

# **PUBLIC DISCLOSURE**

**February 11, 2019**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Commonwealth Business Bank**

**RSSD # 3337097**

**3435 Wilshire Boulevard, Suite 700  
Los Angeles, California, 90010**

**Federal Reserve Bank of San Francisco**

**101 Market Street**

**San Francisco, California 94105**

*NOTE: 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 the 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 Community Reinvestment Act (CRA) Rating***

Commonwealth Business Bank is rated "SATISFACTORY"

The following table shows the performance ratings for the lending and community development tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	LENDING TEST	COMMUNITY DEVELOPMENT TEST
OUTSTANDING		
SATISFACTORY	<b>X</b>	<b>X</b>
NEEDS TO IMPROVE		
SUBSTANTIAL NONCOMPLIANCE		

The major factors supporting the institution's rating include:

- An overall loan-to-deposit ratio that is more than reasonable
- A majority of loans originated within the bank's assessment areas
- An overall reasonable distribution of loans to businesses of different revenue sizes
- An overall excellent geographic distribution of loans
- Adequate responsiveness to community development needs in the assessment area, specifically addressing the need for affordable housing, economic development, and the revitalization and stabilization of special designated economic development areas

## INSTITUTION

### ***Description of Institution***

Headquartered in Los Angeles, California, Commonwealth Business Bank (CBB or the bank) had total assets of \$1.2 billion as of December 31, 2018. CBB is a state-chartered commercial bank that became a member of the Federal Reserve System on January 31, 2008. The bank opened for business on March 3, 2005, primarily servicing Los Angeles County and Orange County in California. During the evaluation period, CBB opened one additional branch in Los Angeles County on July 5, 2017, and now operates four branches in Los Angeles County and two branches in Orange County. Additionally, CBB added two branches in Texas’ Dallas County during the review period – one in Dallas and one in Carrollton.

CBB provides commercial banking products and services primarily to small- to medium-sized businesses. While CBB clients have historically been centered in the Korean-American community within its assessment areas, the bank continues to expand into a multi-cultural client focus. Credit product offerings include facilities for working capital, accounts receivable, equipment financing, commercial real estate, construction, and Small Business Administration (SBA) loans. Consumer loan products are primarily offered to existing business customers on an accommodation basis. In addition, the bank partners with a third party vendor to offer business and consumer credit cards. Deposit products include certificates of deposit and consumer- and business-purpose checking, savings, and money market accounts. Banking services include on-line banking and remote deposit capture.

Exhibit 1 below reflects the December 31, 2018, loan portfolio data as stated in the Consolidated Reports of Condition and Income, which shows the bank’s commercial lending focus.

EXHIBIT 1 LOANS AND LEASES AS OF DECEMBER 31, 2018		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	844,282	91.6
Multi-Family Residential Real Estate	33,651	3.7
Secured by 1-4 Family Residential Real Estate	22,763	2.5
Construction & Land Development	15,953	1.7
Consumer Loans & Credit Cards	4,750	0.5
All Other	63	0.0
Total (Gross)	921,462	100.0

The bank received a satisfactory rating at its previous CRA examination conducted as of June 8, 2015, by the Federal Reserve Bank of San Francisco, using the *Interagency Intermediate Small Institution Examination Procedures*. CBB faces no legal or financial impediments that would prevent it from helping to meet the credit needs of its assessment area consistent with its business strategy, size, financial capacity, and local economic conditions.

With the addition of the branches in Dallas County in Texas, CBB currently delineates two assessment areas, as follows:

- The Los Angeles-Orange assessment area, which remains unchanged since the prior examination and includes California's Los Angeles and Orange Counties in their entirety; and
- The Dallas assessment area, newly added since the prior examination, which includes Texas' Dallas County in its entirety.

## ***Scope of Examination***

CBB's CRA performance was evaluated using the *Interagency Intermediate Small Institution CRA Examination Procedures*. Performance for intermediate small banks is evaluated under two tests that consider the bank's lending and community development activities.

### **LENDING TEST**

The lending test portion of the evaluation was based on the following performance criteria:

- Loan volume compared to deposits (Loan-to-Deposit Ratio);
- Lending inside versus outside of the assessment area (Lending in the Assessment Area);
- Dispersion of lending throughout the assessment area (Lending Distribution by Geography); and
- Lending to businesses of different sizes (Lending Distribution by Business Revenue).

CBB's responsiveness to consumer complaints was not evaluated as the bank did not receive any CRA-related complaints during the review period.

The lending test evaluation was based on a representative sample of small business loans originated from April 1, 2018 through September 30, 2018. A total of 82 small business loans were considered in the evaluation of *Lending in the Assessment Area*. Of that total, 51 small business loans were extended within the bank's assessment areas, including 47 loans within the bank's Los Angeles-Orange assessment area and four loans within the Dallas assessment area. These loans were used in the evaluation of the *Lending Distribution by Geography* and *Lending Distribution by Business Revenue* evaluations.

### **COMMUNITY DEVELOPMENT TEST**

The community development test was based on qualified community development loans, investments, and services provided by the bank from June 9, 2015 through February 11, 2019. The community development test evaluates the bank's level of community development activities relative to assessment area credit needs and opportunities, and the bank's capacity to participate in such activities.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The following sections contain conclusions regarding CBB’s overall performance and are followed by individual performance conclusions for California and Texas. Conclusions with respect to the lending and community development tests were heavily influenced by the conclusions reached for California, as a majority of the bank’s lending and deposit activities take place in this state.

### ***Lending Test***

Overall, CBB’s lending test performance is satisfactory. The bank’s average loan-to-deposit ratio is more than reasonable, and a majority of loans were originated inside the bank’s two assessment areas. The bank’s lending volume within the Los Angeles-Orange assessment area, where the bank has the greatest presence, was adequate. Lending performance was also adequate in Texas, considering CBB’s limited and brief presence in the area during the review period. The overall geographic distribution of loans is generally excellent, and the borrower distribution of loans is generally reasonable.

### **LOAN-TO-DEPOSIT RATIO**

CBB’s loan-to-deposit ratio is more than reasonable. The bank’s 15-quarter average loan-to-deposit ratio was 92.1 percent as of December 31, 2018. This exceeded the state of California average at 84.3 percent and the state of Texas average at 67.4 percent, as well as the national average at 82.7 percent.

### **LENDING IN ASSESSMENT AREA**

As depicted in Exhibit 2 below, the majority of loans were extended inside the bank’s assessment areas.

EXHIBIT 2 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS APRIL 1, 2018 TO SEPTEMBER 30, 2018								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Small Business	51	62.2	21,808	58.8	31	37.8	15,278	41.2
Total Business Related	51	62.2	21,808	58.8	31	37.8	15,278	41.2
Total Loans	51	62.2	21,808	58.8	31	37.8	15,278	41.2

### **GEOGRAPHIC AND BORROWER DISTRIBUTION**

CBB’s overall geographic distribution of loans is excellent. The bank’s overall distribution of loans to businesses of different revenue sizes is reasonable. Within the Los Angeles-Orange assessment area, which drove the overall rating, small business lending reflects an excellent distribution in low- and moderate-income geographies and a reasonable distribution to smaller businesses. Within the Dallas assessment area, small business lending reflects reasonable distribution in low- and moderate-income geographies as well as excellent distribution of lending to smaller businesses.

## RESPONSE TO COMPLAINTS

CBB did not receive any CRA-related complaints over the review period and, as such, the bank's responsiveness to complaints was not considered in evaluating overall CRA performance.

## Community Development Test

CBB's overall community development test performance is satisfactory. This conclusion is based on an adequate volume of community development loans, investments, and services provided in the bank's combined assessment areas.

Exhibit 3 presents a summary of CBB's community development activities during the evaluation period.

EXHIBIT 3 COMMUNITY DEVELOPMENT ACTIVITIES								
Assessment Areas	Loans		Investments				Services	
			Prior Period		Current Period			
	#	\$ ('000s)	#	\$ ('000s)	#	\$ ('000s)	#	Hours
Los Angeles-Orange	99	161,006	2	362	32	434	19	470
Dallas	13	24,028	0	0	1	5	0	0
Broader Statewide or Regional Area	0	0	1	2,714	3	496	0	0
Nationwide	0	0	0	0	12	7,627	0	0
<b>Total</b>	<b>112</b>	<b>185,034</b>	<b>3</b>	<b>3,076</b>	<b>48</b>	<b>8,562</b>	<b>19</b>	<b>470</b>

### Community Development Lending

CBB originated or participated in 112 community development loans totaling more than \$185 million. These activities helped to address the need for affordable housing, promoted economic development, and promoted the revitalization or stabilization of low- or moderate-income geographies. Consistent with opportunities available to the bank, a large portion of the community development loans were concentrated in the Los Angeles-Orange assessment area.

### Community Development Investments

CBB made 51 investments and donations totaling in excess of \$11.6 million. Of this total, the bank made 16 investments or donations totaling \$10.8 million that benefitted a broader regional or statewide area or a nationwide area. Highlights of these activities included:

- CBB made 12 investments for approximately \$3.0 million to Minority- and Women-Owned Financial Institutions (MWFIs) which help promote economic viability of underserved areas. The bank's investments help support the mission of one MRFI located within its Los Angeles-Orange

assessment area, three operating within the California statewide or regional area, and 9 MWFIs operating with a broader nationwide presence.

- The bank invested approximately \$2.7 million in a Low-Income Housing Tax Credit (LIHTC) fund that benefits the state of California. The LIHTC Program is an indirect federal subsidy used to finance the development of affordable rental housing for low-income households.
- CBB completed 12 nationwide investments exceeding \$7.6 million to community development organizations.
- The bank also made two statewide or regional investments for over \$490,000 that benefitted the bank's assessment areas.

### ***Community Development Services***

CBB provided 470 community development service hours to organizations focused on addressing the needs of low- and moderate-income individuals. These services helped organizations provide affordable healthcare for low- and moderate-income families and helped meet the needs of low- and moderate-income immigrants.

### ***Fair Lending or Other Illegal Practices Review***

Concurrent with this CRA evaluation, we conducted a review of the bank's compliance with consumer protection laws and regulations and found no violations of the substantive provisions of anti-discrimination, fair lending, or other illegal credit practice rules, laws, or regulations that were inconsistent with helping to meet community credit needs.



## STATE OF CALIFORNIA

### ***CRA Rating for California***

Performance in California is rated "SATISFACTORY"

The lending test is rated: Satisfactory

The community development test is rated: Satisfactory

The major factors supporting the institution's rating include:

- An overall loan-to-deposit ratio that is more than reasonable.
- A majority of loans originated within the bank's overall assessment areas.
- A reasonable distribution of loans to businesses of different revenue sizes.
- An excellent geographic distribution of loans.
- Adequate responsiveness to community development needs in the assessment area, specifically addressing the need for affordable housing, economic development, and the revitalization and stabilization of special designated economic development areas.

### ***Scope of Examination***

The scope of examination for the state of California is consistent with the overall scope of the CRA examination. The Los Angeles-Orange assessment area received a full-scope review and received the greatest weight in the overall assessment due to the bank's greater presence in this area.

### ***Description of Operations in California***

California is CBB's predominant market. As of June 30, 2018, the bank operated six of its eight branches within the state of California.<sup>1</sup> California is a highly competitive market for financial services with a strong presence of national, regional, and non-bank lenders. As of June 30, 2018, there were 206 FDIC-insured institutions operating 6,838 branch offices in California with combined deposits totaling \$1.4 trillion.<sup>2</sup> The market is dominated by three large national banks that together hold over 50 percent of deposits in the market share. With deposits of \$924.0 million, CBB has a limited presence in California with a market share of less than 0.1 percent.<sup>3</sup>

The Los Angeles-Orange assessment area consists of Los Angeles and Orange counties, which make up the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area (MSA). Los Angeles County is located along the Pacific Coast in Southern California, south of Kern County and north of Orange County. Orange County is located south of Los Angeles County and is bordered by San Bernardino County and Riverside County on the northeast and San Diego County to the south. In 2018, the two-county

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<sup>1</sup> Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

assessment area was home to more than 13 million people.<sup>4</sup> With a population of more than 10 million, Los Angeles is the most populous county in California, and Orange County is the third-most populous with over three million people.<sup>5</sup>

As of June 30, 2018, the assessment area had 121 FDIC-insured commercial institutions operating 2,405 offices. CBB operated six branches in the assessment area, which had total deposits of approximately \$924.0 million, representing 0.17 percent of the market.<sup>6</sup>

Exhibit 4 on the following page presents key demographic and business information, from 2018 Federal Financial Institutions Examination Council (FFIEC) Census and 2018 Dun and Bradstreet data, used to help develop a performance context for the assessment area.

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<sup>4</sup> U.S. Census Bureau, QuickFacts, Population Estimates, July 1, 2017; available from: [www.census.gov/quickfacts/](http://www.census.gov/quickfacts/).

<sup>5</sup> Ibid.

<sup>6</sup> Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

EXHIBIT 4  
**ASSESSMENT AREA DEMOGRAPHICS**  
LOS ANGELES-ORANGE ASSESSMENT AREA  
2018 FFIEC CENSUS AND 2018 DUN AND BRADSTREET DATA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	266	9.1	221,796	7.6	78,727	35.5	709,610	24.4
Moderate-income	821	28.0	788,614	27.1	169,096	21.4	475,277	16.3
Middle-income	760	25.9	773,794	26.6	80,644	10.4	495,608	17.0
Upper-income	1,028	35.1	1,126,100	38.7	50,469	4.5	1,233,043	42.3
Unknown-income	54	1.8	3,234	0.1	609	18.8	0	0.0
Total AA	2,929	100.0	2,913,538	100.0	379,545	13.0	2,913,538	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	340,504	55,545	2.7	16.3	263,439	77.4	21,520	6.3
Moderate-income	1,171,395	366,014	17.6	31.2	739,185	63.1	66,196	5.7
Middle-income	1,187,608	572,472	27.5	48.2	549,469	46.3	65,667	5.5
Upper-income	1,822,595	1,086,537	52.2	59.6	622,692	34.2	113,366	6.2
Unknown-income	19,258	1,462	0.1	7.6	15,607	81.0	2,189	11.4
Total AA	4,541,360	2,082,030	100.0	45.8	2,190,392	48.2	268,938	5.9
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	35,237	5.0	31,472	4.9	3,551	6.2	214	4.5
Moderate-income	137,845	19.7	124,358	19.5	12,699	22.0	788	16.7
Middle-income	179,292	25.6	161,394	25.3	16,827	29.2	1,071	22.7
Upper-income	335,111	47.9	310,596	48.7	22,012	38.2	2,503	53.0
Unknown-income	12,239	1.7	9,526	1.5	2,569	4.5	144	3.1
Total AA	699,724	100.0	637,346	100.0	57,658	100.0	4,720	100.0
% of Total Businesses				91.1		8.2		0.7
2018 Median Family Income <sup>7</sup>				2018 Median Housing Value <sup>8</sup>				
Los Angeles County			\$62,703	Los Angeles County			\$588,140	
Orange County			\$86,003	Orange County			\$785,000	
2018 HUD Adjusted Median Family Income <sup>9</sup>				2017 Unemployment Rate <sup>10</sup>				
Los Angeles County			\$69,300	Los Angeles County			4.7%	
Orange County			\$92,700	Orange County			3.5%	

<sup>7</sup> FFIEC Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

<sup>8</sup> California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes as of December 2018; available from: <https://www.car.org/marketdata/data/housingdata/>.

<sup>9</sup> FFIEC Adjusted Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

## Economic Conditions

During the review period, the Los Angeles-Orange assessment area experienced overall economic growth. The assessment area's well-diversified economy and labor market growth contributed to its economic expansion. Los Angeles County experienced economic expansion due to its dynamic job and income growth. Primary drivers of the economy were technology, tourism, trade, entertainment, and healthcare.<sup>15</sup> Construction rose through the development of new multi-family residential units, but new single-family home and commercial construction experienced only modest growth.<sup>16</sup> The Ports of Long Beach and Los Angeles are in the midst of a multi-year infrastructure expansion, which spurred investment and supported trade in the area.<sup>17</sup> Silicon Beach capitalized on the convergence of entertainment and technology in Los Angeles.<sup>18</sup> While Silicon Beach is a small portion of the economy, it contributes a large share of high-wage job growth and investment in the area.<sup>19</sup> The Los Angeles area has now completed its cyclical recovery with current labor capacity constraints and land shortages ensuring elevated incomes and real estate prices.<sup>20</sup>

Orange County also experienced economic expansion during the review period. Primary drivers of the economy were healthcare and tourism, as well as biomedical, software, and aerospace in smaller sectors.<sup>21</sup> Lower gas prices, stronger regional economies, and Disneyland factored into a boost in tourism,<sup>22</sup> with visitation to Orange County hitting a four-year high in 2017.<sup>23</sup> The collection of biotech firms, tech equipment manufacturers, medical device makers, and pharmaceutical manufacturers flourished due to the highly educated population, as well as consumer and business demand for technology products.<sup>24</sup> Additionally, residential construction increased with single-family permits reaching levels last seen in 2004-2005, and multifamily permits were well above the long-term average.<sup>25</sup>

Economic improvements in the assessment area can be seen in small business lending for a portion of the review period. As depicted in Exhibit 5 on the following page, a review of small business loan data reported by banks subject to the CRA shows that the number and amount of loans to small businesses in the assessment area slowly improved during the early portion of the review period, but levelled off in 2017 and remain depressed relative to levels achieved prior to the Great Recession. Lending to small businesses plays a critical role in the economy given that small businesses represented 91.1 percent of all businesses in the assessment area as depicted in Exhibit 4.

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<sup>10</sup> Annual Unemployment Rate, U.S Bureau of Labor Statistics, Local Area Unemployment Statistics by County; 2018 county-level data not available at the time of this report.

<sup>15</sup> Moody's Precis Report, Los Angeles-Long Beach-Glendale CA, November 2018.

<sup>16</sup> Moody's Precis Report, Los-Angeles-Long Beach-Glendale CA, December 2015.

<sup>17</sup> Moody's Precis Report, Los-Angeles-Long Beach-Glendale CA, April 2016.

<sup>18</sup> Moody's Precis Report, Los-Angeles-Long Beach-Glendale CA, August 2017.

<sup>19</sup> Moody's Precis Report, Los Angeles-Long Beach-Glendale CA, November 2018.

<sup>20</sup> Ibid.

<sup>21</sup> Orange County Community Indicators Project, Community Indicators 2018; available from: <http://www.ocgov.com/about/infooc/facts/indicators>.

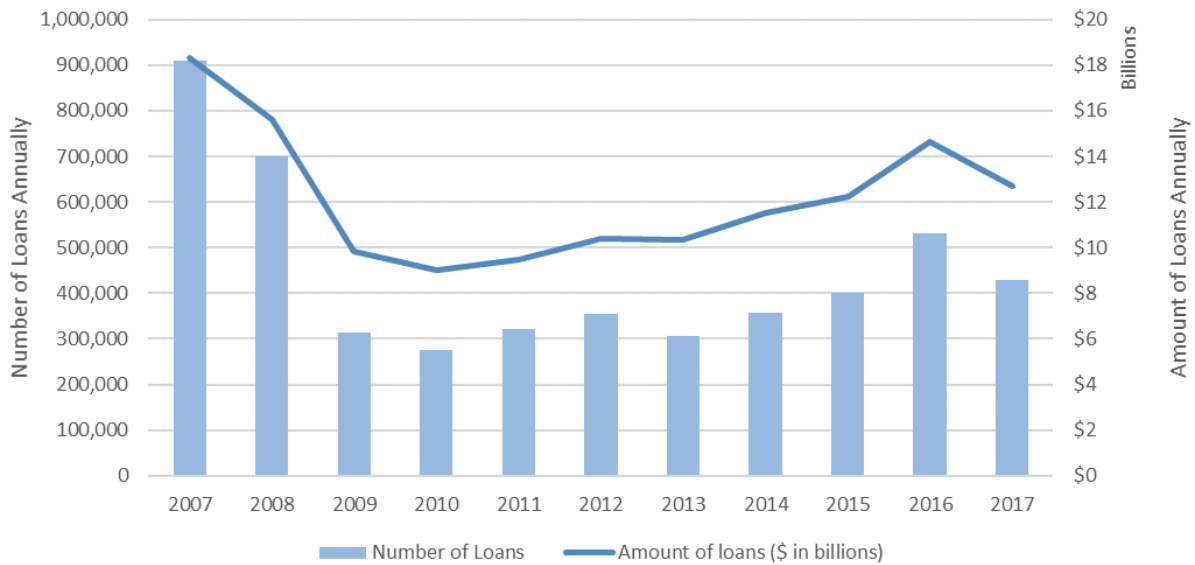
<sup>22</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, August 2017.

<sup>23</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, November 2018.

<sup>24</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, August 2015.

<sup>25</sup> Moody's Precis Report, Anaheim-Santa Ana-Irvine CA, August 2017.

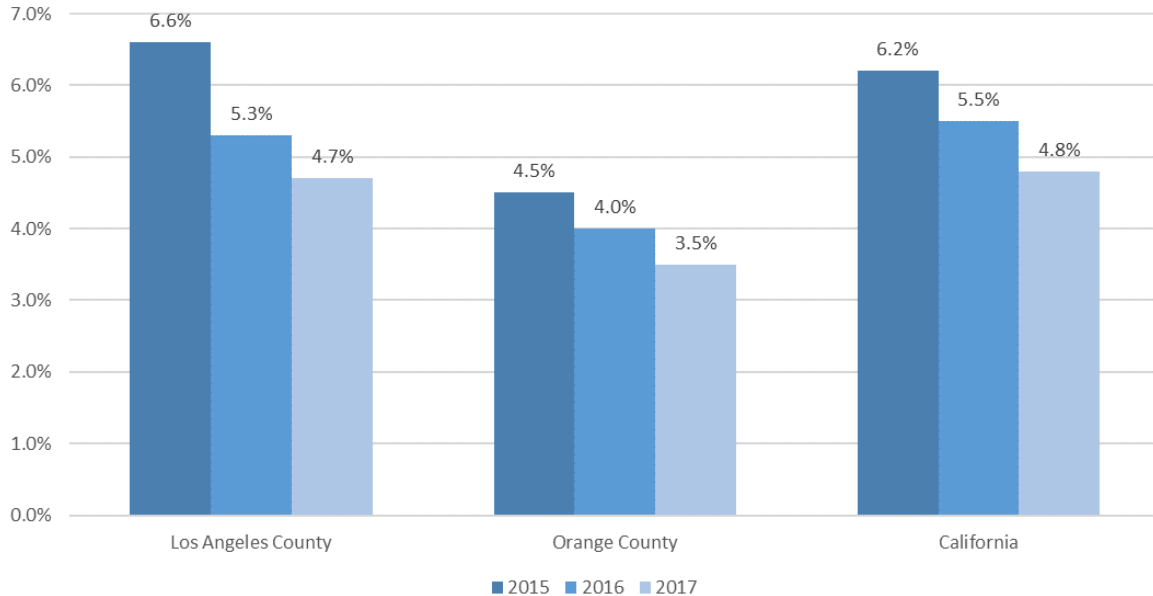
**Exhibit 5**  
**Loans to Small Businesses in Assessment Area<sup>26</sup>**  
**2007-2017**



As depicted in Exhibit 6 on the following page, the unemployment rate of both counties in the assessment area decreased steadily during the review period and were generally lower than the statewide average. Orange County’s annual unemployment rate was 3.5 percent in 2017, one of the lowest rates in the state of California.

<sup>26</sup> Aggregate CRA Small Business data reports available from: <http://www.ffiec.gov/craadweb/national.aspx>.

**Exhibit 6  
Unemployment Rate<sup>27</sup>  
2015-2017**



As depicted in Exhibit 7 on the following page, home prices in Orange and Los Angeles counties increased steadily. Median home prices in Orange County remain significantly higher than the statewide average. In December 2018, the median home price was \$785,000 in Orange County, \$588,140 in Los Angeles County and \$557,600 in California. With rising housing prices, home ownership has become increasingly less accessible to households, especially in Orange County which is the least affordable place to live in Southern California. According to the California Association of Realtors’ Traditional Housing Affordability Index, 20 percent of families in Orange County and 24 percent in Los Angeles County can afford to purchase the median priced home in their region compared to 54 percent of families in the U.S.<sup>28</sup>

Housing affordability continues to be a serious problem in Southern California.<sup>29</sup> In addition to rising home prices, rental prices have also increased. This has made renting a home more unaffordable, especially for low-income households. In 2017, the average apartment rent in Orange County was \$2,008 per month, the second-highest monthly rent in Southern California.<sup>30</sup> The average rent for Los Angeles County in 2018 reached a record high of \$2,267 per month, an increase of 1.1% from \$2,242 per month in 2017.<sup>31</sup> The pressure of the housing market affects low-income households the most; low-income households experience the threat of displacement and homelessness at higher rates, pay a disproportionate percentage of their income on rent, and face overcrowding as a means to deal with rising housing costs.

<sup>27</sup> U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

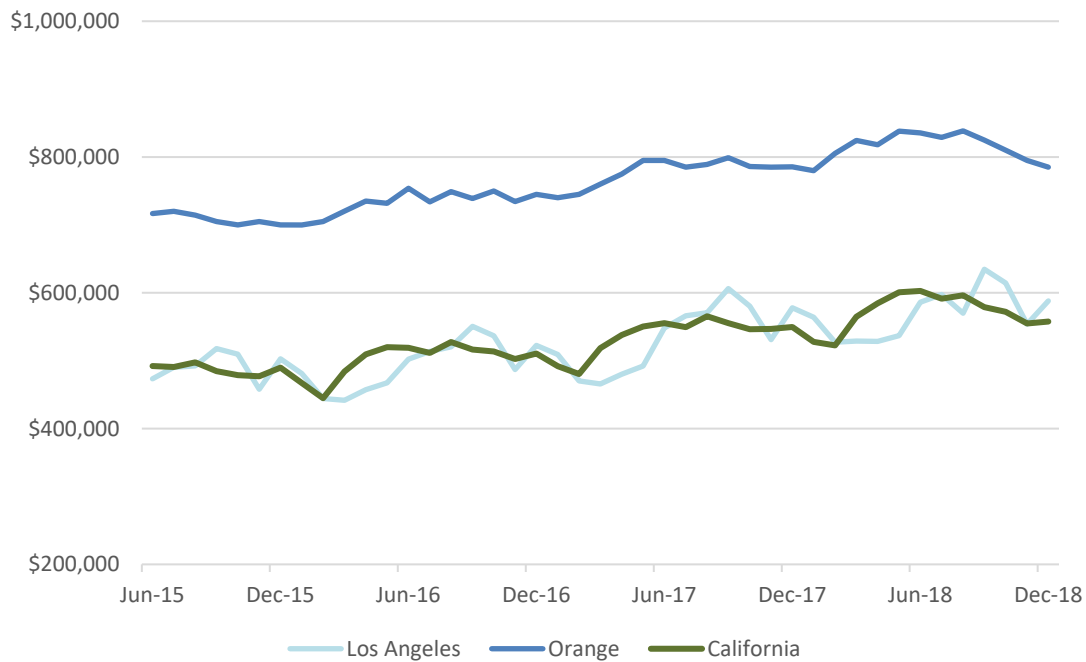
<sup>28</sup> California Association of Realtors, Housing Affordability Index-Traditional, 2018 Q4; available from: <http://www.car.org/marketdata/data/haitraditional/>.

<sup>29</sup> University of Southern California Lusk, Casden Real Estate Economics Forecast, 2018 Multifamily Forecast Report.

<sup>30</sup> University of Southern California Lusk, Casden Real Estate Economics Forecast, 2017 Multifamily Forecast Report.

<sup>31</sup> University of Southern California Lusk, Casden Real Estate Economics Forecast, 2018 Multifamily Forecast Report.

**Exhibit 7  
Median Home Prices<sup>32</sup>  
2015-2018**



As depicted in Exhibit 8 on the following page, the percentage of people living below the poverty level declined slightly while the percentage of households on food stamps in the assessment area increased marginally during the review period. According to the Supplemental Poverty Measure (SPM), which factors in the regional cost-of-living, government assistance programs and housing costs, an estimated 19 percent of people in California live in poverty.<sup>33</sup> In Orange County, more residents are being pushed into poverty and homelessness due to the region’s housing crisis. In the past four years, there has been a 54 percent increase in homeless people living on the streets.<sup>34</sup> In addition, 40.6 percent of all households in the greater Los Angeles metro are liquid asset poor. The liquid asset poverty rate represents the percentage of households without sufficient liquid assets to subsist at the poverty level for three months in the absence of income.<sup>35</sup>

<sup>32</sup> California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <https://www.car.org/en/marketdata/data/housingdata>.

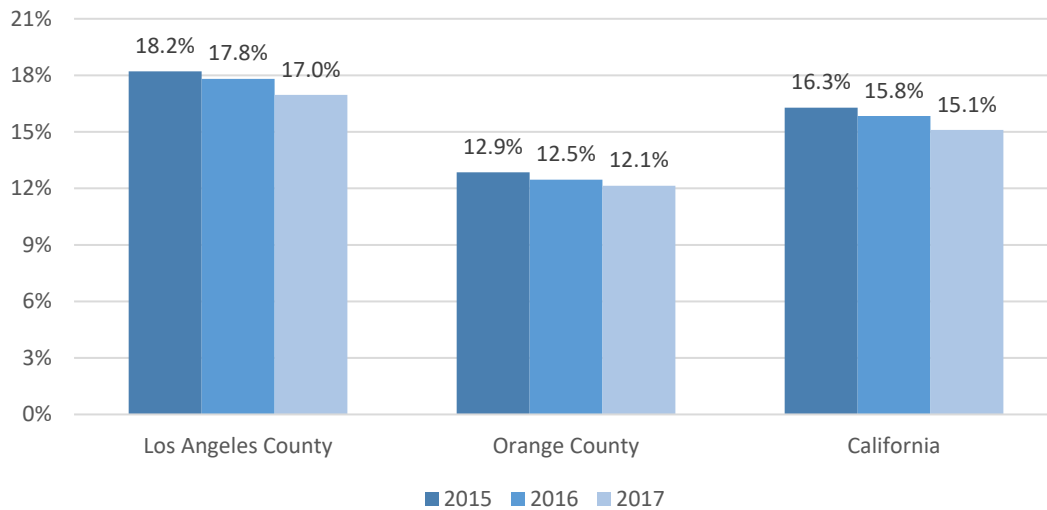
<sup>33</sup> U.S. Census Bureau, The Supplemental Poverty Measure: 2017; available from: <https://www.census.gov/library/publications/2018/demo/p60-265.html>.

<sup>34</sup> Orange County Point in Time (PIT) Count 2017; available from: <http://www.ocgov.com/civicax/filebank/blobdload.aspx?BlobID=64596>.

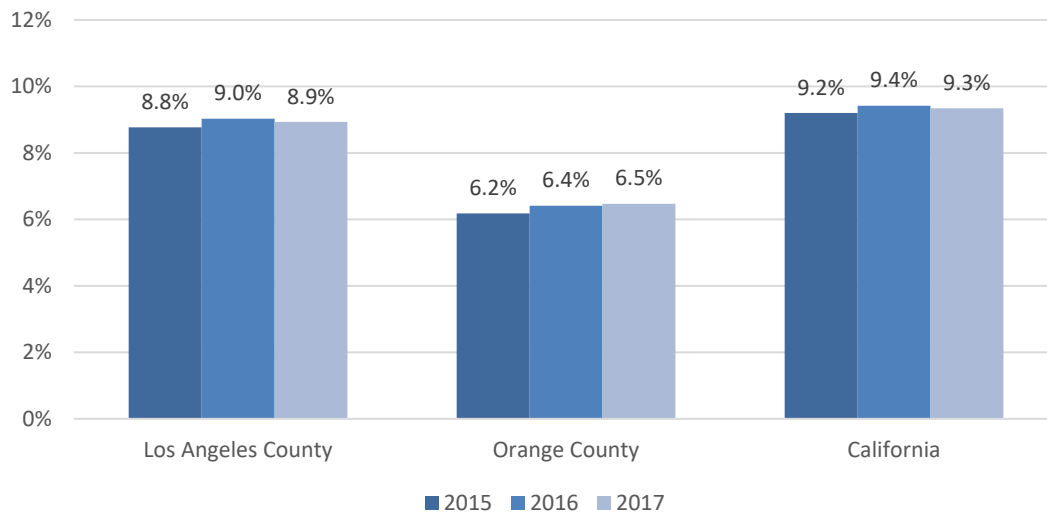
<sup>35</sup> Prosperity Now, Scorecard, Los Angeles, CA Metro; available from: <https://scorecard.prosperitynow.org/data-by-location>.

**Exhibit 8**  
**Poverty and Food Stamp Usage Rates<sup>36</sup>**  
**2015-2017**

**All People in Poverty**



**With Food Stamps/SNAP Benefits**



**Credit and Community Development Needs**

The economic data, as well as feedback from community contacts, indicates that small businesses in the assessment area face challenges in accessing credit and that some level of small business credit needs remain unmet by area banks. As previously mentioned, CRA reportable small business lending levels have started to decline once again. According to the 2017 Small Business Credit Survey, 70 percent of smaller firms (annual revenues of \$100,000 or less) experienced financing shortfalls and obtained less

<sup>36</sup> Poverty and Food Stamp Usage Rates, U.S. Census Bureau, American Community Survey, 5-Year Estimates; available from: <https://www.census.gov/programs-surveys/acs/data.html>.



than the amount of financing sought, more often than larger firms.<sup>37</sup> Of the financing and credit products sought by businesses, 87 percent of applicants applied for either a business loan or line of credit.<sup>38</sup> In addition, a majority of firms applied for financing in amounts of less than \$100,000 to expand their business or pursue a new opportunity.<sup>39</sup> Overall, there is a general need for more access to credit and smaller dollar loans.

A variety of factors mentioned previously, including the rising cost of housing and rent, establish the need for affordable housing development and financing within the assessment area. In addition to high cost and low affordability, the assessment area faces a shortage of affordable rental units. According to the National Low Income Housing Coalition, for every 100 households who need affordable housing, there are only 17 affordable and available units at or below the extremely low income threshold<sup>40</sup> in the Los Angeles-Long Beach-Anaheim MSA.<sup>41</sup> As housing and rental markets remain undersupplied, residents with lower-paying jobs will continue to be priced out of the market, and overcrowding and homelessness will continue to grow.

Finally, the prevalence of poverty highlights the importance of community service organizations within CBB's communities. There is an opportunity for banks to support a wide range of community needs in the assessment area, from affordable housing to access to credit for small businesses, by engaging in community development activities and/or partnering with organizations that address the aforementioned needs of those most vulnerable in the community. A review of community contact information indicates that some of the most impactful activities by banks are affordable housing endeavors in the form of grants, special loan products, advocacy work, and classes and education around home ownership and financial literacy.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CALIFORNIA

### LENDING TEST

CBB's performance in the Los Angeles-Orange assessment area under the lending test is satisfactory.

#### *Lending Distribution by Geography*

The geographic distribution of loans is excellent. As depicted in Exhibit 9 on the following page, the bank extended loans in all geographies with particularly strong performance in low- and moderate-income geographies. The bank's lending in low- and moderate-income census tracts exceeded the aggregate lending<sup>42</sup> and the concentration of small businesses in these census tracts over the entire review period.

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<sup>37</sup> 2017 Small Business Credit Survey, Report on Employer Firms, available from: <https://fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2018/sbcs-employer-firms-report.pdf>.

<sup>38</sup> Ibid.

<sup>39</sup> Ibid.

<sup>40</sup> Incomes at or below the poverty level or 30 percent of their area median income.

<sup>41</sup> National Low Income Housing Coalition, The Gap: A Shortage of Affordable Rental Homes, March 2018; available from: [www.nlihc.org/sites/default/files/gap/gap-report\\_2018.pdf](http://www.nlihc.org/sites/default/files/gap/gap-report_2018.pdf).

<sup>42</sup> 2017 aggregate data was utilized throughout this evaluation, as this was the most current information available.

EXHIBIT 9 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
<b>Los Angeles-Orange Assessment Area 2018</b>								
Bank Lending	8	17.0	22	46.8	7	14.9	10	21.3
Aggregate Lending <sup>43</sup>	19,845	4.7	82,311	19.7	108,680	26.0	207,030	49.5
Business Concentration	35,237	5.1	137,845	20.1	179,292	26.1	335,111	48.7

### ***Lending Distribution by Business Revenue***

As depicted in Exhibit 10 below, the lending distribution of loans by business revenue is reasonable. The percentage of bank lending in 2018, at 36.2 percent, was below the aggregate lending to businesses with gross annual revenues under \$1 million, at 53.0 percent. However, in recent years the bank has struggled with extending loans to small businesses within the fashion industry due to market retraction. The fashion industry has been an historic strength of the bank. Despite these market changes, CBB has improved its lending performance to small businesses by more than 5.0 percent since the bank’s previous performance evaluation.

EXHIBIT 10 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%) <sup>44</sup>	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2018	47	36.2	91.1	53.0	8.5	27.7	63.8

## **COMMUNITY DEVELOPMENT TEST**

CBB’s performance under the community development test is satisfactory. This assessment is based on an adequate level of community development loans, investments, and services provided in the assessment area. Community development activities were responsive to the need for affordable housing, economic development, and the revitalization and stabilization of special designated economic development areas. Exhibit 3 on page 5 includes details regarding the community development activities that the bank engaged in over the review period.

### ***Community Development Lending***

CBB originated or participated in 99 loans totaling more than \$161 million in the Los Angeles-Orange assessment area. This total included 23 SBA 7(a) and 504 small business loans, totaling more than

<sup>43</sup> 2017 aggregate data was utilized throughout this evaluation, as this was the most current information available.

<sup>44</sup> Ibid.

\$47.6 million, to purchase or maintain small businesses, creating or preserving 155 jobs. The bank originated or renewed 32 loans totaling \$14.9 million in the Los Angeles Fashion District, a manufacturing hub for the apparel industry. CBB also originated two loans in Los Angeles totaling over \$5.5 million to provide financing to construct and maintain a low-income housing project in a moderate-income census tract that provides 21 units of affordable housing.

### ***Community Development Investments***

CBB made 34 investments totaling approximately \$796,000 in the Los Angeles-Orange assessment area. These included three investments exceeding \$607,000 and 31 were donations totaling \$189,000. One current period investment of \$245,000 was provided to a MWFI which helped promote economic viability of underserved communities within the assessment area. Notably, one prior period \$3 million Low-income Housing Tax Credit (LIHTC) fund helped provide funding for affordable housing regionally, including within the assessment area. Additionally, one purchased mortgage backed security (MBS) for approximately \$4.2 million targets affordable housing within both of the bank's assessment areas, as well as the broader regional areas immediately surrounding them. Donations were provided to organizations that help address the needs for community services for low- to moderate- income households and/or within low- and moderate-income communities.

### ***Community Development Services***

CBB provided 470 community development service hours to organizations focused on addressing the needs of low- and moderate-income individuals. These services helped organizations provide affordable healthcare for low- and moderate-income families and helped meet the needs of low- and moderate-income immigrants in the Los Angeles-Orange assessment area, including:

- A total of 108 hours to assist financial literacy through the Junior Achievement program, providing financial literacy and work-readiness skills to low- and moderate-income census tracts within the Los Angeles-Orange assessment area.
- Approximately 43 hours to assist low- and moderate-income individuals with their income taxes through the Volunteer Income Tax Assistance (VITA) program.
- Another 180 hours serving as board chair and fundraising committee co-chair for an organization providing mental health services to low- and moderate-income individuals located in a moderate-income area within the Los Angeles-Orange assessment area.

# STATE OF TEXAS

## ***CRA Rating for Texas***

Performance in Texas is rated “SATISFACTORY”

The lending test is rated: Satisfactory

The community development test is rated: Satisfactory

The major factors supporting the institution’s rating include:

- An overall loan-to-deposit ratio that is more than reasonable.
- A majority of loans originated within the bank’s overall assessment areas.
- An excellent distribution of loans to businesses of different revenue sizes.
- A reasonable geographic distribution of small loans.
- Adequate responsiveness to community development needs in the assessment area, specifically addressing the need for affordable housing, economic development, and the revitalization and stabilization of special designated economic development areas.

## ***Scope of Examination***

The scope of the examination for the state of Texas is consistent with the overall scope of the CRA examination. The Dallas assessment area received a full-scope review but received lesser weight in the overall assessment due to the bank’s limited presence in this area. While the bank’s overall presence and activity in Texas is significantly less than in California, a full-scope review was conducted in order to determine the overall rating for the state.

## ***Description of Operations in Texas***

CBB has a limited presence in the state of Texas. As of June 30, 2018, the bank operated two of its eight branches within the state.<sup>45</sup> As of June 30, 2018, there were 474 FDIC-insured institutions operating 6,419 branch offices in Texas with combined deposits totaling \$840.1 billion.<sup>46</sup> The market is dominated by four large banks that together hold over 53 percent of deposits in the market share. With deposits of \$62.0 million, CBB has a market share of 0.01 percent.<sup>47</sup>

The Dallas assessment area represents the entire county, which is the second-most populous county in Texas and the ninth most populated in the United States.<sup>48</sup> Its county seat is Dallas, which is also the third-largest city in Texas and the ninth-largest city in the United States.<sup>49</sup> Portions of the city extend into neighboring Collin, Denton, Kaufman, and Rockwall counties. Dallas County is approximately

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<sup>45</sup> Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> Dallas County Texas; available from: <https://www.dallascounty.org/about-us/cities/>.

<sup>49</sup> Ibid.

871 square miles with an estimated population of 2,618,148, making up approximately 10.5 percent of the state's entire population.<sup>50</sup>

CBB operates two branches in the Dallas assessment area. However, one branch is located in Carrollton, Texas, a suburb of Dallas. Carrollton occupies parts of Dallas, Denton and Collin counties. Due to this geographic anomaly, the Carrollton branch data is captured in the FDIC data for Denton County.<sup>51</sup> As of June 30, 2018, Dallas and Denton counties together had 118 FDIC-insured commercial institutions operating 763 offices. CBB branches had total deposits of approximately \$62 million, representing 0.03 percent of the market.<sup>52</sup>

Exhibit 11 on the following page, presents key demographic and business information, from 2010 U.S. Census and 2018 Dun and Bradstreet data, used to help develop a performance context for the assessment area.

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<sup>50</sup> Ibid. See also, Total Population, U.S. Census Bureau, American Community Survey, 1-Year Estimates; available from: <https://www.census.gov/programs-surveys/acs/data.html>.

<sup>51</sup> Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2018; available from: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=2>.

<sup>52</sup> Ibid.

EXHIBIT 11 ASSESSMENT AREA DEMOGRAPHICS DALLAS COUNTY ASSESSMENT AREA 2018 FFIEC CENSUS AND 2018 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	107	20.2	100,867	17.5	33,928	33.6	181,784	31.5
Moderate-income	187	35.3	207,878	36.0	39,954	19.2	109,266	18.9
Middle-income	110	20.8	135,657	23.5	12,627	9.3	100,167	17.4
Upper-income	120	22.7	131,707	22.8	5,205	4.0	185,509	32.2
Unknown-income	5	0.9	617	0.1	79	12.8	0	0.0
Total AA	529	100.0	576,726	100.0	91,793	15.9	576,726	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	188,536	45,102	10.0	23.9	118,338	62.8	25,096	13.3
Moderate-income	327,960	150,754	33.4	46.0	150,466	45.9	26,740	8.2
Middle-income	220,794	115,592	25.6	52.4	90,447	41.0	14,755	6.7
Upper-income	225,058	139,114	30.8	61.8	69,362	30.8	16,582	7.4
Unknown-income	2,365	918	0.2	38.8	1,186	50.1	261	11.0
Total AA	964,713	451,480	100.0	46.8	429,799	44.6	83,434	8.6
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	16,608	11.2	14,733	11.1	1,758	13	117	6.4
Moderate-income	40,948	27.6	36,662	27.6	3,930	29.1	356	19.5
Middle-income	38,659	26.1	34,775	26.1	3,467	25.6	417	22.8
Upper-income	50,348	33.9	45,619	34.3	3,824	28.3	905	49.6
Unknown-income	1,778	1.2	1,209	0.9	539	4	30	1.6
Total AA	148,341	100.0	132,998	100.0	13,518	100.0	1,825	100.0
% of Total Businesses				89.7		9.1		1.2
2018 Median Family Income			\$71,149	2018 Median Housing Value			\$212,300	
2018 HUD Adjusted Median Family Income			\$77,200	2017 Unemployment Rate			3.8%	

**Economic Conditions**

During the review period, the Dallas assessment area experienced overall economic growth at an above-average pace that outperformed the nation in its continued recovery from the Great Recession. Financial, professional and health services and housing construction were the most significant drivers of economic growth.<sup>53</sup>

<sup>53</sup> Moody's Precis Report, Dallas-Plano-Irving, TX, November 2017.

The relocation, consolidation, and expansion of several corporate entities in the financial services industry added thousands of jobs to the local economy and strengthened the regional housing market.<sup>54</sup> High profile corporate relocations of Toyota, Liberty Mutual and State Farm increased demand for a wide variety of professional services such as accounting, legal, financial and architecture.<sup>55</sup> Additionally, the large concentration of technology-related businesses drove a steady demand for a well-educated information technology workforce as well as expansion of local higher education to meet the need.<sup>56</sup> Significant growth was also noted in hotel construction and the hospitality industry which was supported by business travel activity.<sup>57</sup> The strong labor market and wage gains took residential construction to levels that exceeded its prerecession high.<sup>58</sup> Overall, the concentration of corporate headquarters, technology businesses and financial services has supported robust employment gains and net in-migration with higher than average population growth over the course of the review period.<sup>60</sup>

Economic growth in the assessment area can be seen in small business lending levels. As depicted in Exhibit 12 on the following page, a review of small business loan data reported by banks subject to the CRA shows that the number and amount of loans to small businesses in Dallas generally rose during the review period prior to declining slightly in 2017. Lending to small businesses plays a critical role in the economy given that small businesses represented nearly 90 percent of all businesses in the assessment area as depicted in Exhibit 11 previously.

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<sup>54</sup> Moody's Precis Report, Dallas-Plano-Irving, TX, November 2015.

<sup>55</sup> Moody's Precis Report, Dallas-Plano-Irving, TX, August 2018.

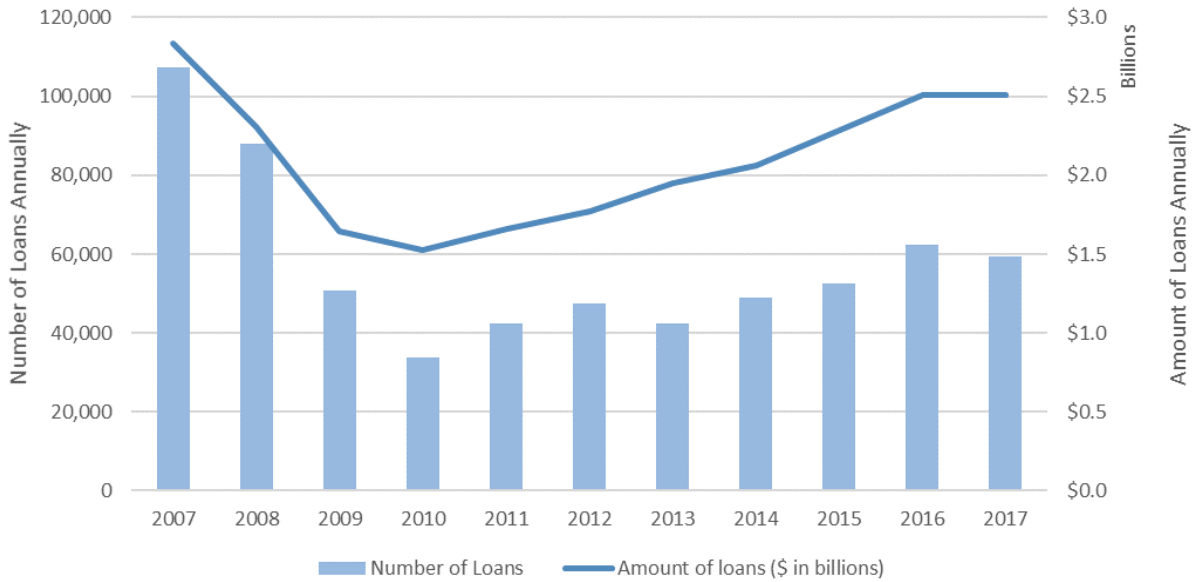
<sup>56</sup> Moody's Precis Report, Dallas-Plano-Irving, TX, August 2018.

<sup>57</sup> Moody's Precis Report, Dallas-Plano-Irving, TX, August 2018.

<sup>58</sup> Moody's Precis Report, Dallas-Plano-Irving, TX, November 2016 & August 2018.

<sup>60</sup> Moody's Precis Report, Dallas-Plano-Irving, TX, November 2018.

**Exhibit 12**  
**Loans to Small Businesses in Assessment Area<sup>61</sup>**  
**2007-2017**

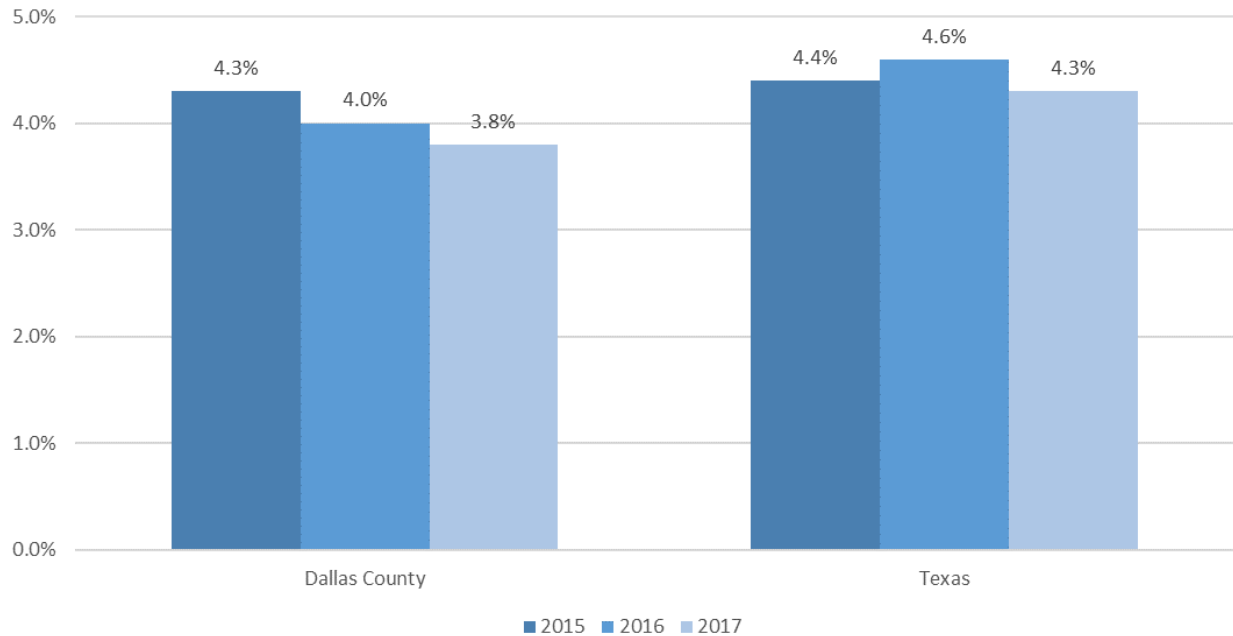


As shown in Exhibit 13 on the following page, unemployment in Dallas County is low at an annual rate of 3.8 percent in 2018. During the review period, Dallas County’s unemployment rate has decreased steadily and remained lower than the statewide rate, indicating an improving economy.

<sup>61</sup> Aggregate CRA Small Business data reports available from: <http://www.ffiec.gov/craadweb/national.aspx>.



**Exhibit 13**  
**Unemployment Rate<sup>62</sup>**  
**2015-2017**



As depicted in Exhibit 14 on the following page, the prices of homes in Dallas County and the state of Texas have increased significantly during the review period. In December 2018, the median home value of a single-family home was \$212,300 in Dallas County and \$195,000 in Texas. According to the National Association of Realtors, Texas has an affordability score that indicates it is a less affordable market with an Affordability Distribution Score of 0.7, meaning lower-income households typically cannot afford a share of currently listed homes.<sup>63</sup> In Dallas-Fort Worth-Arlington, Texas, households that earn \$50,000 per year can afford 8.0% of homes which are currently listed for sale.<sup>64</sup> Based on the 2018 HUD Adjusted Median Family Income of \$77,200,<sup>65</sup> a low-income household could not afford at least 92 percent of currently listed homes. In addition, while renting is more affordable than buying a home, fair market rents are rising faster than median home prices in Dallas County.<sup>66</sup>

<sup>62</sup> U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-bin/dsrv?la>.

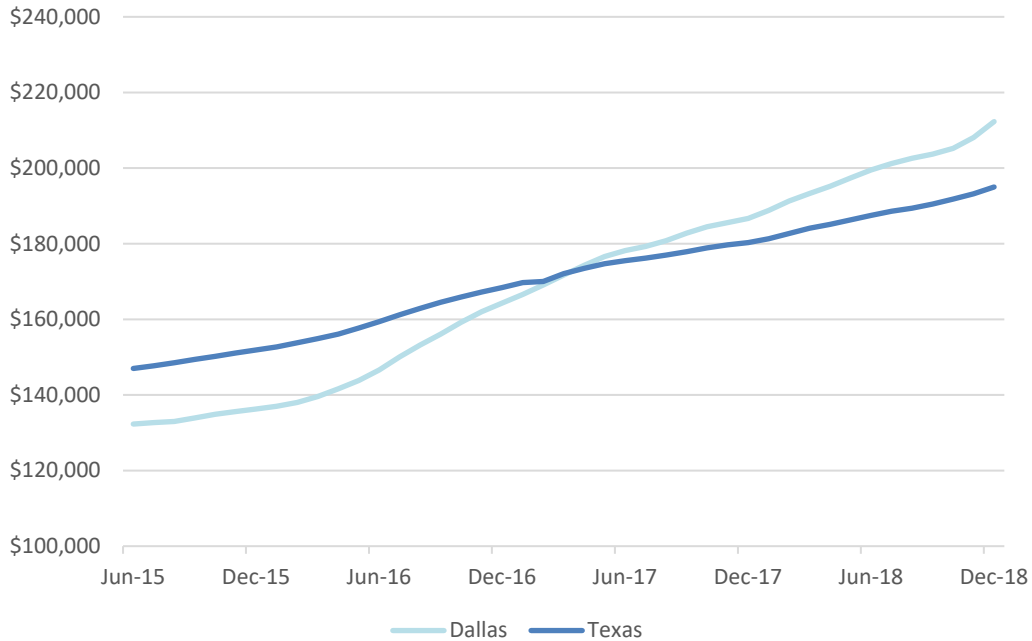
<sup>63</sup> National Association of Realtors, REALTORS Affordability Distribution Curve and Score; available from: <https://www.nar.realtor/research-and-statistics/housing-statistics/realtors-affordability-distribution-curve-and-score>.

<sup>64</sup> Ibid.

<sup>65</sup> See Exhibit 11.

<sup>66</sup> ATTOM Data Solutions, Buying More Affordable than Renting in 66 Percent of U.S. Housing Markets; available from: <https://www.attomdata.com/news/heat-maps/2017-rental-affordability-report/>.

Exhibit 14  
Median Home Prices<sup>67</sup>  
2015-2018



As depicted in Exhibit 15 on the following page, both the poverty and food stamp usage rates slightly decreased from 2015 to 2017. Dallas County's poverty and food stamp usage rates remain higher than the statewide average, and 44 percent of all households in the county are liquid asset poor.<sup>68</sup> In addition, when the state's cost of living is taken into account, Texas has a supplemental poverty measure that is higher than the official poverty rate.<sup>69</sup>

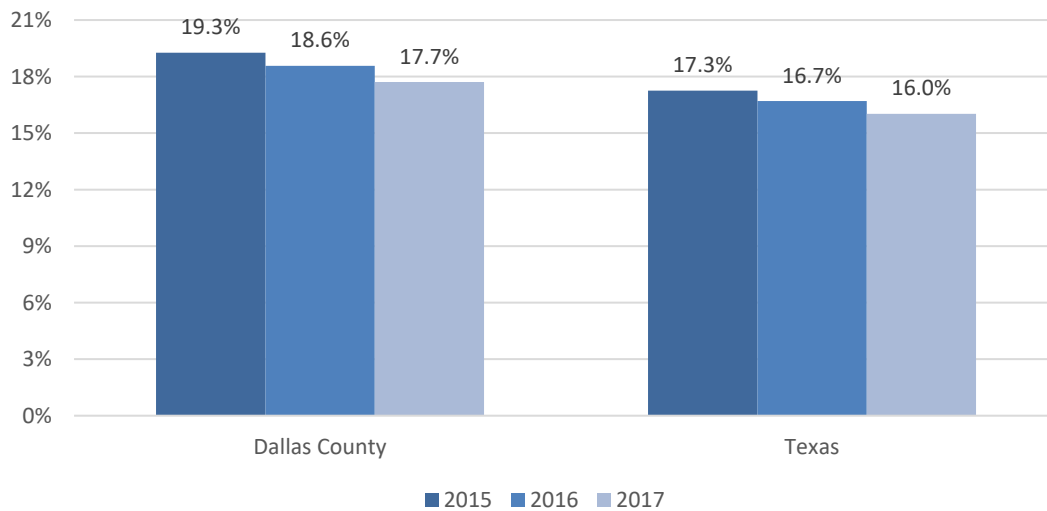
<sup>67</sup> Zillow Research, Zillow Home Value Index Single-Family Home Time Series; available from: <https://www.zillow.com/research/data>.

<sup>68</sup> Prosperity Now, Scorecard, Dallas County; available from: <https://scorecard.prosperitynow.org/data-by-location>.

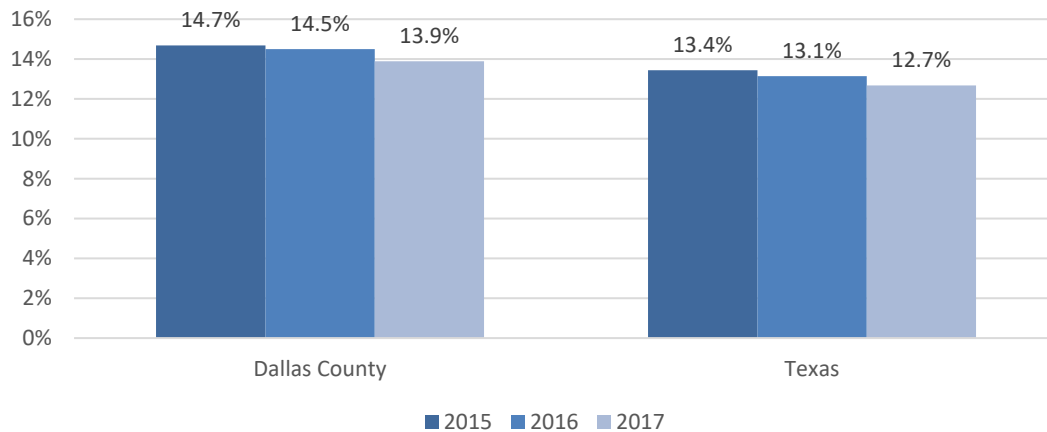
<sup>69</sup> U.S. Census Bureau, The Supplemental Poverty Measure: 2017; available from: <https://www.census.gov/library/publications/2018/demo/p60-265.html>.

**Exhibit 15  
Poverty and Food Stamp Usage Rates<sup>70</sup>  
2015-2017**

**All People in Poverty**



**With Food Stamps/SNAP Benefits**



**Credit and Community Development Needs**

Similar to the Los Angeles-Orange assessment area, economic data and community contacts indicate that small businesses in the Dallas assessment area face challenges in accessing credit and some level of small business credit needs remain unmet by area banks. Oil prices, trade relations, increased interest rates, and uncertainties in U.S. and global markets are factors creating a more difficult lending environment in Texas.<sup>71</sup> The lack of credit availability was one of the top two most cited financial

<sup>70</sup> Poverty and Food Stamp Usage Rates, U.S. Census Bureau, American Community Survey, 5-Year Estimates; available from: <https://www.census.gov/programs-surveys/acs/data.html>.

<sup>71</sup> Eleventh District Beige Book, January 16, 2019; available from: <https://www.dallasfed.org/research/beige/2019/bb190116.aspx>.

challenges experienced by small business employer firms in the State.<sup>72</sup> Moreover, minority-owned firms were twice as likely to receive no funding compared with nonminority firms.<sup>73</sup> Among those who specifically sought credit and were denied, firms most often cited a reason of insufficient credit history, followed by insufficient collateral.<sup>74</sup>

High housing and rental costs and low housing affordability establish the need for affordable housing development and financing within the assessment area. The creation of housing for families at 80 percent or below of median family income is a priority for the City of Dallas.<sup>75</sup> Community contacts emphasized that development of additional housing stock to serve this need is hampered by conservative lending standards resulting in a lack of available funds to acquire land and develop homes. Additionally, housing development costs have seen an uptick related to reduced immigration labor. Small business lending has seen some constriction associated with the recent government shutdown as well as additional underwriting scrutiny of SBA loans. Community contacts emphasized the need for housing development bridge loans, as well as affordable housing and small business micro loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

### LENDING TEST

CBB's performance in the Dallas assessment area under the lending test is satisfactory. It is noted that only four loans were captured by the representative sample; however, it is appropriate to consider mitigating factors including the smaller bank footprint within this newly established assessment area. Furthermore, the review is based on a representative sample of lending from the bank, and not on the entirety of lending activities during the review period.

#### *Lending Distribution by Geography*

The geographic distribution of loans is reasonable. As depicted in Exhibit 16 on the following page, CBB failed to extend loans within the low-income geographies, with aggregate lending at 11.2 percent. The bank's lending to moderate-income census tracts, at 25.0 percent, was slightly below the aggregate lending at 28.5 percent. It is again noted that the bank is still developing its presence in this new market, and is working to increase and improve its lending penetration. Furthermore, given the low volume of lending, it is also noteworthy that one loan in any income tract can create a marked swing in percentages of lending.

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<sup>72</sup> Small Business Credit Survey: Report on Employer Firms in Texas, December 2018; available from: <https://www.dallasfed.org/-/media/documents/cd/pubs/sbcstx.pdf>.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid.

<sup>75</sup> City of Dallas' FY 2016-17 Urban Land Bank Demonstration Program Plan; available from: [https://dallascityhall.com/government/Council%20Meeting%20Documents/hou\\_3\\_land-bank-program\\_combined\\_091916.pdf](https://dallascityhall.com/government/Council%20Meeting%20Documents/hou_3_land-bank-program_combined_091916.pdf).

EXHIBIT 16 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
<b>Dallas County Assessment Area 2018</b>								
Bank Lending	0	0.0	1	25.0	3	75.0	0	0.0
Aggregate Lending <sup>76</sup>	6,482	11.2	16,540	28.5	14,728	25.4	20,216	34.9
Business Concentration	16,608	11.3	40,948	27.9	38,659	26.4	50,348	34.4

### ***Lending Distribution by Business Revenue***

As depicted in Exhibit 17 below, the lending distribution of loans by business revenue is excellent. While below the percentage of businesses with gross annual revenues of under \$1 million, the bank’s performance of 75.0 percent of applicable lending to businesses with gross annual revenues of \$1 million or less is significantly above the aggregate lending performance at 43.8 percent. Furthermore, half of the bank’s loans were originated in the amounts of \$100,000 or less, which is responsive to community credit needs for smaller dollar loans. Once again, it is noted that the bank’s low volume of lending in this assessment area make this ratio susceptible to significant statistical swings.

EXHIBIT 17 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%) <sup>77</sup>	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2018	4	75.0	89.7	43.8	50.0	0.0	50.0

### **COMMUNITY DEVELOPMENT TEST**

CBB’s performance under the community development test is satisfactory. This assessment is based on an adequate level of community development loans, investments, and services provided in the assessment area. Community development activities were responsive to the need for affordable housing, economic development, and the revitalization and stabilization of special designated economic development areas. Exhibit 3 on page 5 includes details regarding the community development activities that the bank engaged in over the review period.

<sup>76</sup> Ibid.

<sup>77</sup> 2017 aggregate data was utilized throughout this evaluation, as this was the most current information available.

### ***Community Development Lending***

CBB originated or participated in 13 loans totaling more than \$24 million in the Dallas assessment area. This total included eight SBA 7(a) or 504 small business loans totaling more than \$17.9 million to purchase or maintain small businesses, creating or preserving 79 jobs. All community development loans in the bank's assessment area were to businesses located in low- or moderate-income census tracts, helping to create or maintain 158 jobs.

### ***Community Development Investments***

CBB made 1 donation for over \$5,000 in the Dallas assessment area. In addition to this, one nationwide LIHTC investment of approximately \$4.2 million created 20 low- and moderate-income homeownership opportunities in and around the bank's assessment areas, including three within Dallas County, and two more within the broader statewide area.

### ***Community Development Services***

During the abbreviated timeframe since the bank opened its branches in Dallas County, CBB did not conduct community development service activities within the assessment area. To address this, bank management is currently working to create relationships with community development organizations within the area, similar to those in place within the bank's Los Angeles-Orange assessment area. Bank management has created 3-year target community development activity goals, to be reported to the board and management quarterly.

## APPENDIX A

### GLOSSARY OF TERMS

**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.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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.

**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, which 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).

**Full-scope review:** Performance under the lending and community development tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the lending and community development tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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.

**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.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**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 percent 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 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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 qualified investment is defined as any 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.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** 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, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.