



(Acquired 10/1/2021 and currently operating as Regions Bank)

Community Reinvestment Act

Strategic Plan – Salt Lake Assessment Area ONLY

January 1, 2021 through December 31, 2024



COMMUNITY REINVESTMENT ACT STRATEGIC PLAN
FOR YEARS 2021 -2024

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SECTION I

INTRODUCTION

A. Overview of EnerBank USA

EnerBank USA (“EnerBank” or the “Bank”) is a Utah-chartered industrial bank that opened for business in June 2002. The Bank’s primary federal regulator is the Federal Deposit Insurance Corporation (“FDIC”). As of June 30, 2020, the Bank had total assets of approximately \$2.84 billion, total liabilities of approximately \$2.59 billion, and stockholders’ equity of approximately \$250 million.¹ The Bank’s Consolidated Reports of Condition and Income (“Call Report”) as of June 30, 2020 is attached hereto as Exhibit A. The Bank is headquartered at 1245 East Brickyard Road, Suite 600, Salt Lake City, Utah 84106. The Bank is chartered and supervised at the State level by the Utah Department of Financial Institutions (“UDFI”).

The Bank as of September 30, 2020, employed approximately 418 full-time equivalent (“FTE”) employees, although the Bank employs numerous part-time employees and therefore the actual number of employees is approximately 450. Most of the Bank’s employees work at the Bank’s headquarters in Salt Lake City. In August of 2015 the Bank opened a second call center and business continuity site in Provo, Utah which is currently staffed by approximately 105 employees. Approximately 20 employees work remotely from their homes or at the Bank’s small satellite office in North Carolina. These supporting locations are not considered branches, as the Bank only accepts deposits and originates loans from its headquarters in Salt Lake City. Bank personnel have significant levels of financial service industry experience and expertise. The Bank’s Board of Directors oversees all Bank activities, including its compliance with the Community Reinvestment Act, 12 U.S.C. § 2901 et seq. (“CRA”).

The Bank is an indirect subsidiary of CMS Energy Corporation (NYSE: CMS), a Michigan-based company that has an electric and natural gas utility, Consumers Energy, as its primary business and also owns and operates independent power generation businesses.

B. EnerBank’s Business Model

The Bank has a specialized business plan that currently focuses exclusively on home improvement lending to consumers on a nationwide basis. No new loan products are contemplated in the current business plan. The Bank does not make loans to businesses or small farms. However, the Bank’s business model supports a variety of

¹ All Bank financial information is from official FDIC Call Report data that is publicly available on the FDIC’s website at www.fdic.gov. This Strategic Plan was approved by the Bank’s Board of Directors on November 5, 2020. The most recent Call Report data available prior to Board approval was June 30, 2020, and therefore such data is referred to throughout, unless otherwise noted.

small businesses across the country indirectly by financing home improvement projects that result in cash flow and income to independent home improvement contractors, many of which are small businesses.

Three aspects of the Bank's business model are highly relevant to this Strategic Plan. First, the Bank's business model is unlike a traditional retail or community bank that solicits transactional deposit accounts and loans primarily from consumers or businesses in its community. The Bank (i) does not offer checking or savings accounts, (ii) does not solicit walk-in business or have tellers, and (iii) does not maintain any traditional branches or ATMs. Accordingly, the Bank cannot be evaluated under the CRA in the same manner as a traditional retail or community bank. Second, the Bank lends to consumers on a nationwide basis, with no preference to consumers in its home State or County. Accordingly, because the vast majority of Bank loans are to consumers outside of the State of Utah and Salt Lake County, evaluating the Bank's community reinvestment by measuring loans to consumers – low- to moderate-income ("LMI") or otherwise – in Utah or Salt Lake County is not meaningful or appropriate. Third, during the effective period of the prior Strategic Plan the Bank grew quickly in terms of both assets and employees. For example, from June 2017 to June 2020, the Bank's assets increased from approximately \$1.37 billion to \$2.84 billion, while the number of FTEs increased from approximately 306 to 423. For the effective period of this proposed Plan, the Bank is projecting a modest rate of growth. Accordingly, for the measurable goals for CRA-qualifying investments and service hours included herein, we have focused on goals in the form of ratios, which will result in increased investments and service hours each year of this Strategic Plan as the Bank increases in size as projected.

C. EnerBank's History with the Community Reinvestment Act and Proposed Plan

As a federally insured depository institution, the Bank is subject to the CRA and FDIC regulations promulgated thereunder, 12 C.F.R. Part 345, which require institutions to identify and help meet the needs of their communities, including LMI individuals and geographies. The Bank understands the importance of its CRA responsibilities and is dedicated to serving the community in which it is located.

The Bank has had five prior CRA Evaluations in its history. In a February 2005 CRA Evaluation, the Bank received a "Satisfactory" rating. In an April 2010 CRA Evaluation, the Bank received an "Outstanding" rating. In a June 2013 CRA Evaluation, the Bank received a "Outstanding" rating. In a June 2016 CRA Evaluation, the Bank received a "Outstanding" rating. In the most recent January 2019 CRA Evaluation for the time period from June 2016 through January 2019, the Bank also received an "Outstanding" rating. The public portions of the Bank's prior CRA Evaluations are available online at www.fdic.gov. The Bank has been operating under an FDIC-approved CRA Strategic Plan that includes measurable goals for the four years from January 1, 2017 through December 31, 2020.

The Bank proposes and requests that the FDIC approve this Strategic Plan and to have it be effective from January 1, 2021, or whatever date the Plan is approved by the

FDIC and cover the calendar years 2021 -2024. This Strategic Plan continues the efforts of the Bank’s prior Strategic Plan, and focuses the Bank’s community development initiatives on CRA-qualifying (1) community development investments, (2) grants to community development organizations, and (3) community service hours, which are referred to herein as “Qualified Investments,” “Qualified Grants” and “Qualified Service,” respectively.

SECTION II

ENERBANK’S CRA PROGRAM MANAGEMENT

A. Board and Committee Oversight

The Bank’s CRA Program is under the supervision of the Bank’s Board of Directors, and the Board has approved this Strategic Plan. The Bank’s CRA Program is governed by the CRA Policy that is reviewed and approved annually by the Bank’s CRA & Compliance Committee and by the Board of Directors. Members of the Board are engaged in the CRA Program and receive annual CRA training. The Board appoints the CRA Officer on an annual basis and has currently designated the Bank’s Vice President & Manager- Legal & Compliance as the CRA Officer. The CRA Officer reports to the CRA & Compliance Committee monthly, and the Chief Compliance Officer presents a program summary concerning CRA activity to the Board of Directors on a quarterly basis.

B. Management Responsibility

The Bank’s CRA Officer is responsible for actively monitoring the existing and future Strategic Plan and administering the CRA Program thereunder. As noted above, the CRA Officer reports monthly to the CRA & Compliance Committee on the Bank’s progress on meeting the goals included in the Strategic Plan in effect. The CRA Officer, together with other members of senior management, continually seek input from community groups on the best way to maximize the Bank’s commitment to community reinvestment.

The CRA Officer is responsible for reaching out to community groups and encouraging officers and employees of the Bank to volunteer to assist LMI persons and areas of the community. The CRA Officer is encouraged by the Bank’s President & Chief Executive Officer to participate actively on the Utah Association of Financial Services Foundation CRA Committee, as well as the Utah Bankers Association Community Reinvestment Committee. In addition, other officers are encouraged to assist LMI community groups through service on groups’ boards of directors or otherwise. For example, in 2020, Bank officers and employees were on the Boards of Directors or Committees of community development groups such as Junior Achievement of Utah, People Helping People, Utah Financial Services Foundation, NeighborWorks Salt Lake, Suazo Center, Eccles School Opportunity Scholars and the Guadalupe School.

The CRA Officer and Chief Compliance Officer regularly review issuances from the FDIC and other banking agencies regarding CRA compliance and community development, in order to maintain best practices in the area of CRA. The CRA Officer and Chief Compliance Officer also regularly participate in training and networking events such as the multi-day Community Reinvestment Conference hosted by the Utah Bankers Association. Moreover, the CRA Officer periodically attends the National Interagency Community Reinvestment Conference, the premier training event for CRA officers and community development professionals.

SECTION III **ENERBANK'S ASSESSMENT AREA**

The Bank's assessment area is comprised of the geographic boundaries of Salt Lake County, in the State of Utah, set forth on the map included on Exhibit B. The Bank's headquarters and only office that accepts deposits and originates loans is located in Salt Lake City, in Salt Lake County. The Bank's main office is a non-traditional banking location and does not solicit walk-in business. The Bank does not have any ATM locations in Utah or elsewhere.

The Bank's Board of Directors has delineated the Bank's assessment area based on the Bank's location, size, and business plan. The delineation of this assessment area does not reflect any illegal discrimination, nor does it exclude LMI areas.

The United States Census² found that Salt Lake County had an estimated 2019 population of 1,160,437 compared to the statewide Utah total of 3,205,958. 2020 Federal Financial Institutions Examination Council ("FFIEC") data lists 212 census tracts in Salt Lake County, seven of which are classified as Low Income, 51 of which are Moderate Income, 86 of which are Middle Income, 65 of which are Upper Income, and three which are unknown. U.S. Census data estimates that the median household income in Salt Lake County for years 2014 -2018 was \$71,230, which is similar to the statewide Utah median household income of \$68,374 during the same period. Salt Lake County comprises only a small portion of the geographic land area of Utah (approximately 807 square miles of Utah's 84,899 square miles) but has a much greater population density of approximately 1,437 persons per square mile, compared to 37 persons per square mile statewide. Moreover, many areas of Salt Lake County along the area known as the "Wasatch Front" (at the base of the Wasatch Mountain range) have population densities in excess of 5,000 persons per square mile. These demographics have created housing supply and demand issues that are significant to this Strategic Plan discussed in greater detail below.

² The last full United States Census was performed in 2010. Unless otherwise noted, Census data referred to throughout this document was obtained from the U.S. Census "QuickFacts" (available at <http://www.census.gov/quickfacts/>) which are meant to provide updated demographical information between decennial Census reports.

Essentially all of the Bank’s officers and employees based in Utah live in or around Salt Lake County, which allows the Bank to monitor community needs in its assessment area for the benefit of LMI communities. Due to the high concentration of institutions within the Bank’s assessment area competing to perform CRA qualified activities, once the “Satisfactory” goals are met the Bank may consider using its Qualifying Investments, Qualifying Grants, and Qualifying Service in other areas in Utah, including the Salt Lake Metropolitan Statistical Area (which includes Salt Lake County, Summit County, and Tooele County), other Wasatch Front counties located north and south of Salt Lake County (including Davis County, Weber County, and Utah County), and other communities in the State of Utah. Additional details of the Bank’s assessment area are set forth in Section V below.

SECTION IV

PUBLIC PARTICIPATION

A. Public Participation Through Informal Outreach

The Bank is committed to strengthening and enriching the community in which it operates. FDIC regulations governing public participation require both the informal seeking of public participation in the development of the proposed plan as well as the formal solicitation of public comment by publication in a newspaper of general circulation in the assessment area.

The Bank has informally sought input and suggestions from a number of sources during the development of this Strategic Plan and understands that, in order to meet the needs of the community effectively, ongoing evaluations are necessary. As noted above, all of the Bank’s officers and employees based in Utah live in and around Salt Lake County. The Bank’s senior management team, CRA Officer, and other officers and employees are actively involved with community groups throughout Salt Lake County. Examples of community groups that have provided input to the Bank on community needs include, but are not limited to, United Way of Salt Lake, People Helping People, Junior Achievement of Utah, NeighborWorks Salt Lake, Suazo Center, Eccles School Opportunity Scholars and Guadalupe School.

In conducting its needs assessment of Salt Lake County, Bank officers gathered information from a number of sources which include, but were not limited to:

- Data from the US Census Bureau
- The Economic Reports to Utah’s Governor
- Salt Lake County Official Website
- Utah Department of Workforce Services
- The Utah Office of Business and Economic Development
- Community Action Partnership of Utah Reports on Poverty in Utah
- The Federal Deposit Insurance Corporation
- The FFIEC Median Family Income Report

- Salt Lake County Community Needs Assessments

B. Solicitation of Formal Public Comments

The Bank formally solicited public comment on this Strategic Plan by publishing notice in a newspaper of general circulation in the Bank’s assessment area, as required by 12 C.F.R. §345.27(d)(2). The notice was published on January 29, 2021 in the Deseret News, which is a newspaper of general circulation in the Bank’s assessment area, as set forth in the Proof of Publication included at Exhibit C. The public comment period expired on February 28, 2021. The Bank did not receive any requests for copies of the Strategic Plan or any public comments.

SECTION V **ENERBANK’S CRA PERFORMANCE CONTEXT**

The “performance context” contained within FDIC regulations at 12 C.F.R. §345.21(b) provides the framework that the FDIC will use when determining whether to approve a proposed Strategic Plan. The performance context calls for the following information, which is discussed herein.

A. Demographic data on median income levels, distribution of household income, nature of housing stock, housing costs, and other relevant data pertaining to the bank’s assessment area (12 C.F.R. §345.21(b)(1))

(1) General Population and Income Overview

The Bank is located in Salt Lake County, which is home to the State capital of Salt Lake City, and the most populous county in Utah. According to the 2019 Census Survey, Salt Lake County had a population of 1,160,437 with a population density of 1,437 persons per square mile. However, as noted above, many areas of Salt Lake County along the Wasatch Front have population densities in excess of 5,000 persons per square mile, as noted on the 2010 Census map included at Exhibit D. The County’s population has grown significantly over the past decade. For example, the Census Survey indicates that it grew by approximately 12.7% between April 2010 and July 2019. A major factor contributing to Utah’s growth is the State’s birth rate and large household size, which remain among the highest in the nation³. The State also continues to have high levels of in-migration due in part to job growth and low unemployment. In fact, in 2019, 44% of Utah’s population growth came from net in-migration as people moved to the state to take advantage of its economic opportunity⁴.

³ Available online at <http://gardner.utah.edu/economic-report-to-the-governor>

⁴ Available online at <https://gardner.utah.edu/wp-content/uploads/2019ERGOOnline.pdf>

The 2020 FFIEC Median Family Income Report⁵ estimated a median family income (“MFI”) of \$87,500 for the Salt Lake City MSA, which includes Salt Lake County. Based on a MFI of \$87,500, Low, Moderate, Middle and Upper income categories are as follows:

Low	Less than 50% of MFI	Less than \$43,750
Moderate	50% to Less than 80% of MFI	\$43,750 to \$70,000
Middle	80% to Less than 120% of MFI	\$70,000 to \$105,000
Upper	120% of MFI or Greater	\$105,000 or Greater

According to the 2020 FFIEC Census Report, Salt Lake County includes 212 Census Tracts. The data shows that the number of Low and Middle Income Tracts have decreased over the past couple of years while those in the Moderate and Upper Income Census Tracts have increased. The table below shows the difference in the number of Census Tracts in Salt Lake County in 2015 compared to 2020.

SALT LAKE COUNTY CENSUS TRACTS DATA			
<u>Income Level</u>	<u>2015</u>	<u>2020</u>	<u>% of Total in 2020</u>
Low Income Tracts	11	7	3.3%
Moderate Income Tracts	40	51	24.06%
Middle Income Tracts	98	86	40.57%
Upper Income Tracts	60	65	30.66%

Together, Low and Moderate Income Tracts comprise approximately 27% of all Salt Lake County Tracts. During the same period, Middle Income Tracts decreased to 86, while the Upper Income Tract number increased to 65. Together, Middle and Upper Income Tracts comprise approximately 71 % of all Salt Lake County Tracts.

Utah is a relatively affluent State, with a median income of \$68,374 in 2018, compared to a nationwide median income of \$64,324 as reported by the United States Census. However, like other States in the nation, a small but significant portion of the population in Utah and Salt Lake County lives in financial distress. For example, accordingly to the Community Action Partnership of Utah⁶, approximately 16% of children in Salt Lake County live in poverty.

(2) Economic and Housing Information

Salt Lake County is the backbone of the Utah economic core. According to the Department of Workforce Services Local Insights⁷ that was published in early 2020, job

⁵ Available at <https://www.ffiec.gov/pdf/msa20inc.pdf>

⁶ See *Community Action Partnership of Utah Annual Report on Poverty 2017 2018*, at 53. Available online at https://caputah.org/images/poverty-reports-full/CAPU_POVRPRT_WEB2-min.pdf

⁷ See *Department of Workforce Services Local Insights – Salt Lake County Snapshot*. Available online at <https://jobs.utah.gov/wi/insights/county/saltlake.html>

growth has moderated from the rapid growth that took place between 2012 and 2016; however, it has consistently remained between 2% and 3%. Despite the increase that has transpired over the prior years, the onset of the COVID-19 pandemic has affected job growth in the short term as the Salt Lake County unemployment rate briefly increased to 11.2% in April 2020, but has since fallen to 5.9% as of September of the same year.⁸ Additionally, a majority of all payroll wages in Utah are earned in Salt Lake County, despite the small land area it occupies in the state.

According to the 2020 Economic Report to the Governor,⁹ the growth of Utah's economy continues to prosper, and it expanded in every major industrial sector adding 45,600 new jobs. The annual employment growth rate of 3.0% in 2019 was among the strongest in the nation. The Report forecast predicts increasing uncertainty and moderation for the Utah economy with internal risks being a tight labor market, increasing costs and housing affordability.

While the state's economy is forecasted to continue to grow, significant needs still exist among low- to moderate-income households. According to the Utah Community Action's 2017 needs assessment, those needs include (i) access to education, job training and opportunities for employment beyond minimum wage jobs; (ii) access to affordable housing and information on housing rights; (iii) transportation for low-income persons which presents a barrier affecting their ability to access opportunities related to education, employment and other means of attaining socioeconomic mobility; (iv) healthcare needs including lack of insurance and the cost of healthcare; and (v) food insecurity including lack of access to healthy food.¹⁰

Although the median household income in Salt Lake County for years 2014-2018 was \$71,230, which is similar to the statewide Utah median household income of \$68,374 during the same period, average housing costs are higher in Salt Lake County than other areas of Utah, in part because of the density of communities along the Wasatch Front. For example, according to Community Action Partnership of Utah 2017 Annual Report on Poverty in Utah, which uses the U.S. Department of Housing and Urban Development ("HUD") data, fair market rent for a 2-bedroom unit in Salt Lake County was \$990 per month, which is 144% of the fair market rent in Box Elder County, which is more rural in nature.¹¹ The report notes that a renter making minimum wage in the State had to work 94 hours per week, 52 weeks per year to afford "fair market rent".¹²

The U.S. Census indicates that during the years of 2014 - 2018, 66.7 % of all housing in Salt Lake County was owner-occupied. The market has traditionally focused on

⁸ See *Department of Workforce Services Current County Unemployment* at <https://jobs.utah.gov/wi/data/library/employment/countyunemployment.html>

⁹ Available online at <http://gardner.utah.edu/economic-report-to-the-governor/>

¹⁰ See *Utah Community Action 2017 Needs Assessment*, at 3. Available online at <https://www.utahca.org/wp-content/uploads/2018/01/2017-Community-Needs-Assessment-1.pdf>

¹¹ See *Community Action Partnership of Utah Annual Report on Poverty 2017 2018*, at 27, 53.

¹² *Id.* at 25

single-family homes which has increased constraints on land and has driven up land prices. The emphasis that has been placed on single-family development has resulted in fewer rental and multifamily units, which has likely attributed to the limitation of affordable housing opportunities for LMI individuals. For example, HUD guidelines label a household as “burdened” by housing cost if the household spends more than 30% of its income on housing. According to the Annual Report on Poverty in Utah, Utah lacks the appropriate inventory of housing to meet the needs of its residents noting that low-income families normally pay a larger portion of their income toward housing than those who are considered higher-income which makes their financial security more reliant on the housing market. In Utah, approximately 24% of homeowners with a mortgage are “burdened” by high housing costs, while an even greater percentage (44%) of renters are so “burdened.”¹³

Accordingly, affordable housing opportunities in the Bank’s assessment area remain a critical problem affecting LMI individuals where the Bank is located. Because the Bank’s business model does not include lending for home purchases or refinancing, the best way for the Bank to address this critical need is to make qualified investments that support affordable housing in the assessment area.¹⁴

(3) Poverty

According to the U.S. Census, approximately 9% of Utah’s population is currently living in poverty. Although the general economic outlook has been improving, the ability of many Utah families to buy homes and basic necessities remains a challenge, especially with the onset of COVID-19 in 2020 and the resulting increase in unemployment. This level of poverty is especially apparent in high density locations within the assessment area such as Salt Lake City, which has 18% of its residents living in poverty. When this is contrasted with the overall United States poverty rate of 10.5%, it is clear that the need in the Salt Lake County area is substantial¹⁵.

Accordingly, the Bank is committed to supporting, through Qualified Grants and Qualified Service hours, community partners and programs that provide financial literacy education and other assistance to LMI students and adults in the Bank’s assessment area, including those living in poverty.

B. Information about lending, investment and service opportunities within the bank’s assessment area (12 C.F.R. §345.21(b)(2))

¹³ Id. at 25

¹⁴ Also, because the Bank focuses exclusively on home improvement lending, the Bank’s current maximum loan amount is \$100,000, which is not enough to provide significant purchase or refinancing options for the typical Utah homeowner, whether LMI or not. Furthermore, none of the Bank’s lending is secured by real property, and the Bank’s business model is largely formed around an unsecured lending model. The Bank’s Board and Management do not believe that unsecured lending for home purchases or refinancing constitutes a safe and sound business model.

¹⁵ Available at <https://www.census.gov/library/publications/2020/demo/p60-270.html>

This Strategic Plan focuses on three areas for participating in community development: Qualified Investments; Qualified Grants; and Qualified Service. The focus of the Bank's CRA Program has been and will continue to be (i) investments in affordable housing and (ii) informal partnerships with local community groups to address financial literacy and other qualifying assistance targeted to LMI students and adults.

As noted above, the Bank has a specialized business model focusing on home improvement lending on a nationwide basis. Therefore, Bank management believes that the most appropriate way to deploy funds earmarked for CRA is to focus on supporting affordable housing for LMI individuals and communities by investing in bonds and other Qualified Investments that primarily support affordable housing in the assessment area. With respect to Qualified Grants and Qualified Service hours, management has set forth examples of community groups that reflect the focus of this Strategic Plan at Exhibit E. These organizations are generally acknowledged as highly effective in addressing the needs of the assessment area in diverse ways.

C. The bank's product offerings and business strategy as determined from data provided by the bank (12 C.F.R. §345.21 (b)(3))

The Bank's exclusive business is (i) offering closed-end, fixed interest rate installment loans to individuals throughout the United States, and (ii) funding those loans primarily with non-transaction deposit accounts. Greater than 99%¹⁶ of loans are made to customers located outside of the Bank's Assessment Area.

D. Institutional capacity and constraints including size and financial condition of the bank, economic climate, safety and soundness limitations, other factors that significantly affect the bank's ability to provide lending, investments or services in its assessment area (12 C.F.R. §345.21(b)(4))

The Bank faces several limitations that affect its ability to provide lending, investments and service in its assessment area. For example, the Bank offers only installment loans to customers, most of who reside outside of the Bank's assessment area. The Bank does not maintain a traditional lobby, nor does it have cash on its premises. No walk-in customer traffic exists as virtually all business transactions are conducted over the phone or via technology. The overwhelming majority of the Bank's loan customers are located outside the State of Utah. In addition, deposit accounts are sourced primarily through broker relationships, and management does not have direct access to the name or identification of individual depositors.

¹⁶ For the period spanning January 1, 2017 through September 30, 2020 the Bank originated \$19,212,261 inside its assessment area and \$4,718,285,136 in the remaining United States. Loans made within the assessment area total only 0.41% of the Bank's portfolio for this same time frame.

The Bank lends without discrimination, following the letter and spirit of anti-discrimination laws. The Bank does not discriminate against any applicant receiving public or governmental assistance.

The Bank employs a conservative investment policy designed to avoid loss of principal. Because of that, the Bank sets a budget for Qualified Grants, included in the measurable goals set forth herein, designed for no financial return but with community benefits. Bank employees have shown considerable charity with their volunteer efforts, but due to the significant number of Bank employees that work in the Bank’s call centers whose roles do not require a high level of financial expertise, the Bank’s employee base is limited compared to other institutions.

E. The Bank’s past performance and the performance of similarly situated lenders (C.F.R. §345.21(b)(5))

The Bank underwent a CRA Examination in 2019 and received an “Outstanding” rating, reflecting the Bank’s record of helping to meet the needs of its community. In prior CRA Examinations held in 2016, 2013, 2010 and 2005, the Bank received “Outstanding”, “Outstanding” “Outstanding” and “Satisfactory” ratings, respectively.

Management has attempted to find similarly situated lenders in Utah to perform a peer group study and compare performance goals and standards. These institutions included industrial banks, many of which have a similar business strategy of lending on a nationwide or out-of-state basis, and some of which are similar in asset size to the Bank. However, finding any match is a challenge in light of the Bank’s unique business model and ownership structure. Management believes that the measurable goals included herein would be comparable to other similarly situated industrial banks in the MSA, to the extent any comparison would be possible, and will have a positive impact in the community. The following table compares performance goals of five other industrial banks to that of the Bank for the year 2020.¹⁷

	<u>Loans and Investments</u>	<u>Grants</u>	<u>Service Hours</u>
<u>EnerBank USA</u>			
Satisfactory	0.45%	\$50,000	4.5 hours/FTE/Year
Outstanding	0.55%	\$70,000	5.25 Hours/FTE/Year
	(newly originated)		
<u>OptumHealth Bank, Inc.</u>			
Satisfactory	0.40%	Up to \$120,000	4.25/FTE/Year
Outstanding	0.60%	(to be included in investment total)	5.5 Hours/FTE/Year
	(newly originated)		

¹⁷ Percentages are % of assets.

<u>Merrick Bank</u> Satisfactory Outstanding	0.40% 0.75% (newly originated)	\$200,000 \$275,000	3 hours/FTE/Year 4 Hours/FTE/Year
<u>Medallion Bank</u> Satisfactory Outstanding	0.40% 0.60% (newly originated)	(to be included in investments)	5 hours/FTE/Year 6 Hours/FTE/Year
<u>UBS Bank USA</u> Satisfactory Outstanding	0.55% 0.70% (newly originated)	N/A N/A	510 hours 660 Hours
<u>BMW Bank of North America</u> Satisfactory Outstanding	0.35% 0.50% (newly originated)	N/A N/A	15 hours/FTE/Year 23 hours/FTE/Year

Under the Strategic Plan in effect during for the years 2017–2020, the Bank consistently increased its investment in Qualified Investments. For the year 2019, the Bank purchased \$9,408,812 in Qualified Investments and granted \$70,734 to causes supporting LMI individuals and communities in our assessment area. In 2020, the Bank has purchased \$13,562,222 in Qualified Investments and granted \$75,000 respectively.

F. The bank’s public file and any written comments about the bank’s CRA performance submitted to the bank or the FDIC (C.F.R. §345.21(b)(6))

The Bank maintains a public file that contains all the information required in 12 C.F.R § 345.43. The Bank has not received any written comments from the public that relate to the Bank’s performance in helping to meet community credit needs.

SECTION VI
MEASURABLE GOALS

The FDIC’s regulations regarding strategic plans provide flexibility regarding a bank’s measurable goals concerning the performance categories. The regulations state that banks should address the performance categories in its plan and emphasize lending and lending related activities. The regulations also state:

Nevertheless, a different emphasis, including a focus on one or more performance categories, may be appropriate if responsive to the characteristics and credit needs of its assessment area(s), considering public comment and the bank’s capacity and constraints, product offerings, and business strategy. 12 C.F.R. §345.27(f)(1)(ii).

In light of the foregoing guidance, and based on the Bank’s prior approach, we propose to address the targeted community needs by:

- Making Qualified Investments that have as their primary purpose community development in the Bank’s assessment area and surrounding areas, with a focus on affordable housing for LMI individuals and communities;
- Making Qualified Grants in support of relevant community groups and programs that support LMI individuals and communities in the assessment area and surrounding areas; and
- Performing Qualified Service activities in the assessment area and surrounding areas.

The specific goals are as follows, and are within the capacity and constraints of the Bank’s business plan:

A. Qualified Investments

Management intends to continue to invest in Qualified Investments that have as their primary purpose community development in the Bank’s assessment area and surrounding areas, with a focus on affordable housing for LMI individuals and communities. For the duration of this Strategic Plan, the Bank has elected to be evaluated based on newly originated investments at a rate of 0.45% of prior year’s average asset levels for a “Satisfactory” rating, and 0.55% of prior year’s average assets for an “Outstanding” rating, rounded to the nearest hundred thousand. Bank Average Assets will be calculated by averaging the four quarterly average asset figures from Schedule RC-K, line 9, of the Bank’s Call Report for the prior year. Accordingly, the Bank’s projected goals for Qualified Investments for “Satisfactory” and “Outstanding” ratings are:

	2021	2022	2023	2024
Prior Year Average Assets	\$2,944,936,000	\$3,272,253,000	\$3,444,657,000	\$3,568,340,000
Satisfactory	\$13,252,000	\$14,725,000	\$15,501,000	\$16,058,000
Outstanding	\$16,197,000	\$17,997,000	\$18,946,000	\$19,626,000

Additionally, due to the important role that minority depository institutions (MDIs) play in addressing financial needs in the LMI and minority communities that they serve, the Bank may also choose to invest in MDIs that serve LMI areas or individuals in fulfillment of its Qualified Investment goals. Investments in said MDIs will receive favorable CRA consideration even if the institution is not located in the Bank’s designated assessment area.

B. Qualified Grants

Although community grants may be included in the general “investment” category for a CRA Program, Management believes that Qualified Grants in support of relevant community groups and programs that support LMI individuals and communities in the assessment area and surrounding areas are different from other investments, because they are designed for no financial return but with community benefits. Accordingly, the Bank’s goals for Qualified Grants for “Satisfactory” and “Outstanding” ratings are:

Year	2020 Goal	2021	2022	2023	2024
Satisfactory	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000
Outstanding	\$75,000	\$80,000	\$85,000	\$90,000	\$95,000

C. Qualified Service Hours

Throughout the effective period of the Bank’s prior strategic plan, the Bank experienced growth in both assets and employee base. However, due to having reached ~\$3 billion in assets and its plans to automate more functions in the Bank’s call center, it is anticipated that the Bank’s asset and employee growth during the effective period of this strategic plan will likely be more modest. Additionally, with the number of employees at the Bank’s second call center location continually increasing, as well as a number of satellite Bank offices currently in operation, it was determined that a portion of Bank employees are not able to provide meaningful acts of service within the Bank’s assessment area. For that reason, the Bank has elected to deduct all Bank FTEs¹⁸ who are not employed at the Bank’s headquarters in Salt Lake City from the overall service commitment goal. However, if hours from employees employed outside the assessment area are used to achieve CRA service goals, the same number of employees contributing such time will also be added to adjust the overall number of annual service hours required under the goal. Based on past goals and performance, Management believes stretch goals for “Satisfactory” and “Outstanding” ratings in this strategic plan are respectively the

¹⁸ Annual service hour requirements will be calculated by taking the number of Full-Time Equivalent employees from Schedule RI, line M.5 of the Bank’s December 31st Call Report of the prior year, deducting any FTEs not employed at the Bank’s headquarters in Salt Lake City, Utah, and multiplying that by the number of hours to arrive at an overall service hour commitment.

equivalent of four and three-quarter hours of qualified service per FTE in the aggregate and five and one-half hours for each FTE in the aggregate; provided, however, for the first year of this plan the goals for “Satisfactory” and “Outstanding” ratings are the equivalent of two and one quarter hours of qualified service per FTE in the aggregate and two and three-quarter hours for each FTE in the aggregate. The reduced number of service hours for the first year of the plan is based off the assumption that the current pandemic will last through at least the first two quarters of 2021. Accordingly, with the exception of the first year of this plan, the Bank’s goals for qualified service hours are the equivalent of four and three-quarter hours for each FTE in the aggregate for a “Satisfactory” rating, and five and one-half hours for each FTE in the aggregate for a rating of “Outstanding” based on the number of employees at the beginning of the calendar year. Projections based on anticipated employees are:

	2021	2022	2023	2024
Projected Number of FTEs	442	554	571	610
Satisfactory (hrs.)	995	2,632	2,712	458
Outstanding (hrs.)	1,216	3,047	3,141	3,355

An example of the Bank’s Qualified Service was its participation with *Community Action Partnership of Utah* in a Volunteer Income Tax Assistance (“VITA”) program. The Bank hosted a VITA site at its headquarters in Salt Lake City. For the year 2019, the Bank’s VITA volunteers prepared 172 tax returns for clients who had an average Adjusted Gross Income of \$30,001. The tax returns had aggregate refund amounts of \$225,701 and Earned Income Credits totaling \$49,470.

D. Pandemic

While the novel coronavirus (COVID-19) pandemic has created unprecedented circumstances throughout the nation and the state of Utah, federal and local governments have enacted numerous policy measures in an effort to contain infections. These policies have been focused on both economic and public health and have included restrictions on public gatherings, how businesses operate, methods of attending school, and even resulted in the largest stimulus package in the history of our nation. Moreover, the novel coronavirus has contributed to approximately 333,167 deaths within the United States, 1,432 of which occurred in the state of Utah¹⁹. It is clear that the ever-changing conditions created by COVID-19 have affected all aspects of business and social interaction within our community. Moreover, the pandemic has changed many aspects of the financial industry. Like many others, EnerBank has had to modify the way it performs business. This includes having over 90% of its workforce telecommute. While many of the changes have been positive, there have also been numerous negative aspects

¹⁹ “Daily Updates of Totals by Week and State”, CDC, <https://www.cdc.gov/nchs/nvss/vsrr/covid19/index.htm>

that will hopefully be short in their duration. One of these has been the Bank's inability to perform all of its qualified service hours in accordance with its CRA Strategic Plan in the year 2020.

A review of the Bank's records indicate that a majority of the Bank's qualified service hours come from face-to-face service performed at the following organizations:

- Junior Achievement – Employees teach elementary and middle school students how to earn and save personal funds, as well as basic concepts in business economics. The majority of these students participate in the National School Lunch Program for free or reduced lunch. Service is regularly provided at Junior Achievement City as well as in the classroom. For example, the Bank has consistently sponsored and sent volunteers to Washington Elementary, the state's most at need school. The majority of the hours performing service for the non-profit are held in the spring and fall.
- Volunteer Income Tax Assistance ("VITA") Program – The Bank regularly partners with the Internal Revenue Service ("IRS") to offer the VITA program in which Bank employees offer free tax return preparation to qualified individuals. The services offered by the Bank are known to be a reliable and trusted source as all volunteers who participate must take and pass tax law training that meets IRS standards. Moreover, in an effort to help even more individuals in its community, the Bank took the innovative approach of hosting a VITA site at its headquarters in Salt Lake City.
- People Helping People – This non-profit organization is dedicated to reducing the number of children living in poverty by helping low-income women, primarily single moms, build better futures for themselves and their children through long-term successful employment. Bank employees have consistently provided service by teaching these vulnerable individuals how to transition from welfare to self-sufficiency.

Due to the pandemic, including stay at home directives and social distancing measures, it is possible that the Bank may not be able to achieve its service goals in the coming years. Opportunities with its community partners, namely Junior Achievement, VITA and People Helping People are still not available, and it is anticipated that additional opportunities will not become available until at least mid-2021, well after tax season and the school year have ended.

Despite the extraordinary measures taken by both our Federal and State governments, it is unlikely that a vaccine will be readily available prior to the implementation of this Plan. In fact, some health experts anticipate that COVID-19 infections will continue to increase in the coming months. Moreover, since public schools opened in mid-August there have been numerous outbreaks in schools in and around Salt

Lake County with some having to temporarily close and shift completely to online learning²⁰. Moreover, Utah has become a hot spot for infections in which Utah has the sixth highest rate of new cases per 100,000 people of any state and recently set a record for the number of people that are hospitalized with the virus.²¹ In light of this information and the risks associated with COVID-19, in the event that the Bank is not able to perform the service hours contained in this Plan due to a pandemic or other similar event that is beyond the reasonable control of the Bank and that limits the Bank's ability perform service hours, it is requested that the FDIC take into consideration the circumstances and performance context regarding the matter and rely heavily on the service hours that are able to be performed at a distance that are safe for both our employees as well as the citizens within the community.

SECTION VII
PROPOSED EFFECTIVE DATE AND TERM OF PLAN

The proposed effective date of the Bank's Strategic Plan is January 1, 2021, or whatever date the Plan is approved by the FDIC and will cover the calendar years 2021-2024. The term of the Plan will end on December 31, 2024. The Plan sets forth measurable goals in which the FDIC will be able to evaluate the Bank's performance as required by 12 C.F.R. §345.27(c)(1).

SECTION VIII
EVALUATION METHOD

The Bank requests to be evaluated solely on the Qualified Investment, Qualified Grant, and Qualified Service methods and goals outlined in this Plan.

SECTION IX
REQUEST FOR APPROVAL

Management believes that this Strategic Plan is appropriate to meet the requirements of the CRA and FDIC regulations promulgated thereunder, and the Bank respectfully requests the FDIC's approval of this Strategic Plan.

SECTION X
CONTACT INFORMATION

For additional information regarding this Strategic Plan, please contact:

Jon Davies

²⁰ "Utah reports five new school outbreaks of coronavirus on Tuesday, but overall cases are down", The Salt Lake Tribune, Erin Alberty, <https://www.sltrib.com/news/2020/09/01/utah-reports-five-new/> (September 2020)

²¹ "Out of Control: When Schools Opened in a Virus Hot Spot, The New York Times, Kate Taylor, <https://www.nytimes.com/2020/10/18/us/coronavirus-schools-reopening-outbreak.html> (Oct. 2020)

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