	<b>0</b>
Regional Activities	0	0	1	0	<b>1</b>
<b>Total</b>	<b>4</b>	<b>30</b>	<b>5</b>	<b>0</b>	<b>39</b>

*Source: Bank Data.*

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2021 (since June 2021)	1	6	1	0	<b>8</b>
2022	1	7	1	0	<b>9</b>
2023	1	8	1	0	<b>10</b>
2024 YTD	1	9	2	0	<b>12</b>
<b>Total</b>	<b>4</b>	<b>30</b>	<b>5</b>	<b>0</b>	<b>39</b>

*Source: Bank Data.*

The following lists a notable example of the institution’s community development services.

- **Community Service-** An institution employee provides their financial expertise by serving as treasurer for a local youth development organization. The youth development organization is dedicated to promoting health, social, education, vocational, and career development of young individuals. Over 50 percent of the youth members the organization serves are from low- to moderate-income families.

The institution also offers, a BankOn checking account, which is a certified National BankOn low-cost deposit product to benefit the unbanked in the area. Specifically, the BankOn checking account offers the following key low-cost features: no minimum balance requirement, waived

overdraft/return item charges, and low account opening amount (\$25). During the evaluation period, the institution opened 17 BankOn checking accounts.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The institution'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.