

# **PUBLIC DISCLOSURE**

September 7, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Peoples Bank  
Certificate Number: 16968

801 East Front Street  
Iva, South Carolina 29655

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

10 10th Street NE, Suite 800  
Atlanta, Georgia 30309-3849

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

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## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

- The loan-to-deposit ratio is reasonable, given the institution's size, financial condition, and assessment area credit needs.
- A majority of small business and home mortgage loans were originated in the assessment area.
- The geographic distribution of small business and home mortgage loans reflects excellent dispersion throughout the assessment area.
- The distribution of loans reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes and individuals of different income levels.
- The bank did not receive any CRA-related complaints since the previous CRA evaluation. Therefore, this factor did not affect the CRA rating.

## DESCRIPTION OF INSTITUTION

The Peoples Bank is a state chartered, nonmember community bank headquartered in Iva, South Carolina. The bank is wholly-owned by Peoples Financial Group, Inc., a one-bank holding company also located in Iva, South Carolina. There have been no changes in control of the bank or business strategy since the previous evaluation. The bank has one affiliate, The Peoples Agency, an independent insurance agency affiliated through common ownership by the holding company. The Peoples Bank received a Satisfactory rating at its previous FDIC CRA performance evaluation, dated October 22, 2018, based on Interagency Small Institution Examination Procedures. There have been no mergers or acquisitions since the last evaluation; however, the bank has opened one new branch since the last evaluation as detailed below.

The Peoples Bank operates seven full-service banking offices, each located in Anderson County, South Carolina. The main office is located in Iva, South Carolina, five branches in Anderson, South Carolina, and the newest branch that opened on October 1, 2020 is located in Pendleton, South Carolina. The main office and one of the Anderson branch locations are located in moderate-income geographies, with the remaining five location located in middle income geographies within Anderson County. None of the middle-income tracts were designated as distressed or underserved in 2019 or 2020.

The bank's offices are readily accessible to all segments of its assessment area, with reasonable hours and banking services provided to customers. The bank offers drive through facilities and maintains cash dispensing automated teller machines (ATMs) at each location.

Population, Branch, and ATM Distribution by Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	#	%	%
Low	4	10.3	13,154	6.9	0	0.0	0	0.0
Moderate	10	25.6	44,818	23.4	2	28.6	2	28.6
Middle	18	46.2	89,283	46.7	5	71.4	5	71.4
Upper	7	17.9	43,960	23.0	0	0.0	0	0.0
<b>Total</b>	<b>39</b>	<b>100.0</b>	<b>191,215</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>
<i>Source: 2015 ACS Data and Bank Records</i>								

The Peoples Bank offers a variety of lending and deposit products to help meet the needs of individuals and businesses within its assessment areas. Commercial and home mortgage lending represent the bank's primary business focus, which has not changed since the previous evaluation.

Business purpose loans include commercial real estate, commercial and industrial, construction and land development, agricultural and farm-related, working capital, lines of credit, equipment financing, and other types of secured and unsecured loans. The bank has originated loans under the Paycheck Protection Program (PPP), a government program administered through the U.S. Small Business Administration (SBA). The PPP is a low-cost, qualifying, forgivable loan program for small businesses to help cover payroll costs, interest on mortgages, rent, and utilities during the period of economic dislocation caused by the COVID-19 pandemic. During the one-year period from January 1, 2020, through December 31, 2020, the bank originated 328 PPP loans totaling \$23.6 million. Consumer loan products include 1-4 family residential mortgages, construction,

home equity lines of credit, automobile loans, and secured and unsecured consumer installment loans.

The Peoples Bank offers consumer and business deposit products, including checking, money market, savings, Certificates of Deposit, Certificate of Deposit Account Registry Service, Individual Retirement Accounts, and Health Savings accounts. Deposit related services also include safe deposit boxes, night depository, bank-by-mail, wire transfer, and direct deposit capability. In addition, the bank offers alternative delivery systems to make financial services available to customers, including ATMs, internet banking, mobile banking, person-to-person transfers, and 24-hour telephone banking. The bank maintains a website that provides detailed information on available products and services.

### Ability and Capacity

As of June 30, 2021, The Peoples Bank's Consolidated Report of Condition and Income (Call Report) reflected total assets of \$408.6 million, total loans of \$171.2 million, and total deposits of \$363.7 million. As shown in the following table, commercial loans (loans secured by non-farm, non-residential properties and commercial and industrial loans) represent the largest portion of the loan portfolio at 47.7 percent, followed by loans secured by 1-4 family residential properties at 36.1 percent.

<b>Loan Portfolio Distribution as of 06/30/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	18,937	11.0%
Secured by Farmland	1,041	0.6%
Secured by 1-4 Family Residential Properties	61,811	36.1%
Secured by Multi-family (5 or more) Residential Properties	124	0.1%
Secured by Non-farm Non-residential Properties	66,436	38.8%
<b>Total Real Estate Loans</b>	<b>148,349</b>	<b>86.6%</b>
Commercial and Industrial Loans	15,242	8.9%
Agricultural Loans	399	0.2%
Consumer Loans	6,790	4.1%
Obligations of States and Political Subdivisions in the United States	430	0.2%
Other Loans	30	0.0%
<b>Total Loans</b>	<b>171,240</b>	<b>100.0%</b>
<i>Source: Reports of Condition and Income.</i>		

Additionally, it is noted that the bank's loan portfolio does not reflect activities conducted through the banks' two mortgage broker relationships with non-depository lenders. Through these relationships, the bank collects application information and forwards this information to the investor for review and underwriting. Through broker relationships, The Peoples Bank assisted in facilitating 55 home mortgage loans totaling \$8.4 million in 2019 and 76 home mortgage loans totaling \$13.5 million in 2020. Although assisting customers in obtaining mortgage loans, these credits are not reflected on the bank's books in total loans.

Examiners did not identify any financial, legal, or other impediments that would significantly affect the bank's ability to meet the credit needs of its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment area(s) within which its CRA performance will be evaluated. The Peoples Bank has delineated one assessment area, Anderson County, South Carolina, which is located in the Greenville-Anderson Metropolitan Statistical Area (Greenville – Anderson MSA) portion of South Carolina.

### Economic and Demographic Data

The assessment area includes all 39 census tracts in Anderson County, South Carolina. The 39 tracts reflect the following income designations according to the 2015 American Community Survey (ACS) data; 4 low-income tracts, 10 moderate-income, 18 middle-income tracts, and 7 upper income tracts. The assessment areas includes whole geographies and does not arbitrarily exclude any low- or moderate-income areas that the bank could reasonably be expected to serve. Neither the delineation of the assessment area nor the demographic composition of the assessment area have changed since the previous evaluation.

The following table presents demographic information from the 2015 ACS and 2020 D&B data. The ACS and D&B data is used in the Geographic Distribution and Borrower Profile analysis as a comparison for the bank’s performance.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	10.3	25.6	46.2	17.9	0.0
Population by Geography	191,215	6.9	23.4	46.7	23.0	0.0
Housing Units by Geography	85,296	8.5	23.4	46.9	21.3	0.0
Owner-Occupied Units by Geography	53,216	4.4	22.4	46.6	26.6	0.0
Occupied Rental Units by Geography	20,807	16.0	24.4	47.3	12.3	0.0
Vacant Units by Geography	11,273	13.8	25.7	47.8	12.8	0.0
Businesses by Geography	10,353	8.0	16.1	49.9	26.0	0.0
Farms by Geography	379	2.6	18.5	56.5	22.4	0.0
Family Distribution by Income Level	51,232	24.0	19.2	19.4	37.4	0.0
Household Distribution by Income Level	74,023	26.5	16.9	18.0	38.7	0.0
Median Family Income Greenville-Anderson, SC MSA		\$58,097	Median Housing Value			\$127,431
			Median Gross Rent			\$688
			Families Below Poverty Level			13.0%
Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0 percent. (* ) The NA category consists of geographies that have not been assigned an income classification.						

The analysis of small business and home mortgage lending under the Geographic Distribution compares performance to the percentage of businesses and owner-occupied housing units located within low-, moderate-, middle-, and upper-income census tracts. The 2015 ACS Census data shows that a significant majority of owner-occupied housing units at 73.2 percent and businesses at 75.9 percent are located in middle- and upper-income areas, providing significant lending opportunities in those areas. Although lending opportunities exist in the low-income areas, opportunities are more restricted.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue level. According to the 2020 D&B data, there were 10,353 non-farm businesses in the assessment area. Gross annual revenues for these businesses are detailed below.

- 83.2 percent have \$1 million or less,
- 4.9 percent have more than \$1 million, and
- 11.9 percent have unknown revenues

According to the 2019 D&B data, there were 10,392 non-farm businesses in the assessment area. Gross annual revenues for these businesses are detailed below.

- 83.1 percent have \$1 million or less,
- 5.0 percent have more than \$1 million, and
- 11.9 percent have unknown revenues

The top industries in the assessment area, according to 2020 D&B data, are service industries at 36.5 percent, retail trade at 16.0 percent, and construction at 7.9 percent. In addition, 61.7 percent of the businesses in the assessment area have four or fewer employees and 87.8 percent operate from a single location.

Examiners used the 2019 and 2020 FFIEC estimated median family income for the Greenville – Anderson, SC MSA to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects the median family income ranges for the low-, moderate-, middle-, and upper-income categories in the assessment area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Greenville-Anderson, SC MSA Median Family Income (24860)</b>				
2019 (\$67,800)	<\$33,900	\$33,900 to <\$54,240	\$54,240 to <\$81,360	≥\$81,360
2020 (\$69,400)	<\$34,700	\$34,700 to <\$55,520	\$55,520 to <\$83,280	≥\$83,280
<i>Source: FFIEC</i>				

According to the United States Bureau of Labor Statistics, the unemployment rate in Anderson County, SC decreased slightly between 2018 and 2019, which was comparable to the State average and slightly below the national average. The unemployment rate increased in 2020, in large part due to the COVID-19 national pandemic, remaining comparable to the state average and remaining below the national average. The following table depicts the average unemployment rates and trends for the assessment area, state and nation.

Unemployment Rates			
Area	2018	2019	2020
	%	%	%
Anderson County	3.2	2.6	6.0
South Carolina	3.4	2.8	6.2
National Average	3.9	3.7	8.1
<i>Source: Bureau of Labor Statistics</i>			

According to data from the Upstate South Carolina Alliance resource center, the top five employers in Anderson County include the State of South Carolina, the United States Government, Michelin North America, Inc, Walmart Stores, Inc., and AnMed Health Medical Center.

### **Competition**

According to the FDIC's June 30, 2020, Summary of Deposits Report, The Peoples Bank experiences strong competition with seventeen FDIC-insured financial institutions operating 50 banking offices within the bank's assessment area. Of these institutions, The Peoples Bank ranked 5th, with a deposit market share of 8.4 percent. The top four banks in the assessment area, include one state non-member bank and three national banks, each operating a large number of branches both inside and outside the assessment area. These banks account for more than 50.0 percent of the deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2020, 328 institutions reported 14,369 residential mortgage originations totaling \$2.8 billion originated in the assessment area. Of these lenders, The Peoples Bank ranked 37th, with a market share of 0.7 percent. The top five institutions were Quicken Loans with 7.1 percent of the market, Wells Fargo Bank, N.A. at 4.9 percent, Truist Bank at 4.4 percent, Freedom Mortgage Corporation at 3.3 percent, and Prime Lending, A PlainsCapital at 3.0 percent.

The bank is not required to collect or report its small business loan data and has elected not to do so. However, aggregate data reflects strong demand for small business loans. Aggregate data for 2019 (most recent available) indicates 72 institutions reported 3,446 small business loans totaling \$115.0 million in the assessment area, indicating a high degree of competition for this product. The top five reporting institutions account for 50.5 percent of the small business market share. Small business loans originated by the bank in 2019, 66 loans, would rank approximately 13<sup>th</sup> by number when considering the number of loans originated by each reporting institution.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs of the area. This information helps determine whether local financial institutions are responsive to these needs and what credit opportunities are available.



Examiners contacted a local government representative from the economic development division located within the assessment area. The contact discussed expansion of the housing market, expressing increased demand for affordable housing in the area, and indicated that there is an ongoing need for small business loans, including SBA loans. The contact indicated an entry-level home value of approximately \$200,000 for recent home construction, which is well above the median home value of \$127,431 identified under the Description of the Assessment Area. The contact did not identify any major obstacles to serving the area, and stated that local banks have been very responsive to the needs of the area.

### **Credit Needs**

Information from bank management, the community contact, and demographic and economic data for the area indicate reasonable opportunities and demand for both affordable housing and small business loans. Low- and moderate-income families constitute 43.2 percent of the total families in the assessment area, which indicates a potential need for affordable housing. The significant percentage of businesses with gross annual revenue of \$1 million or less and the large percentage of businesses with four or fewer employees and the high percentage of businesses operating from a single location support this conclusion.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the bank's previous evaluation dated October 22, 2018, to the current evaluation dated August 30, 2021. Examiners used the Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance.

### **Activities Reviewed**

Examiners determined the major product lines include small business and home mortgage loans. This conclusion considered the bank's business strategy and the composition of the loan portfolio. The Peoples Bank's June 30, 2021, Report of Condition and Income (Call Report) reflects that commercial loans (including commercial real estate and commercial and industrial loans) represent 47.7 percent of the loan portfolio, and 1-4 family home mortgage loans represent 36.1 percent of the portfolio. No other loan types, such as small farm or consumer loans, represent a major product line given the limited lending volume. Therefore, they provide no material support for conclusions or ratings and are not presented.

Based on the level of commercial and home mortgage loans as reflected in the June 30, 2021, Call Report, the bank's commercial lending focus, and the volume of small business loans originated during the review period, small business lending performance received greater weight in the overall analysis and conclusions.

The Home Mortgage Disclosure Act (HMDA) requires banks meeting asset size, location, and transaction requirements, to report certain data concerning applications for home purchase, home refinance, and home improvement loans. The Peoples Bank is subject to HMDA, and the

evaluation included an analysis of all home mortgage loans originated and reported in 2019 and 2020. In 2019, the bank reported 75 home mortgage loans totaling \$16.3 million, and in 2020, the bank reported 107 loans totaling \$19.2 million. The percentage of families by income level, the percentage of owner-occupied housing units by geography derived from ACS demographics, and the 2019 and 2020 aggregate data were used for comparison purposes.

The CRA evaluation also included an analysis of small business loans originated in 2019 and 2020. Examiners reviewed both 2019 and 2020 small business loans given that the bank's lending in 2020 was affected by the COVID-19 pandemic, which also impacted economic conditions in the assessment area. In 2019, the bank originated 66 small business loans totaling \$14.2 million. In 2020, the bank originated 437 small business loans totaling \$47.7 million, which included 328 PPP loans totaling \$23.6 million. D&B business demographic data for 2019 and 2020 are used for comparison purposes.

Examiners used the universe of small business loans for the Assessment Area Concentration and the Geographic Distribution performance criterion for 2019. However, since borrower revenue information was not readily available, examiners selected a random sample of 38 loans totaling \$8.7 million from loans inside the assessment area in 2019 to analyze the distribution of small business loans by gross annual revenues. For 2020, examiners selected a sample of 65 loans totaling \$6.2 million from the above noted universe to analyze for all performance criterion. A sample was utilized due to the absence of readily available information to analyze the entire universe of loans originated in 2020.

While both the number and dollar volume of loans are presented, the analyses primarily focused on the number of loans originated rather than the dollar volume, since loans extended to small business entities and low- and moderate-income borrowers are generally for smaller dollar amounts, thus the number is generally a better indicator of the number of businesses and individuals served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The overall Lending Test for this institution is Satisfactory. This rating is supported by the bank's reasonable loan-to-deposit ratio, a majority of loans reviewed being made inside the assessment area, an excellent distribution of loans to home mortgage borrowers and to businesses throughout the assessment area, and an overall reasonable penetration of loans to borrowers of different incomes and businesses of different sizes. In addition, the bank has not received any CRA-related complaints since the previous evaluation.

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

The Peoples Bank's average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment area. The bank's average net loan-to-deposit ratio averaged 58.6 percent over the previous 11 calendar quarters from December 31, 2018, to June 30, 2020. During this time, the bank's net loan-to-deposit ratio experienced a declining trend,

ranging from a low of 44.9 percent as of March 31, 2021, to a high of 67.6 percent as of December 31, 2018.

Although The Peoples Bank faces a high level of competition from numerous financial institutions operating in its assessment area, there are no financial institutions considered similarly-situated in terms of age, asset size, branch network, and product offerings. As a result, examiners compared the bank's average net loan-to-deposit ratio to that of its peer group, as identified by the Uniform Bank Performance Report. The peer group consists of insured commercial banks with assets between \$300 million and \$1 billion. The peer group's net loan-to-deposit ratio averaged 78.5 percent over the same review period.

The decline in the bank's loan-to-deposit ratio is attributed to significant deposit growth that has outpaced loan growth over the review period. Deposit growth resulted from increased market share and was amplified by the COVID-19 pandemic, as stimulus funds and PPP loan funds were deposited. Additionally, savings deposits as many individuals did not vacation or travel in 2020. In addition, the bank experienced a significant increase in large deposits during the review period.

### **Assessment Area Concentration**

The Peoples Bank originated a majority of its home mortgage loans and a majority of the small business loans reviewed inside the assessment area. The following table illustrates the bank's home mortgage and small business lending performance inside and outside the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	56	74.7	19	25.3	75	12,982	79.8	3,277	20.2	16,260
2020	92	86.0	15	14.0	107	13,834	72.0	5,389	28.0	19,223
Subtotal	148	81.3	34	18.7	182	26,816	75.6	8,667	24.4	35,482
Small Business										
2019	58	87.9	8	12.1	66	13,160	92.9	1,004	7.1	14,164
2020	56	86.2	9	13.8	65	5,053	81.4	1,157	18.6	6,210
Subtotal	114	87.0	17	13.0	131	18,213	89.4	2,161	10.6	20,374
Source: 2019 and 2020 HMDA Data and Bank Records.										

### **Geographic Distribution**

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The excellent dispersion of both home mortgage loans and small business loans supports the overall conclusion.

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

The distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. Lending performance in low- income tracts in 2019 is well above aggregate data and exceeds demographic data. In 2020, lending in low-income tracts reflects a notable increase and significantly exceeds both aggregate and demographic data. Lending in moderate-income tracts in 2019 exceeds aggregate and is slightly below demographics. In 2020, lending in moderate-income tracts increased significantly and is double the aggregate data and above the demographic data.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	4.4	2.9	3	5.4	167	1.3
2020	4.4	2.4	9	9.8	652	4.7
Moderate						
2019	22.4	14.7	11	19.6	1,390	10.7
2020	22.4	13.0	24	26.1	1,558	11.3
Middle						
2019	46.6	46.0	25	44.6	5,028	38.7
2020	46.6	45.4	25	27.2	4,222	30.5
Upper						
2019	26.6	36.4	17	30.4	6,397	49.3
2020	26.6	39.2	34	36.9	7,402	53.5
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>12,982</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>92</b>	<b>100.0</b>	<b>13,833</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019 and 2020 HMDA Data; and 2019 and 2020 HMDA Aggregate Data.</i>						

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

The distribution of small business loans reflects excellent dispersion throughout the assessment area. Lending in low-income tracts was below demographics in 2019; however, lending in low-income tracts increased in 2020 and was well above demographics. Lending in moderate-income tracts exceeded demographics in 2019 and increased in 2020 to significantly exceed demographic data.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	8.2	3	5.2	1,060	8.1
2020	8.0	7	12.5	495	9.8
Moderate					
2019	16.5	13	22.4	2,441	18.5
2020	16.1	15	26.8	593	11.7
Middle					
2019	50.0	27	46.5	6,312	48.0
2020	49.9	25	44.6	3,531	69.9
Upper					
2019	25.3	15	25.9	3,347	25.4
2020	26.0	9	16.1	434	8.6
Totals					
2019	100.0	58	100.0	13,160	100.0
2020	100.0	56	100.0	5,053	100.0

*Source: 2019 and 2020 D&B Data and Bank Records.*

### **Borrower Profile**

The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The overall conclusion is supported by the reasonable penetration among individuals of different income levels and the reasonable distribution of loans to businesses of different sizes.

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

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels, including low- and moderate-income borrowers. In 2019, lending to low-income borrowers was significantly below both aggregate performance and demographics. Lending to low-income borrowers increased in 2020 but remained below aggregate and significantly below demographics.

In 2020, low-income families earned less than \$34,700 making it difficult to qualify for conventional home mortgage loan products, given the median home value of \$127,431. This combined with recent appreciation in home values has further impacted affordability for low-income borrowers. Also impacting low-income families is the fact that 13.0 percent of the total

families, or 54.1 percent of the low-income families in the assessment area live at incomes below the poverty level making it more difficult to qualify for traditional mortgage products.

In 2019, home mortgage lending to moderate-income borrowers was significantly below aggregate lending and demographics. In 2020, bank performance declined and was substantially below both aggregate and demographics.

The table below also reflects that a majority of the loans in 2019 and a significant majority of the loans in 2020 did not have the revenue information available for analysis, given these are reported as non-owner occupied investment properties on the HMDA LAR, which impacts the analysis and conclusions.

Considering this, lending to low-income borrowers increases to 3.8 percent in 2019, which remains below aggregate and significantly below demographics; however, in 2020, lending to low-income borrowers increases to 12.5 percent, which is double aggregate data but remains well below demographics. Lending to moderate-income borrowers increases to 19.2 percent in 2019, which is in line with aggregate and demographics, and 6.3 percent in 2020, which remains significantly below both aggregate performance and demographics. In addition, there is significant competition in the assessment area for home mortgage loans, and in 2020, the COVID-19 pandemic negatively impacted the assessment area, as evidenced by significant increase in unemployment, which limited lending opportunities. The following table reflects the bank's home mortgage lending to borrowers of various incomes throughout the assessment area.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	24.0	8.2	1	1.8	32	0.2
2020	24.0	6.4	2	2.2	69	0.5
Moderate						
2019	19.2	21.4	5	8.9	1,545	11.9
2020	19.2	20.0	1	1.1	71	0.5
Middle						
2019	19.4	21.5	5	8.9	906	7.0
2020	19.4	20.9	4	4.3	320	2.3
Upper						
2019	37.4	31.7	15	26.8	3,603	27.8
2020	37.4	33.4	9	9.8	2,087	15.1
Not Available						
2019	0.0	17.2	30	53.6	6,896	53.1
2020	0.0	19.2	76	82.6	11,287	81.6
<b>Totals</b>						

<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>12,982</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>92</b>	<b>100.0</b>	<b>13,834</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019 and 2020 HMDA Data; and 2019 and 2020 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

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

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Lending to businesses with gross annual revenues less than or equal to \$1 million dollars in 2019 was just below demographic data. In 2020, lending to businesses with gross annual revenues less than or equal to \$1 million was substantially below demographics; however, bank performance in 2020 was impacted by the fact that revenue information was not available for a significant majority of the loans sampled. The absence of revenue information is primarily associated with the bank's participation in the PPP, as revenue data was not required. When loans without revenues are excluded from the overall analysis, bank performance improves to 69.2 percent, which is below demographics but considered reasonable. Refer to the following table for more details.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2019	83.1	29	76.3	6,684	77.1
2020	83.2	9	16.1	2,496	49.4
<b>&gt;\$1,000,000</b>					
2019	5.0	9	23.7	1,985	22.9
2020	4.9	4	7.1	400	7.9
<b>Revenue Not Available</b>					
2019	11.9	0	0.0	0	0.0
2020	11.9	43	76.8	2,157	42.7
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>	<b>8,669</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>5,053</b>	<b>100.0</b>
<i>Source: 2019 and 2020 D&amp;B Data and Bank Records.</i>					

### **Response to Complaints**

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

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

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



## **APPENDICES**

### **SMALL BANK PERFORMANCE CRITERIA**

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## GLOSSARY

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

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.