

PUBLIC DISCLOSURE

July 26, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Point Bank
RSSD # 844567

200 South Highway 377
Pilot Point, TX 76258

Federal Reserve Bank of Dallas
2200 North Pearl Street
Dallas, Texas 75201

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 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

This Institution is rated:	Satisfactory
The Lending Test is rated:	Satisfactory
The Community Development Test is rated:	Outstanding

PointBank (bank or institution) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria under the Lending and Community Development Tests in accordance with the Federal Financial Institutions Examination Council's (FFIEC's) Interagency Examination Procedures for Intermediate Small Banks (ISB Examination Procedures).

- The bank's net loan-to-deposit ratio (NLTD) is reasonable, given the institution's size, financial condition, and credit needs of the assessment area it serves.
- A majority of the bank's lending is originated inside the bank's assessment area.
- A reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- A reasonable dispersion of loans throughout the institution's assessment area.
- An excellent responsiveness to the community development needs of the bank's assessment area, which includes participation in the Small Business Administration's Paycheck Protection Program (PPP) in response to the COVID-19 pandemic.

SCOPE OF EXAMINATION

The evaluation was conducted using the FFIEC's ISB Examination Procedures to assess the bank's Community Reinvestment Act (CRA) performance in meeting the credit and community development needs. The FFIEC's ISB Examination Procedures require the evaluation to be conducted through two separate tests: Lending Testing and Community Development Test. The evaluation considered performance context, including the bank's asset size, financial condition, business strategy, and market competition, as well as the demographic and economic characteristics of the assessment area the bank serves and its respective credit and community development needs.

Denton County, the bank's sole delineated assessment area, was reviewed using full-scope review procedures. The following data was reviewed to assess the bank's CRA performance:

- The bank's 13-quarter average NLTD ratio.
- The universe of residential real estate lending activity reported by the bank on its 2017, 2018, and 2019 Home Mortgage Disclosure Act (HMDA) Loan/Application Registers, which totaled 143 loan applications.
- A statistically derived sample of 75 small business loans taken from a universe of 118 loans originated or renewed between July 1, 2020 and December 31, 2020.
- The universe of community development loans, investments, and services provided by the bank since the conclusion of the previous CRA evaluation as of February 26, 2018.

- Information provided by one member of the Denton County community to further augment understanding of the credit and community development needs and economic conditions of the delineated assessment area.

DESCRIPTION OF INSTITUTION

PointBank is a wholly owned subsidiary of Pilot Point Bancorp, Inc., a single bank holding company headquartered in Pilot Point, Texas. The bank operates nine full-service locations in Denton County that offer traditional deposit and loan products and services to meet the needs of its communities. All nine branches have identical lobby hours and offer full-service automatic teller machines (ATMs). The bank focuses on commercial lending, which is the largest segment of its loan portfolio. As such, small business lending received greater weight in drawing overall conclusions regarding the bank's lending performance based on the loan portfolio composition and the institution's business strategy

The following table reflects the bank's loan portfolio mix:

Table 1		
Composition of Loan Portfolio as of March 31, 2021		
Loan Type	\$(000)	%
Construction and Land Development	37,313	10.3
Farmland	2,620	0.7
1-4 Family Residential Real Estate	48,118	13.2
Multifamily Residential Real Estate	3,021	0.8
Non-Farm Non-Residential Real Estate	151,224	41.6
Agricultural	0	0.0
Commercial and Industrial	101,170	27.8
Consumer	14,005	3.9
Other	6,205	1.7
Gross Loans	363,676	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank's ability to meet various credit needs of the community has not been hampered by its capacity to lend, its financial condition and size, product offerings, prior performance, legal impediments, or other factors. The Federal Reserve Bank of Dallas rated the bank's CRA performance as Satisfactory at the previous performance evaluation dated February 26, 2018. The bank received a Satisfactory rating under the Lending Test and a Satisfactory rating under the Community Development Test.

DESCRIPTION OF DENTON COUNTY ASSESSMENT AREA

PointBank delineates all of Denton County, Texas as its single assessment area. Denton County is one of seven counties located in the Dallas-Plano-Irving, TX Metropolitan Division (MD) and part of the Dallas-Fort Worth-Arlington Metropolitan Statistical Area (MSA).

According to the Federal Deposit Insurance Corporation (FDIC), as of June 30, 2020, there were 36 federally-insured depository institutions operating 152 branches within the assessment area. The bank ranks 8th in the market, with 0.2 percent of the deposit market share. Charles Schwab Bank led the market with 88.1 percent of the deposit market share. Other market leaders include Charles Schwab Premier Bank and JPMorgan Chase Bank, with 7.9 percent and 1.0 percent, respectively.

The bank ranked 128 out of 669 financial institutions originating and purchasing HMDA reportable loans in the assessment area, exhibiting less than 0.1 percent of the HMDA market share in 2018. Wells Fargo Bank led the market, with 12.1 percent of the HMDA market share. Other market leaders include JPMorgan Chase Bank and Quicken Loans, Inc., with 6.1 percent and 3.3 percent, respectively. In 2019, the bank ranked 140 out of 680 financial institutions originating and purchasing HMDA loans in the assessment area, exhibiting less than 0.1 percent of the HMDA market share. Wells Fargo Bank led the market, with 8.6 percent of the HMDA market share. Other market leaders include JPMorgan Chase Bank and AmeriHome Mortgage Company, with 5.8 percent and 4.0 percent, respectively.

To augment the evaluation, an interview with a community leader in supporting financial stability within the assessment area was conducted to ascertain the credit needs of the community, the responsiveness of area banks in meeting those credit needs, and the local economic conditions.

Demographic Characteristics:

According to the United States Census Bureau, as noted in Table 2 below, Denton County's rate of population growth is outpacing that of the Dallas-Plano-Irving, TX MD and the state of Texas. Denton County has a highly educated population in comparison with the state, with approximately 45.1 percent of the population over the age of 25 holding a bachelor's degree or higher, compared to 29.9 percent for the state of Texas.

Table 2			
Total Population			
Area	2010 Population	2015 Population	Percent Change
Denton County 2020	662,614	731,851	10.45%
Dallas-Plano-Irving, TX MD	4,230,520	4,519,004	6.82%
Texas	25,145,561	26,538,614	5.54%
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011 - 2015 U.S. Census Bureau American Community Survey</i>			

Income Characteristics:

The assessment area contains a total of 137 census tracts. Of these, six (4.4 percent) are defined as low-income census tracts, 17 (12.4 percent) are moderate-income census tracts, 51 (37.2 percent) are middle-income census tracts, and 63 (46.0 percent) are upper-income census tracts. Approximately 182,667 families reside in the assessment area. By family income, approximately 14.5 percent of these families are classified as low-income, 13.6 percent are moderate-income, 17.9 percent are middle-income, and 54.0 percent are upper-income families. Of the families in the assessment area, 5.8 percent are living below poverty, which is lower than the family poverty rate for the state of Texas, at 13.5 percent.

Table 3 Median Family Income			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Denton County 2020	\$94,620	\$91,186	-3.63%
Dallas-Plano-Irving, TX MD	\$73,150	\$71,149	-2.74%
Texas	\$63,314	\$62,717	-0.94%

*Source: 2006 - 2010 U.S. Census Bureau American Community Survey
2011 - 2015 U.S. Census Bureau American Community Survey
Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.*

Housing Characteristics:

The assessment area contains 273,765 housing units, of those, 60.5 percent are owner-occupied, 33.5 percent are rental units, and 6.0 percent of the units are vacant. The median age of the housing stock is 26 years compared to 31 years for the state of Texas. The assessment area's median housing value is \$197,616, compared to \$136,000 for the state of Texas. The assessment area's affordability ratio is 38.0 percent, illustrating housing units are slightly less affordable when compared to 39.1 percent for the state of Texas.¹ The community contact mentioned the assessment area is in need of affordable housing and transformational homelessness prevention efforts. According to the community contact, short-term homelessness prevention efforts are being met; however, the need for longer-term housing assistance to help combat homelessness in the assessment area remains a challenge.

Table 4 Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Denton County 2020	86%	49%	42%	72%	53%	20%
Dallas-Plano-Irving, TX MD	80%	41%	43%	67%	42%	23%
Texas	77%	43%	43%	60%	35%	21%

*Cost Burden is housing cost that equals 30 percent or more of household income
Source: U.S. Department of Housing and Urban Development (HUD), 2011-2015 Comprehensive Housing Affordability Strategy*

¹ The affordability ratio is the median household income divided by median housing value. A higher ratio means housing is more affordable.

Employment and Economic Conditions:

According to 2020 Dun & Bradstreet (D&B) data, 42,451 businesses are located in the assessment area, with 94.5 percent reporting gross annual revenues less than or equal to \$1 million dollars. Of those, 3.1 percent are located in low-income census tracts, 7.7 percent in moderate-income census tracts, 33.1 percent in middle-income census tracts, and 56.1 percent in upper-income census tracts.

According to the Oxford Economics forecast, Denton County was projected to be one of the nation’s fastest-growing economies from 2017-2021. The largest employment sectors in the assessment area are healthcare, retail trade, and educational services. Denton County’s two major universities, University of North Texas and Texas Woman’s University, create both a supply of future workers and a demand for goods and services.² The Denton Economic Development Partnership indicated major public employers for the area include the University of North Texas (4,614 employees), Denton Independent School District (4,417 employees), and Texas Woman’s University (1,875 employees). Major private employers include Peterbilt Motors (3,075 employees) and Texas Health Presbyterian Hospital Denton (1,076 employees). Further, as noted in Table 5, the unemployment rates within the assessment area from 2015 through 2020 have been declining and are below the unemployment rates for the Dallas-Plano-Irving, Texas MD and the state of Texas.

The community contact also noted a need for small business assistance, which was further heightened by the effect of the COVID-19 pandemic. The contact stated that small businesses in the assessment area need funding for the Small Business Administration’s PPP, as well as information related to the use of such lending program.

Table 5						
Unemployment Rates						
Area	2015	2016	2017	2018	2019	2020
Denton County 2020	3.58%	3.44%	3.36%	3.22%	2.96%	6.48%
Dallas-Plano-Irving, TX MD	4.03%	3.80%	3.71%	3.57%	3.28%	7.02%
Texas	4.49%	4.63%	4.34%	3.89%	3.53%	7.64%
<i>Source: Bureau of Labor Statistics(BLS), Local Area Unemployment Statistics</i>						

Key Assessment Area Demographics

The following table details selected characteristics of the assessment area.

² See “Dallas–Fort Worth Has Top Two Spots in U.S. Based on 5-Year Economic Forecast,” by Tracy M. Cook, Aug. 10, 2017, <https://www.dallasnews.com/business/economy/2017/08/10/dallas-fort-worth-has-top-two-spots-in-u-s-based-on-5-year-economic-forecast/>

Denton County 2020 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	6	4.4	4,798	2.6	1,334	27.8	26,472	14.5
Moderate	17	12.4	14,331	7.8	2,112	14.7	24,821	13.6
Middle	51	37.2	71,807	39.3	4,856	6.8	32,744	17.9
Upper	63	46.0	91,731	50.2	2,367	2.6	98,630	54.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	137	100.0	182,667	100.0	10,669	5.8	182,667	100.0
Housing Units by Tract	Housing Type by Tract							
	Owner-occupied				Rental		Vacant	
	#	% by tract	% by unit	#	% by unit	#	% by unit	
Low	12,403	823	0.5	6.6	10,422	84.0	1,158	9.3
Moderate	29,265	8,167	4.9	27.9	18,527	63.3	2,571	8.8
Middle	113,506	62,211	37.6	54.8	43,412	38.2	7,883	6.9
Upper	118,591	94,467	57.0	79.7	19,246	16.2	4,878	4.1
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	273,765	165,668	100.0	60.5	91,607	33.5	16,490	6.0
Total Businesses by Tract	0							
	Less Than or = \$1 Million				Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	1,333	3.1	1,232	3.1	87	4.9	14	2.6
Moderate	3,470	8.2	3,108	7.7	330	18.4	32	5.9
Middle	14,009	33.0	13,259	33.1	609	34.0	141	25.9
Upper	23,639	55.7	22,515	56.1	766	42.7	358	65.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	42,451	100.0	40,114	100.0	1,792	100.0	545	100.0
Percentage of Total Businesses:				94.5		4.2		1.3
Total Farms by Tract	Farms by Tract & Revenue Size							
	Less Than or = \$1 Million				Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	4	0.7	4	0.7	0	0.0	0	0.0
Moderate	22	3.6	20	3.3	2	100.0	0	0.0
Middle	251	41.3	251	41.4	0	0.0	0	0.0
Upper	331	54.4	331	54.6	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	608	100.0	606	100.0	2	100.0	0	0.0
Percentage of Total Farms:				99.7		0.3		0.0
Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's overall performance under the Lending Test is Satisfactory, as the institution reasonably meets the credit needs of small businesses and individuals in its assessment area. The bank's NLTD ratio and distribution of loans to low- and moderate-income (LMI) borrowers and to businesses of different sizes are reasonable. In addition, the bank extended the majority of its loans inside its delineated assessment area and exhibited reasonable geographic dispersion.

Net Loan-to-Deposit Ratio

The general purpose of the CRA is to encourage banks to meet the credit needs in their assessment areas while operating in a safe and sound manner. To gain an understanding of the bank's lending activity, the NLTD ratio is used to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the assessment area, and in comparison, to similarly situated FDIC-insured institutions.

The bank's average NLTD ratio since the prior CRA evaluation in February 2018 reflects a reasonable effort to meet the credit needs of its assessment area. As of March 31, 2021, the bank's 13-quarter average NLTD ratio of 61.6 percent was slightly below the average NLTD ratios of three similarly situated local banks, which ranged from 63.2 percent to 80.2 percent. As reflected in Table 6 below, the bank's March 31, 2021 NLTD ratio is comparable to the similarly situated banks. Given the amount of competition from larger banks operating in the assessment area and the increase in funds due to the COVID-19 pandemic, the bank's NLTD ratio is reasonable.

Table 6			
Comparative NLTD Ratios June 30, 2017 – March 31, 2021			
Institution	Location	Asset Size \$(000)	NLTD Ratio / 13- Quarter Average NLTD Ratio (%)
Point Bank	Pilot Point, TX	715,760	55.8 / 61.6
Similarly Situated Institutions			
United Texas Bank	Dallas, Texas	1,119,429	54.9 / 80.2
Pegasus Bank	Dallas, Texas	971,620	60.2 / 63.2
Citizens National Bank	Cameron, Texas	528,394	62.1 / 63.4

Lending in Assessment Area

This performance criterion evaluates the percentage of lending extended inside and outside of the bank's delineated assessment area. As illustrated in Table 7, the bank extended the majority

of its overall HMDA and small business loans, by number and dollar, within its assessment area. As identified in the table below, there were certain loan categories where the bank's performance was near or slightly below the majority threshold. In some instances where lending was outside the bank's AA the loans were originated in the areas adjacent to the bank's AA.

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	7	87.5	1,048	89.3	1	12.5	125	10.7
Home Purchase - Conventional	48	48.5	25,189	58.8	51	51.5	17,620	41.2
Loan Purpose Not Applicable	4	30.8	460	30.7	9	69.2	1,039	69.3
Multi-Family Housing	5	62.5	4,855	72.9	3	37.5	1,801	27.1
Other Purpose Closed-End	1	100	100	100	0	0.0	0	0.0
Refinancing	12	85.7	3,743	91.9	2	14.3	331	8.1
Total HMDA	77	53.8	35,395	62.9	66	46.2	20,916	37.1
Total Small Business	64	85.3	5,480	74.5	11	14.7	1,880	25.5

The remaining analysis is based on loans made inside the bank's assessment area.

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of lending within its assessment area by income level of census tracts. The bank's overall geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank generally extended its loans in close proximity to its branches, with no conspicuous gaps or anomalies in the lending patterns noted. The distribution of lending by income level of census tract was reasonable for HMDA and small business loans in the assessment area. Small business lending received greater weight in the analysis based on loan portfolio composition and a majority of the bank's lending occurring in this category.

Residential Real Estate (HMDA) Lending:

In 2018 and 2019, the bank's geographic distribution of HMDA loans reflects reasonable penetration throughout the assessment area when compared to demographic data and the performance of the aggregate lenders. The 2017 HMDA data was also evaluated and determined to be consistent with the 2018 and 2019 data presented in this evaluation. Lastly, only the bank's home purchase and refinance loans were considered in this analysis, as the limited volume of originations of the remaining HMDA lending products was insufficient to conduct a meaningful analysis.

Although the bank did not originate home purchase or refinance loans in LMI census tracts during the evaluation period, the bank's performance is reasonable. The bank's HMDA lending represents less than 0.1 percent of the HMDA market share for both years. As illustrated in the table below, both the bank and aggregate lenders performed below the demographic figures of 0.5 percent and 4.9 percent of owner-occupied properties in low- and moderate-income census tracts, respectively, which indicates limited opportunities for lenders to extend residential real estate loans in LMI geographies within the assessment area. In 2018, the bank originated a multifamily loan in a moderate-income census tract. While limited, the origination shows the bank's willingness to originate multifamily loans in moderate-income census tracts.

Table 8 (1 of 2) Distribution of 2018 and 2019 Home Mortgage Lending By Income Level of Geography Assessment Area: Denton County													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2018						2019						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	0	0.0	0.2	0	0.0	0.1	0	0.0	0.3	0	0.0	0.2	0.5
Moderate	0	0.0	2.8	0	0.0	1.9	0	0.0	2.8	0	0.0	1.9	4.9
Middle	7	63.6	35.5	2,163	35.8	30.1	2	16.7	38.3	339	5.5	32.7	37.6
Upper	4	36.4	61.5	3,884	64.2	67.9	10	83.3	58.6	5,855	94.5	65.2	57.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	11	100.0	100.0	6,047	100.0	100.0	12	100.0	100.0	6,194	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	0.3	0	0.0	0.2	0	0.0	0.2	0	0.0	0.2	0.5
Moderate	0	0.0	3.5	0	0.0	2.3	0	0.0	2.5	0	0.0	1.6	4.9
Middle	2	50.0	39.3	132	12.2	32.8	2	33.3	33.3	964	40.3	27.4	37.6
Upper	2	50.0	56.9	950	87.8	64.7	4	66.7	63.9	1,427	59.7	70.8	57.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	4	100.0	100.0	1,082	100.0	100.0	6	100.0	100.0	2,391	100.0	100.0	100.0
Home Improvement Loans													
Low	1	25.0	0.1	16	10.5	0.1	0	0.0	0.2	0	0.0	0.1	0.5
Moderate	0	0.0	2.6	0	0.0	2.3	0	0.0	1.3	0	0.0	1.1	4.9
Middle	2	50.0	27.6	100	65.8	23.8	1	100.0	26.6	60	100.0	23.1	37.6
Upper	1	25.0	69.7	36	23.7	73.8	0	0.0	72.0	0	0.0	75.7	57.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	4	100.0	100.0	152	100.0	100.0	1	100.0	100.0	60	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	22.1	0	0.0	23.9	0	0.0	17.6	0	0.0	10.6	15.2
Moderate	1	33.3	32.5	682	23.5	23.0	0	0.0	27.5	0	0.0	13.2	24.3
Middle	0	0.0	31.2	0	0.0	28.8	0	0.0	27.5	0	0.0	17.5	45.0
Upper	2	66.7	14.3	2,216	76.5	24.3	0	0.0	27.5	0	0.0	58.7	15.6
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	3	100.0	100.0	2,898	100.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	1	3.7	0.3	16	0.1	1.8	0	0.0	0.3	0	0.0	0.7	0.5
Moderate	1	3.7	3.0	682	6.4	3.5	0	0.0	2.7	0	0.0	2.4	4.9
Middle	14	51.9	36.0	2,594	24.2	30.4	5	26.3	36.3	1,363	15.8	30.3	37.6
Upper	11	40.7	60.7	7,447	69.3	64.3	14	73.7	60.7	7,282	84.2	66.7	57.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	27	100.0	100.0	10,739	100.0	100.0	19	100.0	100.0	8,645	100.0	100.0	100.0

Source: 2019 FFIEC Census Data

2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Table 8 (2 of 2)													
Distribution of 2018 and 2019 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Denton County													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2018						2019						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	\$%	\$%	#	#%	#%	\$(000)	\$%	\$%	
Other Purpose LOC													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.5
Moderate	0	0.0	2.2	0	0.0	2.1	0	0.0	1.7	0	0.0	0.8	4.9
Middle	0	0.0	28.1	0	0.0	23.4	0	0.0	26.1	0	0.0	21.7	37.6
Upper	0	0.0	69.7	0	0.0	74.5	0	0.0	72.3	0	0.0	77.5	57.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Other Purpose Closed/Exempt													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.5
Moderate	0	0.0	1.7	0	0.0	1.2	0	0.0	2.5	0	0.0	2.4	4.9
Middle	0	0.0	39.7	0	0.0	34.1	0	0.0	31.3	0	0.0	22.4	37.6
Upper	1	100.0	58.6	100	100.0	64.7	0	0.0	66.1	0	0.0	75.2	57.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	1	100.0	100.0	100	100.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Purpose Not Applicable													
Low	0	0.0	0.3	0	0.0	0.0	0	0.0	0.4	0	0.0	0.1	0.5
Moderate	0	0.0	2.9	0	0.0	0.0	0	0.0	5.3	0	0.0	4.0	4.9
Middle	3	75.0	32.6	199	43.3	0.0	0	0.0	46.0	0	0.0	36.7	37.6
Upper	1	25.0	64.2	261	56.7	0.0	0	0.0	48.4	0	0.0	59.2	57.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	4	100.0	100.0	460	100.0	0.0	0	0.0	100.0	0	0.0	100.0	100.0
Source: 2019 FFIEC Census Data													
2011-2015 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													

Small Business Lending:

The geographic distribution of small business loans reflects a reasonable penetration throughout the assessment area. Table 9 shows that the bank's small business lending in LMI census tracts meets or exceeds the percentage of businesses operating in these geographies by number volume, however, performed slightly below the demographics for these areas in dollar volume. The bank's lending is responsive to the needs of small businesses located in these geographies and reflects favorably when considering the bank's less than one percent deposit market share.

Table 9					
Distribution of 2020 Small Business Lending By Income Level of Geography					
Assessment Area: Denton County					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	2	3.1	29	0.5	3.1
Moderate	15	23.4	312	5.7	8.2
Middle	12	18.8	1,879	34.3	33.0
Upper	35	54.7	3,260	59.5	55.7
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0.0
Total	64	100.0	5,480	100.0	100.0
<i>Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

This performance criterion evaluates the bank's lending to borrowers of different income levels and businesses of different revenue sizes. The bank's HMDA and small business lending exhibit an overall reasonable penetration among individuals of different income levels, including LMI families, and businesses of different sizes. Small business lending received greater weight in the analysis based on loan portfolio composition and a majority of the bank's lending occurring in this category.

Residential Real Estate (HMDA) Lending:

The bank's borrower distribution of HMDA lending in the assessment area is reasonable despite being below the percentage of low- and moderate-income families residing in the assessment area and the aggregate lenders' figures. Several factors account for the bank's limited level of lending compared to assessment area demographics and aggregate lenders' performance. The bank originated 43 HMDA loans (53.8 percent of its total HMDA lending) in its assessment area in 2018 and 2019; as such, 46.2 percent of its HMDA lending is not being considered in this analysis. In addition, LMI families face difficulty in meeting underwriting criteria, such as down payment requirements and closing costs. Based on the ACS data, 14.5 percent of the families in the assessment area are considered low-income and 13.6 percent are considered moderate-income. Additionally, LMI families are impacted by the limited availability of affordable housing noted by the community contact and the assessment area's affordability ratio of 38.0 percent.

Table 10 (1 of 2) Distribution of 2018 and 2019 Home Mortgage Lending By Borrower Income Level Assessment Area: Denton County													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2018						2019						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	#%	#%	\$(000)	\$%	\$%	#	#%	#%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	0	0.0	1.3	0	0.0	9.0	0	0.0	1.7	0	0.0	6.1	14.5
Moderate	0	0.0	9.4	0	0.0	16.6	0	0.0	12.0	0	0.0	13.6	13.6
Middle	1	9.1	20.0	183	3.0	60.8	1	8.3	22.3	219	3.5	58.7	17.9
Upper	4	36.4	54.5	4,154	68.7	11.2	5	41.7	51.1	4,985	80.5	20.2	54.0
Unknown	6	54.5	14.7	1,710	28.3	0.0	6	50.0	13.0	990	16.0	0.0	0.0
Total	11	100.0	100.0	6,047	100.0	0.0	12	100.0	100.0	6,194	100.0	0.0	100.0
Refinance Loans													
Low	1	25.0	4.2	96	8.9	0.1	1	16.7	2.8	549	23.0	0.0	14.5
Moderate	0	0.0	13.2	0	0.0	0.0	0	0.0	10.0	0	0.0	0.0	13.6
Middle	0	0.0	20.4	0	0.0	0.1	1	16.7	17.2	83	3.5	0.0	17.9
Upper	0	0.0	50.5	0	0.0	0.3	2	33.3	51.3	1,046	43.7	0.2	54.0
Unknown	3	75.0	11.7	986	91.1	0.8	2	33.3	18.6	713	29.8	0.4	0.0
Total	4	100.0	100.0	1,082	100.0	100.0	6	100.0	100.0	2,391	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	2.5	0	0.0	1.7	0	0.0	2.3	0	0.0	1.4	14.5
Moderate	0	0.0	5.3	0	0.0	4.5	0	0.0	7.1	0	0.0	6.2	13.6
Middle	1	25.0	13.6	40	26.3	11.2	1	100.0	15.3	60	100.0	13.5	17.9
Upper	2	50.0	70.9	96	63.2	70.2	0	0.0	71.0	0	0.0	74.8	54.0
Unknown	1	25.0	7.8	16	10.5	12.4	0	0.0	4.3	0	0.0	4.1	0.0
Total	4	100.0	100.0	152	100.0	100.0	1	100.0	100.0	60	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	1	4.2	2.0	96	1.2	1.0	1	5.3	2.1	549	6.4	1.0	14.5
Moderate	0	0.0	10.0	0	0.0	6.7	0	0.0	11.1	0	0.0	7.5	13.6
Middle	2	8.3	19.5	223	2.8	16.6	3	15.8	20.2	362	4.2	17.0	17.9
Upper	7	29.2	53.6	4,350	55.5	61.8	7	36.8	51.3	6,031	69.8	59.0	54.0
Unknown	14	58.3	15.0	3,172	40.5	13.9	8	42.1	15.3	1,703	19.7	15.5	0.0
Total	24	100.0	100.0	7,841	100.0	100.0	19	100.0	100.0	8,645	100.0	100.0	100.0
Source: 2019 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.													

Table 10 (2 of 2)													
Distribution of 2018 and 2019 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Denton County													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2018						2019						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Other Purpose LOC													
Low	0	0.0	2.8	0	0.0	2.0	0	0.0	3.8	0	0.0	2.9	14.5
Moderate	0	0.0	11.1	0	0.0	7.5	0	0.0	8.1	0	0.0	6.6	13.6
Middle	0	0.0	16.2	0	0.0	12.7	0	0.0	17.5	0	0.0	14.3	17.9
Upper	0	0.0	64.5	0	0.0	73.2	0	0.0	67.3	0	0.0	73.6	54.0
Unknown	0	0.0	5.4	0	0.0	4.7	0	0.0	3.3	0	0.0	2.6	0.0
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Other Purpose Closed/Exempt													
Low	0	0.0	2.3	0	0.0	1.3	0	0.0	1.6	0	0.0	0.8	14.5
Moderate	0	0.0	10.1	0	0.0	8.9	0	0.0	11.9	0	0.0	8.6	13.6
Middle	0	0.0	16.1	0	0.0	10.2	0	0.0	18.2	0	0.0	13.3	17.9
Upper	1	100.0	62.1	100	100.0	68.0	0	0.0	63.6	0	0.0	71.4	54.0
Unknown	0	0.0	9.5	0	0.0	11.5	0	0.0	4.7	0	0.0	5.9	0.0
Total	1	100.0	100.0	100	100.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Purpose Not Applicable													
Low	0	0.0	0.5	0	0.0	0.2	0	0.0	0.4	0	0.0	0.2	14.5
Moderate	0	0.0	2.7	4	0.9	1.8	0	0.0	0.4	0	0.0	0.2	13.6
Middle	0	0.0	1.7	0	0.0	0.3	0	0.0	0.8	0	0.0	1.1	17.9
Upper	0	0.0	4.1	0	0.0	3.0	0	0.0	5.9	0	0.0	10.6	54.0
Unknown	4	100.0	91.1	0	0.0	94.7	0	0.0	92.5	0	0.0	87.9	0.0
Total	4	100.0	100.0	460	100.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0

Source: 2019 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Small Business Lending:

The borrower distribution of small business loans is reasonable. The bank extended 32.8 percent by number volume and 45.5 percent by dollar volume to businesses with annual revenues of \$1 million or less, which is significantly below the 94.5 percent of businesses in the assessment area considered small per the 2020 D&B data. Given the high level of competition in the assessment area and the fact that bank extended 85.7 percent of its small business loans in amounts of \$100,000 or less, the bank’s performance is considered reasonable. Much of the bank’s competition for small business loans comes from larger national and regional institutions which impacts the bank’s ability to access a higher level of the market share in the AA. Moreover, the community contact noted the need for small business loans in the assessment area, including the Small Business Administration’s Paycheck Protection Program, which were considered as part of the community development test.

Table 11					
Distribution of 2020 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Denton County					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	21	32.8	2,494	45.5	94.5
Over \$1 Million	43	67.2	2,985	54.5	4.2
Revenue Unknown	0	0.0	0	0.0	1.3
Total	64	100.0	5,480	100.0	100.0
By Loan Size					
\$100,000 or Less	56	87.5	1,775	32.4	
\$100,001 - \$250,000	2	3.1	400	7.3	
\$250,001 - \$1 Million	6	9.4	3,305	60.3	
Total	64	100.0	5,480	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	18	85.7	874	35.0	
\$100,001 - \$250,000	1	4.8	200	8.0	
\$250,001 - \$1 Million	2	9.5	1,420	56.9	
Total	21	100.0	2,494	100.0	
<i>Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

COMMUNITY DEVELOPMENT TEST

The bank's responsiveness to community development needs is excellent considering the bank's capacity and the need and available opportunities. The bank has applied its community development resources strategically to meet the substance of community needs, primarily through economic development initiatives targeted to LMI individuals in its community. The bank originated a significant amount of PPP loans to small businesses in response to the COVID-19 pandemic. Of the bank's 691 community development loans made within its assessment area, 99.3 percent are PPP loans. Additionally, three of the five community services loans made in the assessment area funded the construction and expansion of nonprofit organizations that provide vital health and human services to individuals in LMI census tracts.

The table below depicts a summary of the bank's community development activities since the prior CRA evaluation.

DENTON COUNTY ASSESSMENT AREA									
COMMUNITY DEVELOPMENT ACTIVITIES									
Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#
Affordable Housing	0	0	5	3,519	6	9	11	3,528	0
Community Services	5	5,118	0	0	309	584	309	584	44
Economic Development	686	47,605	0	0	0	0	0	0	0
Revitalization and Stabilization	0	0	0	0	0	0	0	0	0
Totals	691	52,724	5	3,519	315	592	320	4,112	44

The bank received additional community development credit for 149 loans and 23 investments benefiting a broader statewide or regional area, totaling \$14.8 million.

RESPONSE TO COMPLAINTS

The bank's response to written complaints with respect to its CRA performance was not evaluated because the institution did not receive any such complaints since the prior evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. Established policies and procedures are designed to ensure ongoing compliance with applicable laws and regulations.

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts average about 4,000 inhabitants, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to the population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language.

1. Affordable housing (including multi-family rental housing) for low- or moderate-income individuals.
2. Community services targeted to low- or moderate-income individuals.
3. 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.
4. Activities that revitalize or stabilize –
 - a. Low- or moderate-income geographies.
 - b. Designated disaster areas.
 - c. 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-
 - i. Rates of poverty, unemployment, and population loss.
 - ii. 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).

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 income of the applicants; the amount of loan requested; and the disposition of the application (for example, approved, denied, or 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 refinancing 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.

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 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 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.