

PUBLIC DISCLOSURE

October 5, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Jackson Parish Bank
Certificate Number: 8799

201 Jimmie Davis Blvd
Jonesboro, Louisiana 71251

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

1601 Bryan Street, Suite 1410
Dallas, Texas 75201

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

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA	3
SCOPE OF EVALUATION	6
CONCLUSIONS ON PERFORMANCE CRITERIA.....	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	15
APPENDICES	16
SMALL BANK PERFORMANCE CRITERIA.....	16
GLOSSARY	17

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.

Jackson Parish Bank's satisfactory Lending Test record supports the overall Community Reinvestment Act (CRA) rating. The bank did not request consideration of its investments and services; therefore, this consideration did not affect the overall rating. The following points summarize conclusions regarding the relevant test's applicable performance factors, discussed in detail elsewhere.

Lending Test

- The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test conclusion.

Discriminatory or Other Illegal Credit Practices

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the overall CRA rating.

DESCRIPTION OF INSTITUTION

Background

Jackson Parish Bank, headquartered in Jonesboro, Louisiana, began operations in 1904. Jackson Bancorp, Inc., Jonesboro, Louisiana, a one-bank holding company, wholly owns the institution. No other affiliates or subsidiaries exist relevant to this CRA evaluation since the institution did not request consideration of the activities from such. The bank received a Satisfactory rating at its previous evaluation, dated March 11, 2015, based on Federal Financial Institutions Examination Council (FFIEC) Small Institution CRA Examination Procedures and performed by the Federal Deposit Insurance Corporation (FDIC).

Operations

Jackson Parish Bank functions as a retail bank with a primary business focus, unchanged from the last evaluation, on consumer lending. The bank did not participate in any merger or acquisition activity since the prior evaluation. It operates from one full-service office, located in the State of Louisiana. Jackson Parish Bank did not open or close any full-service offices since the previous evaluation. The Description of Assessment Area depicts the full-service office's specific location.

The bank offers a variety of loan products including consumer, commercial, and residential real estate loans. It also provides a variety of deposit services, including demand accounts, interest bearing checking accounts, savings accounts, and certificates of deposits. Service hours remain typical for the area, with extended drive thru hours on Monday, Thursday, and Friday. Alternative banking services include internet banking services that provide in-bank transfers and bill pay, and one non-deposit taking automated teller machine (ATM).

Ability and Capacity

Based on the most recent quarter-end data, June 30, 2020, from the Report of Condition, or Call Report, assets totaled \$70.6 million, consisting primarily of Securities of \$43.8 million, 62.1 percent of the total; Net Loans & Leases of \$17.4 million, 24.7 percent of the total, and Cash of \$7.8 million, 11.1 percent of the total. Total deposits equaled \$59.1 million as of the same date.

Since the last evaluation, on average per year, total assets increased 0.21 percent, net loans decreased 0.99 percent, and total deposits decreased 0.39 percent. As of June 30, 2020, the bank reported a Return on Average Assets of 0.46 percent and a Tier 1 Leverage Capital ratio of 15.00 percent.

The following table from the June 30, 2020, Call Report, reflects a distribution unrepresentative of the institution's primary business focus with residential loans at 47.8 percent of the dollar volume of outstanding loans, followed by commercial lending at 31.9 percent. The higher dollar amounts and longer terms for these loans skews their presence in outstanding loans versus the much smaller dollar amount and shorter term consumer loans.

Loans Outstanding		
Loan Category	\$(000s)	%
Construction & Land Development	0	0.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	8,436	47.8
Secured by Multi-Family Residential Properties	0	0.0
Secured by Commercial Real Estate	2,461	14.0
Agricultural Production	92	0.5
Commercial and Industrial	3,161	17.9
Consumer	3,083	17.5
Other Loans	408	2.3
Total Loans	17,641	100.0
<i>Source: Report of Condition (06/30/20).</i>		

Based on the information discussed in this section, as well as other regulatory data, the institution’s financial condition, size, product offerings, prior performance, and status of any legal impediments did not affect its ability to meet the assessment area’s credit needs

DESCRIPTION OF ASSESSMENT AREA

Overall Description

Jackson Parish Bank designated one assessment area, the Louisiana Nonmetropolitan Area Assessment Area (LA Non-MSA AA). The assessment area conforms to CRA regulatory requirements. The following discussion provides information on the area.

LA NON-MSA AA

The LA Non-MSA AA, unchanged from the prior evaluation, consists of all five census tracts that make up nonmetropolitan Jackson Parish, located in Northcentral Louisiana. As noted, the LA Non-MSA AA accounts for 100 percent of the bank’s loans, deposits, and offices considered in this evaluation. Examiners performed a full-scope review of this assessment area.

The following table shows that the bank operates one full-service office in this area. It also operates one ATM, located at the full-service office. As noted, the bank did not open or close any offices, and it did not participate in any merger or acquisition activity in this assessment area since the prior evaluation.

Full-Service Office Locations LA Non-MSA AA					
County/City/Street	Office Type	Census Tract Number	Census Tract Income Level	ATM	Office Opened or Closed Since Last Evaluation
<i>Jackson Parish:</i> Jonesboro - Jimmie Davis Blvd	Main Office	9703.00	Upper	Yes	No
<i>Source: Bank records; American Community Survey (ACS) Census data (2015).</i>					

Economic and Demographic Data

The assessment area’s five census tracts reflect the following income designations based on the 2015 American Community Survey (ACS) Census data: 1 moderate-, 3 middle-, and 1 upper-income tracts. All three middle-income tracts received Distressed or Underserved designations during the period under review.

Service industries represent the largest portion of businesses at 47.5 percent, followed by non-classifiable establishments at 20.1 percent, and retail trade at 9.0 percent. In addition, 65.7 percent of the businesses in the assessment area have four or fewer employees, and 91 percent operate from a single location. The area’s largest employers include the timber mill located in Jonesboro-Hodge, Wal-Mart, Jackson Parish Hospital, and the local municipal government employers, including the school districts, parish, and city governments.

Based on data from the U.S. Bureau of Labor and Statistics, shown in the following table, unemployment rates for Jackson Parish reflect lower rates than the corresponding state figures but higher rates than the corresponding national rates, thus initially suggesting a relatively better economy than other areas in the state. However, while the assessment area’s rates slightly increased from 2017 through 2019, both the state and national figures declined, thus bringing the area’s rate more in-line with the state figure, thereby suggesting a relatively weakening economy but one that still remains consistent with other areas in the state.

Unemployment Rates			
Area	2017	2018	2019
	%	%	%
Jackson Parish	4.5	4.6	4.7
State of Louisiana	5.1	4.9	4.8
National Average	4.3	3.9	3.7
<i>Source: U.S. Bureau of Labor Statistics.</i>			

Examiners use the applicable FFIEC median family incomes (MFI) to analyze consumer and home mortgage loans under the borrower profile performance factor. As an example, the following table shows the applicable income ranges for loans originated in 2019 based on the 2019 MFI of \$50,000 applicable to the area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Louisiana Nonmetropolitan Areas Median Family Income (99999)				
2019 (\$50,000)	<\$25,000	\$25,000 to <\$40,000	\$40,000 to <\$60,000	≥\$60,000
<i>Source: FFIEC (2019)</i>				

The following table provides select demographic characteristics for the LA Non-MSA AA.

Demographic Information LA Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	20.0	60.0	20.0	0.0
Population by Geography	16,109	0.0	20.9	51.8	27.3	0.0
Housing Units by Geography	7,729	0.0	22.6	54.6	22.8	0.0
Owner-Occupied Units by Geography	4,110	0.0	18.4	58.8	22.8	0.0
Occupied Rental Units by Geography	1,928	0.0	31.2	49.6	19.2	0.0
Vacant Units by Geography	1,691	0.0	23.1	50.0	26.9	0.0
Businesses by Geography	1,166	0.0	22.7	46.3	31.0	0.0
Farms by Geography	38	0.0	13.2	60.5	26.3	0.0
Family Distribution by Income Level	4,302	25.9	15.7	17.2	41.2	0.0
Household Distribution by Income Level	6,038	26.3	14.3	14.9	44.5	0.0
Median Family Income - LA Non-MSA AA (2015)		\$46,614	Median Housing Value			\$76,058
Families Below Poverty Level		20.2%	Median Gross Rent			\$494
<i>Source: ACS Census data (2015); D&B Data (2019)</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Competition

The area contains a relatively moderate level of competition from other chartered banks based on its population, with each of the five offices from the area's five institutions serving about 3,222 people, on average. Jackson Parish Bank ranked 3nd in deposit market share by capturing 13.1 percent of the area's deposits based on the June 30, 2019, FDIC Deposit Market Share Report data. Overall, the competition level allows for lending opportunities.

Community Contacts

Examiners reviewed an existing contact with a community member knowledgeable of the area's economic and business environments, to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement in the area. The contact represents a nonprofit organization that focuses on economic development and marketing to attract and retain companies in the 14 northern Louisiana parishes it serves.

The contact noted that manufacturing, education, retail, and healthcare services represent the main employment sources in the assessment area, with a local paper mill being the largest employer. However, overall poverty levels permeate throughout the parish. The contact described the area's housing as older, but remains unaware of any home mortgage credit needs in the parish. The community member indicated that banks in the area show a good level of community involvement, promote area growth, and provide for small household loans for families, the highest community credit need.

Credit Needs

The LA Non-MSA AA remains somewhat consistent with other nonmetropolitan areas in its creation of loan demand for a smaller variety of loan products. Similar to other nonmetropolitan areas, small business and agriculture notably contribute to the area's economy and present certain credit needs, as do smaller dollar volume consumer loans, typical of most nonmetropolitan areas. Furthermore, the higher median housing age, at least 44 years in many neighborhoods in the area, suggests a need for home renovation loans.

Considering information obtained from the community contact, bank management, as well as demographic and economic information, examiners concluded that the primary credit needs of the area include home mortgage, small business, and consumer loans.

SCOPE OF EVALUATION

General Information

Examiners evaluated performance based on FFIEC Small Institution CRA Examination Procedures, which include the Lending Test. The appendices lists the applicable test's criteria. This evaluation covers the period from March 11, 2015, to October 5, 2020, the date of the previous evaluation to this evaluation's date.

Assessment Areas Reviewed/Weighting

As noted, the bank operates in one assessment area. Consequently, examiners performed a full-scope review of the only assessment area, the LA Non-MSA AA. As the only assessment area, the LA Non-MSA AA generates and contains 100 percent of the bank's loans, deposits, and offices considered in this evaluation. Consequently, examiners placed all weight on the bank's performance in the LA Non-MSA AA when arriving at applicable conclusions. This evaluation does not consider any affiliate activity.

Activities Reviewed

Lending Test

Loan Products Reviewed

For the Lending Test, CRA Small Bank procedures require examiners to determine the bank's major product lines for review. As an initial matter, examiners may select from the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans.

The following table shows the bank's originations and purchases over the most recent full calendar year, 2019, for the loan categories typically reviewed in CRA evaluations. The activity reflects a generally consistent pattern with the bank's lending emphasis since the last evaluation.

Loans Originated or Purchased				
Loan Categories Typically Reviewed	Universes of Loan Categories Typically Reviewed			
	\$(000s)	%	#	%
Home Mortgage	1,295	26.4	20	4.3
Small Business	1,155	23.5	40	8.5
Small Farm	0	0.0	0	0.0
Consumer	2,456	50.1	410	87.2
Total	4,906	100.0	470	100.0
<i>Source: Bank records (2019).</i>				

Considering the dollar volume and number of loans originated or purchased during 2019 as well as management's stated business strategy, examiners determined that the bank's major product lines, for the loan categories typically considered, consist of home mortgage, small business, and consumer loans. Since the other typically considered loan category, small farm loans, does not represent a major product line and thus would not materially affect any conclusions or ratings, this evaluation does not discuss it.

Consequently, since the reporting requirements of the Home Mortgage Disclosure Act (HMDA) do not apply to Jackson Parish Bank, examiners considered the universe of 20 home mortgage loans totaling \$1.3 million originated in the most recent full calendar year preceding the date of this evaluation, 2019. For the Lending Test's Geographic Distribution and Borrower Profile performance factors, examiners considered the universe of 14 home mortgage loans totaling \$917,000 originated inside the assessment area during 2019. Demographic data for 2019 provides a standard of comparison for the home mortgage loans reviewed.

Examiners also considered the universe of 40 small business loans totaling \$1.2 million originated in the most recent full calendar year preceding the date of this evaluation, 2019. For the Lending Test's Geographic Distribution and Borrower Profile performance factors, examiners considered the universe of 22 small business loans totaling \$760,000 originated inside the assessment area during 2019. D&B data for 2019 provides a standard of comparison for the small business loans reviewed.

Examiners further considered the universe of 410 consumer loans totaling \$2.5 million originated in the most recent full calendar year preceding the date of this evaluation, 2019. For the Lending Test's Geographic Distribution performance factor, examiners considered the universe of 273 consumer loans totaling \$1.6 million originated inside the assessment area during 2019.

For the Borrower Profile performance factor, examiners considered a random sample of 55 consumer loans totaling \$291,000 from the universe of such loans originated inside the bank's assessment area during 2019. They based the random sample on a statistical 90 percent Confidence Level with a 10 percent Precision Level. Examiners consider the reviewed loans representative of the entire evaluation period. Demographic data for 2019 provides a standard of comparison for the consumer loans reviewed.

Loan Category Weighting

Examiners considered the universes of the dollar volume and number of loans originated in 2019 for the loan categories reviewed as well as management's stated business strategy to determine the weighting applied to those categories when evaluating the applicable performance factors.

The following table shows the bank's total activities for the loan categories reviewed. Considering both the dollar volume and number percentages equally, consumer loans account for 68.7 percent of the loan categories reviewed, small business loans account for 16.0 percent, and home mortgage loans account for 15.3 percent. This emphasis remains generally consistent for loans originated inside the assessment area. Consequently, examiners weighed consumer loans heavier than the other loan categories when arriving at applicable conclusions.

Loan Category Weighting				
Loan Category Reviewed	Universes of Loan Categories Reviewed			
	\$(000s)	%	#	%
Home Mortgage	1,295	26.4	20	4.3
Small Business	1,155	23.5	40	8.5
Consumer	2,456	50.1	410	87.2
Total Reviewed Categories	4,906	100.0	470	100.0

Source: Bank records (2019).

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Jackson Parish Bank demonstrated a satisfactory record regarding the Lending Test. Reasonable borrower profile and geographic loan distributions primarily support this conclusion. A reasonable loan-to-deposit ratio and reasonable assessment area concentration further support the overall Lending Test record. The appendices list the Lending Test's criteria.

For the CRA Small Bank Lending Test, typically, examiners will first determine whether the presence of any weaker loan-to-deposit ratio or assessment area concentration performance warrants downgrading the overall Lending Test rating. Absent any such warranted downgrading, examiners will then place more weight on the bank's borrower profile and geographic loan distributions when arriving at the overall Lending Test conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. Reasonable overall and comparative levels support this conclusion.

Overall Level

The overall level of the bank’s average, net loan-to-deposit (LTD) ratio reflects reasonable performance. For the 22 quarters since the previous evaluation, March 31, 2015, to June 30, 2020, the bank recorded a 30.7 percent average, net LTD ratio, down slightly from the 32.0 percent ratio observed at the previous evaluation.

Over the 22 quarters, the bank’s quarterly, net LTD ratios varied from a low of 23.1 percent on December 31, 2015, to a high of 34.9 percent on September 30, 2017. The ratios’ reflect a relatively consistent level, with third quarters being the highest ratio range and fourth quarters being the lowest. The consistently low figure each December coincides with the spike in public funds. Since state law requires the bank to collateralize these public fund deposits, thus they do not represent a funding source, even though the ratio’s calculation still includes them. Adjusting the calculation for these funds, the average, net LTD ratio rises to 54.2 percent.

Within the context of the noted considerations, particularly the bank’s relative capacity with respect to its deposits, the overall level of the bank’s average, net LTD ratio reflects reasonable performance.

Comparative Level

The comparative level of the bank’s average, net LTD ratio reflects reasonable performance. Examiners identified and listed in the following table two comparable institutions that reflect roughly similar asset sizes and lending emphases, and which operate in the bank’s assessment area.

The following table shows that the bank posted the second lowest ratio out of the three total ratios listed. Based on the data, the bank’s ratio lands within a reasonable range of the 43.0 percent average of the three ratios, given the ratios’ overall levels. The bank’s ratio falls 12.3 percentage points lower than the average figure, thus still suggesting reasonable performance. Therefore, given the relative position and performance of Jackson Parish Bank’s ratio, the comparative level of the bank’s average, net LTD ratio reflects reasonable performance.

LTD Ratio Comparative Level		
Bank Name and Location	Total Assets \$(000s)	Average, Net LTD Ratio (%)
Jackson Parish Bank, Jonesboro, Jackson Parish, LA	70,560	30.7
Comparable Banks		
Hodge Bank & Trust Company, Hodge, Jackson Parish, LA	76,368	83.8
Jonesboro State Bank, Jonesboro, Jackson Parish, LA	370,902	14.5
<i>Source: Report of Condition (6/30/20); Reports of Condition (previous 22 quarters: 3/31/2015 to 6/30/20)</i>		

Assessment Area Concentration

A majority of loans and other lending-related activities are in the institution’s assessment area. Majorities of consumer, small business, and home mortgage loans originated in the assessment area support this conclusion. Examiners considered the bank’s asset size and office structure as well as the loan products reviewed relative to the assessment area’s size and economy when arriving at this conclusion.

Consumer Loans

The institution originated a majority of its consumer loans inside its assessment area. The following table shows that for consumer loans by both measures, the percentages of the number and dollar volume of loans, the bank originated majorities inside its assessment area, thereby reflecting reasonable levels. Weighing both measures equally, combined they show that the bank originated a majority of its consumer loans inside its assessment area.

Small Business

The institution originated a majority of its small business loans inside its assessment area. The following table shows that for small business loans by both measures, the percentages of the number and dollar volume of loans, the bank originated majorities inside its assessment area, thereby reflecting reasonable levels. Weighing both measures equally, combined they show that the bank originated a majority of its small business loans inside its assessment area.

Home Mortgage Loans

The institution originated a majority of its home mortgage loans inside its assessment area. The following table shows that for home mortgage loans by both measures, the percentages of the number and dollar volume of loans, the bank originated majorities inside its assessment area, thereby reflecting reasonable levels. Weighing both measures equally, combined they show that the bank originated a majority of its home mortgage loans inside its 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		
	#	%	#	%		\$	%	\$	%	
Consumer	273	66.6	137	33.4	410	1,577	63.5	905	36.5	2,482
Small Business	22	55.0	18	45.0	40	760	65.8	395	34.2	1,155
Home Mortgage	14	70.0	6	30.0	20	917	70.8	378	29.2	1,295

Source: Bank records (2019).

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. A reasonable record in the LA Non-MSA AA supports this conclusion. Reasonable records regarding consumer and mortgage loans insufficiently lifted by an excellent record regarding small business loans supports the overall record in the LA Non-MSA AA. As noted, consumer loans received the heaviest weighting for this factor.

Examiners considered the bank’s performance relative to the available comparative data and any performance context issues. They focused on the percentages by the number of loans in moderate-income geographies, when arriving at conclusions. As noted, the bank’s assessment area does not contain any low-income census tracts. This factor only considered loans originated inside the bank’s assessment area.

Consumer Loans

The geographic distribution of consumer loans reflects a reasonable record in the LA Non-MSA AA. Reasonable performance in moderate-income census tracts supports this conclusion. Examiners focused on the comparisons to the percentages of households, when arriving at conclusions.

The following table shows that in the moderate-income census tract in the LA Non-MSA AA, the bank's level lands within a reasonable range of the percentage of households, given the ratios' overall levels. The bank's level rises 8.6 percentage points higher, thereby clearly reflecting a reasonable level.

Geographic Distribution Consumer Loans – LA Non-MSA AA					
Tract Income Level	Households (%)	Bank's Consumer Loans			
		#	%	\$(000s)	%
Low					
Moderate	22.5	85	31.1	395	25.0
Middle	55.9	105	38.5	672	42.7
Upper	21.6	83	30.4	510	32.3
NA					
Total	100.0	273	100.0	1,577	100.0

Source: ACS Census data (2015); Bank records (2019).

Small Business Loans

The geographic distribution of small business loans reflects an excellent record in the LA Non-MSA AA. Excellent performance in moderate-income census tracts supports this conclusion. Examiners focused on the comparisons to the percentages of businesses as reported by D&B, when arriving at conclusions.

The following table shows that in the moderate-income census tract in the LA Non-MSA AA, the bank's level lands substantially above the D&B figure, given the ratios' overall levels. The bank's level rises 31.8 percentage points higher, thereby reflecting an excellent level.

Geographic Distribution Small Business Loans – LA Non-MSA AA					
Tract Income Level	Distribution of Businesses (% of #)	Bank's Small Business Loans			
		#	%	\$(000s)	%
Low					
Moderate	22.7	12	54.5	473	62.2
Middle	46.3	2	9.1	149	19.6
Upper	31.0	8	36.4	138	18.2
NA					
Total	100.0	22	100.0	760	100.0

Source: D&B data (2019); Bank records (2019).

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects a reasonable record in the LA Non-MSA AA. Reasonable performance in the moderate-income census tracts supports this conclusion. Examiners focused on the comparisons to the percentages of owner-occupied housing units, when arriving at conclusions.

The following table shows that in the moderate-income census tract in the LA Non-MSA AA, the bank's level lands within a reasonable range of the percentage of owner-occupied housing units, given the ratios' overall levels. The bank's level rises 3.0 percentage points higher, thereby reflecting a reasonable level.

Geographic Distribution Home Mortgage Loans – LA Non-MSA AA					
Tract Income Level	Owner-Occupied Housing Units (% of #)	Bank's Home Mortgage Loans			
		#	%	\$(000s)	%
Low					
Moderate	18.4	3	21.4	237	25.8
Middle	58.8	5	35.7	186	20.3
Upper	22.8	6	42.9	494	53.9
NA					
Total	100.0	14	100.0	917	100.0
<i>Source: ACS Census data (2015); Bank records (2019).</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. A reasonable record in the LA Non-MSA AA supports this conclusion. Reasonable records regarding consumer, small business, and home mortgage loans support the overall record in the LA Non-MSA AA. As noted, consumer loans received the heaviest weighting for this factor.

Examiners considered the bank's performance relative to the available comparative data and any performance context issues. They focused on the percentages by the number of loans when arriving at conclusions. This factor only considered loans originated in the bank's assessment area.

Consumer Loans

The distribution of consumer loans based on the borrowers' profiles reflects a reasonable record in the LA Non-MSA AA. Reasonable performance to low-income borrowers insufficiently lifted by excellent performance to moderate-income borrowers supports this conclusion.

Examiners weighed performance to low-income borrowers more heavily than to moderate-income borrowers given the greater lending opportunities illustrated by the corresponding demographic percentages. The borrowers' income designations define the borrowers' profiles for this review. Examiners focused on the comparisons to the household percentages, when arriving at conclusions.

The following table shows that to low-income borrowers in the LA Non-MSA AA, the bank's level lands within a reasonable range of the percentage of households, given the ratios' overall levels. The bank's level rises 6.4 percentage points higher, thereby reflecting a reasonable level. The table further shows that to moderate-income borrowers, the bank's level lands substantially above the demographic figure, given the ratios' overall levels. The bank's level rises 13.0 percentage points higher, thereby reflecting excellent performance.

Thus, given the relative performances and weightings for the discussed income levels, the distribution of consumer loans based on the borrowers' profiles reflects reasonable performance in the LA Non-MSA AA.

Borrower Profile Distribution					
Consumer Loans – LA Non-MSA AA					
Borrower Income Level	Households (% of #)	Bank's Consumer Loans			
		#	%	\$(000s)	%
Low	26.3	18	32.7	58	19.9
Moderate	14.3	15	27.3	60	20.6
Middle	14.9	12	21.8	53	18.2
Upper	44.5	8	14.6	77	26.5
NA	0.0	2	3.6	43	14.8
Total	100.0	55	100.0	291	100.0

Source: ACS Census data (2015); Bank records (2019).

Small Business

The distribution of small business loans based on the borrowers' profiles reflects a reasonable record in the LA Non-MSA AA. Reasonable performance to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion. Examiners focused on the bank's overall levels to businesses with gross annual revenues of \$1 million or less when arriving at conclusions. The businesses' gross annual revenues define the borrowers' profiles for this review.

The following table shows that in the LA Non-MSA AA, the bank originated well over eight out of every ten loans to businesses with gross annual revenues of \$1 million or less, thereby reflecting a reasonable level. The table also shows that the bank originated five out of every ten loans to businesses in the smallest revenue category, further supporting a reasonable level.

Thus, given the relative performances and weightings for the discussed revenue categories, the distribution of small business loans based on the borrowers' profiles reflects reasonable performance in the LA Non-MSA AA.

Borrower Profile Distribution Small Business Loans – LA Non-MSA AA					
Gross Annual Revenues (000s)	Distribution of Businesses (% of #)	Bank's Small Business Loans			
		#	%	\$(000s)	%
\$0 < \$100	51.0	11	50.0	395	52.0
\$100 < \$250	29.2	8	36.4	287	37.8
\$250 < \$500	5.1	0	0.0	0	0.0
\$500 ≤ \$1,000	2.1	0	0.0	0	0.0
Subtotal ≤ \$1,000	87.4	19	86.4	682	89.8
> \$1,000	2.9	2	9.1	58	7.6
Revenues Not Known	9.7	1	4.5	20	2.6
Total	100.0	22	100.0	760	100.0

Source: D&B data (2019); Bank records (2019).

Home Mortgage Loans

The distribution of home mortgage loans based on the borrowers' profiles reflects a reasonable record in the LA Non-MSA AA. Reasonable performance to low-income borrowers insufficiently lowered by poor performance to moderate-income borrowers supports this conclusion.

Examiners weighed performance to low-income borrowers more heavily than performance to moderate-income borrowers given the greater lending opportunities illustrated by the corresponding demographic figures, even after giving consideration to families with incomes below the poverty level. Examiners focused on the comparison to the percentages of families, when arriving at conclusions. The borrowers' income designations define the borrowers' profiles for this analysis.

The following table shows that to low-income borrowers in the LA Non-MSA AA, the bank's level lands clearly below the demographic figure, given the ratios' overall levels. The bank's level falls 11.6 percentage points lower, typically reflective of a poor level. However, part of the performance context for this bank involves families reporting incomes below the poverty level. Notably greater challenges exist for these families when trying to qualify for home mortgage loans, typically higher dollar volume and longer term loans.

While low-income families represent 25.9 percent of the area's families as noted in the following table, 20.2 percent of the area's total families reported incomes below the poverty level. Of these, 36.9 percent reside in the area's moderate-income census tracts, thus significantly increasing the possibility that these below-poverty families also reported low incomes. After adjusting for this performance context matter of low-income families also reporting incomes below the poverty level, the bank's level lands within a reasonable range of the resulting demographic figure, falling 5.4 percentage points lower, thus reflecting a reasonable level.

The table further shows that to moderate-income borrowers, the bank's level just does land substantially below the demographic figure, given the ratios' overall levels. The bank's level falls 8.6 percentage points lower, thereby reflecting a poor level.

Thus, given the relative performances and weightings for the discussed income levels, the distribution of home mortgage loans based on the borrowers' profiles just does reflect a reasonable record in the LA Non-MSA AA.

Borrower Profile Distribution					
Home Mortgage Loans – LA Non-MSA AA					
Borrower Income Level	Families (%)	Bank's Home Mortgage Loans			
		#	%	\$(000s)	%
Low	25.9	2	14.3	48	5.2
Moderate	15.7	1	7.1	58	6.3
Middle	17.2	3	21.4	88	9.6
Upper	41.2	8	57.2	723	78.9
NA	0.0	0	0.0	0	0.0
Total	100.0	14	100.0	917	100.0

Source: ACS Census data (2015); Bank records (2019).

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test conclusion.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the community credit needs. Therefore, this consideration did not affect the institution's overall CRA rating.

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.