

# **PUBLIC DISCLOSURE**

August 3, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Security Bank of Crawford  
Certificate Number: 15731

6688 North Lone Star Parkway  
Crawford, Texas 76638

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 .....	1
DESCRIPTION OF ASSESSMENT AREA.....	2
SCOPE OF EVALUATION .....	5
CONCLUSIONS ON PERFORMANCE CRITERIA .....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....	12
APPENDICES.....	13
SMALL BANK PERFORMANCE CRITERIA.....	13
GLOSSARY .....	14

## INSTITUTION RATING

**INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING:** Security Bank of Crawford 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.

Security Bank of Crawford demonstrated a satisfactory record regarding the Lending Test. The following points summarize the applicable performance factors, discussed in detail elsewhere.

- The loan-to-deposit (LTD) ratio is more than 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 outside of the institution's assessment area. This conclusion did not negatively impact the bank's Lending Test rating due to performance context considerations.
- The geographic distribution of loans reflects reasonable performance 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 prior evaluation; therefore, this factor did not affect the Lending Test rating.

## DESCRIPTION OF INSTITUTION

Security Bank of Crawford (SB) operates as a state-chartered non-member bank headquartered in Crawford, Texas. Anchor Bancshares, Inc., a one-bank holding company, wholly owns the institution. The institution received a Satisfactory rating at its prior Federal Deposit Insurance Corporation Performance Evaluation, dated August 4, 2014, based on Interagency Small Institution Examination Procedures.

SB currently operates two full-service branches in Central Texas, one of which opened since the prior evaluation. Specifically, the bank opened a new branch in a moderate-income census tract in Temple, Texas in January 2020. The opening of this branch added a physical location in Bell County, an area in which the bank already conducting business prior to the branch addition. The bank did not experience any branch closures or participate in any merger or acquisition activities since the prior evaluation.

SB retains a focus as a home mortgage lender while also offering commercial, agricultural, construction, and consumer loans. The bank provides a variety of deposit accounts including personal checking, savings, money market, and time deposit accounts, in addition to individual retirement accounts. Alternative banking services include internet and mobile banking, automated teller machines, electronic bill pay, mobile deposit, wire transfers, and business remote deposit.

SB’s assets totaled approximately \$76.9 million as of the March 31, 2020 Report of Income and Condition, and included total loans of \$55.9 million. The bank reported deposits of \$69.2 million as of the same date. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of March 31, 2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	9,595	17.2
Secured by Farmland	1,614	2.8
1-4 Family Residential	29,572	52.9
Multifamily Residential	562	1.0
Commercial Real Estate	7,525	13.4
<b>Total Real Estate Loans</b>	<b>48,868</b>	<b>87.4</b>
Commercial and Industrial	3,833	6.9
Agricultural	824	1.5
Consumer	2,344	4.2
Other	21	<0.1
Less: Unearned Income	(0.0)	(0.0)
<b>Total Loans</b>	<b>55,890</b>	<b>100.0</b>
<i>Source: 3/31/2020 Report of Income and Condition</i>		

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

## **DESCRIPTION OF ASSESSMENT AREA**

SB delineated McLennan County, Texas, located in the Waco, Texas Metropolitan Statistical Area (MSA), as the bank’s assessment area (Waco MSA AA). Changes since the prior evaluation include the addition of Bell and Coryell Counties to the assessment area due to the establishment of the new branch in January 2020. Although bank records indicate they consider the assessment area to include Bosque, Coryell, and Bell Counties, the bank had not established branch locations in these areas in 2018 and 2019; therefore, this evaluation will not include an assessment of those counties. The Waco MSA AA complies with the technical requirements of the CRA and does not arbitrarily exclude any low- to moderate-income neighborhoods or individuals.

### **Economic and Demographic Data**

Based on the 2015 American Community Survey (ACS) Census data, the Waco MSA AA consists of 57 census tracts with the following income designations:

- 7 low-income census tracts;
- 17 moderate-income census tracts;
- 16 middle-income census tracts;
- 15 upper-income census tracts; and
- 2 census tracts with no income designation.

Low- and moderate-income census tracts account for 12.3 and 29.8 percent, respectively, of total assessment area census tracts. The following table illustrates select demographic, housing, and business information within the Waco MSA AA.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	57	12.3	29.8	28.1	26.3	3.5
Population by Geography	258,915	9.7	30.0	25.1	33.7	1.5
Housing Units by Geography	104,660	11.2	30.6	26.7	31.5	0.0
Owner-Occupied Units by Geography	54,820	4.2	22.5	29.1	44.2	0.0
Occupied Rental Units by Geography	37,367	19.9	41.5	20.9	17.7	0.0
Vacant Units by Geography	12,473	16.0	33.0	33.7	17.4	0.0
Businesses by Geography	15,739	4.8	31.2	26.5	36.9	0.6
Farms by Geography	711	1.7	12.1	42.9	43.2	0.1
Family Distribution by Income Level	61,229	22.6	17.8	18.0	41.5	0.0
Household Distribution by Income Level	92,187	25.5	16.1	15.6	42.8	0.0
Median Family Income MSA - Waco, TX MSA	\$54,026	Median Housing Value				\$108,453
		Median Gross Rent				\$770
		Families Below Poverty Level				14.8%
<i>Source: 2015 ACS and 2018 D&amp;B Data. Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to the 2018 D&B data, there are 15,739 businesses in the Waco MSA AA. A total of 81.3 percent of non-farm businesses in the assessment area reported gross annual revenues (GARs) of \$1 million or less. Further, 5.9 percent reported GARs over \$1.0 million and 12.8 percent did not report revenue information.

The Federal Financial Institutions Examination Council (FFIEC) updates median family incomes on an annual basis by MSA. The low-, moderate-, middle-, and upper-income levels for the Waco, Texas MSA are presented in the following table.

<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>Waco, TX MSA Median Family Income (47380)</b>				
2018 (\$59,100)	<\$29,550	\$29,550 to <\$47,280	\$47,280 to <\$70,920	≥\$70,920
2019 (\$64,000)	<\$32,000	\$32,000 to <\$51,200	\$51,200 to <\$76,800	≥\$76,800
<i>Source: FFIEC</i>				

Waco’s private services such as healthcare and education remain strong industries for the area according to Moody’s Analytics as of July 2020. The manufacturing industry, already struggling, will experience additional troubles as a result of the pandemic. Factory employment, with the exception of the food processing facilities considered essential, continue to struggle. At 11.1 percent, the unemployment rate more than doubled from March to April, and in just one month the metro area shed more than half the jobs gained in the last business cycle.

The area’s strengths include low employment volatility compared with more oil-reliant Texas economies and below-average business and living costs. Weaknesses include low educational attainment despite the presence of Baylor University, being highly reliant on the volatile aviation industry, below-average per capita income, and below-average concentration of prime working-age adults. The top five employers are Baylor University, Providence Healthcare Network, Baylor Scott & White Medical Center, H-E-B, and Texas State Technical College Waco.

### **Competition**

The area reflects moderate competition for financial services. According to the June 30, 2019 Deposit Market Share Report, 25 financial institutions operate 62 branches in the Waco MSA AA. A number of large national and regional financial institutions operate in the AA, with the top three financial institutions holding 31.4 percent of the Waco MSA AA deposit market share. SB ranked 18<sup>th</sup> with a 1.1 percent deposit market share.

While SB is not required to report its small business loan data and it elected not to do so; however, reported data does reflect the level of demand for small business loans in the assessment area. In 2018, the most recent year for which aggregate data currently exists, 85 institutions reported 3,673 small business loans in the assessment area, indicating a high level of competition.

The area also contains a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2018, 395 lenders reported a total of 9,100 originated or purchased residential mortgage loans. SB ranked 47<sup>th</sup> out of this group of lenders, with a market share of 0.6 percent. The three most prominent home mortgage lenders accounted for 18.1 percent of total market share.

## **Community Contact**

Examiners reviewed a recent interview with a community contact that serves McLennan County. The contact represented a local organization knowledgeable of the area's economic and housing environments, to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement in the area. The contact noted that the area's economic conditions are declining due to job losses related to the COVID-19 pandemic. The contact identified the following banking and credit needs: small business microloans, financial education programs, affordable housing, and first-time homebuyer programs for low- and moderate-income individuals and families. Overall, the contact felt that financial institutions have been responsive to the credit and community development needs of the area, especially given current economic conditions.

## **Credit Needs**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage loans, small business loans, and small farm loans represent a primary credit need. There also continues to be a need for affordable housing and financial education throughout the assessment area.

# **SCOPE OF EVALUATION**

## **General Information**

This evaluation covers the period from the prior evaluation, dated August 4, 2014, to the current evaluation dated August 3, 2020. Examiners used the Interagency Small Institution Examination Procedures to evaluate SB's CRA performance. These procedures consist of the CRA Small Institution Lending Test. The Appendices list the applicable test's criteria.

## **Activities Reviewed**

Examiners determined that the bank's major product lines include home mortgage and small business loans. This conclusion considered the bank's business strategy, loan composition, and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and were not analyzed or presented.

SB is required to collect and report home mortgage loan data pursuant to the Home Mortgage Disclosure Act (HMDA). For this evaluation, examiners reviewed the entire universe of reported home mortgage loan data for the two most recent completed calendar years, 2018 and 2019. SB reported 66 home mortgage loans totaling \$8.3 million in 2018 and 76 home mortgage loans totaling \$10.1 million in 2019.

Examiners used loan origination data to determine the universe of small business loans. As a result, examiners analyzed the entire universe of the most recent two completed calendar years of small

business loan data: 2018 and 2019. SB originated 84 small business loans totaling \$10.2 million in 2018 and 55 small business loans totaling \$6.3 million in 2019. Examiners used the full universe of small business loans to complete analysis on the assessment area concentration performance factor. Under the geographic distribution performance factor, examiners used the universe of loans originated inside the assessment area. Finally, examiners used a sample of loans to analyze the borrower profile performance factor. This sample consisted of 30 loans totaling \$1.9 million in 2018 and 23 loans totaling \$1.6 million in 2019. Examiners selected these samples based on a 90 percent confidence interval with a 10 percent level of precision.

The institution’s lending performance is compared to the 2015 ACS Census data, 2018 and 2019 D&B data, 2018 aggregate reported home mortgage data, and other information gathered as part of the evaluation process, including community contacts. Aggregate reported data for 2019 was not available at the time of this evaluation. Where feasible, the performance of comparable institutions was used. For the two loan products reviewed, examiners placed more weight on home mortgage loans due to the higher loan portfolio composition and lending focus.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The Lending Test is rated Satisfactory. Reasonable geographic distribution and borrower profile performances primarily support this conclusion.

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

SB’s loan-to-deposit (LTD) ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. The LTD ratio averaged 86.8 percent over the past 23 calendar quarters from September 30, 2014, to March 31, 2020. The ratio ranged from a low of 77.5 percent as of June 30, 2016, to a high of 98.6 percent as of March 31, 2017. The ratio remained stable during the evaluation period.

In addition, SB maintained a higher LTD ratio when compared to similarly-situated institutions, as shown in the following table. Examiners selected the comparable institutions based on asset size, loan portfolio composition, and geographic location. As shown, SB’s ratio landed 3.9 to 19.2 percentage points above the comparable institutions.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 3/31/2020 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Security Bank of Crawford</b>	<b>76,864</b>	<b>86.8</b>
Similarly-Situated Institution #1	96,182	67.6
Similarly-Situated Institution #2	104,350	75.2
Similarly-Situated Institution #3	53,696	82.9
<i>Source: Reports of Condition and Income 9/30/2014 through 3/31/2020</i>		

**Assessment Area Concentration**

SB originated a majority of its lending outside of the Waco MSA AA. The majority of small business loans originated outside of the assessment area hampered the majority of home mortgage loans originated inside of the assessment area to support this conclusion.

The following table shows that the bank originated a majority of their home mortgage lending inside the assessment area by number volume, but a majority outside of the assessment area by dollar volume. Noting the improving trend from 2018 to 2019, the bank originated a majority of their home mortgage lending inside of the assessment area.

With regard to small business lending, the bank originated a majority of the lending outside of the assessment area by both number and dollar.

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										
2018	32	48.5	34	51.5	66	2,964	35.9	5,295	64.1	8,259
2019	44	57.9	32	42.1	76	5,607	55.8	4,450	44.2	10,057
<b>Subtotal</b>	<b>76</b>	<b>53.5</b>	<b>66</b>	<b>46.5</b>	<b>142</b>	<b>8,571</b>	<b>46.8</b>	<b>9,745</b>	<b>53.2</b>	<b>18,316</b>
Small Business										
2018	43	51.2	41	48.8	84	2,935	28.8	7,239	71.2	10,174
2019	23	41.8	32	58.2	55	1,581	25.2	4,694	74.8	6,275
<b>Subtotal</b>	<b>66</b>	<b>47.5</b>	<b>73</b>	<b>52.5</b>	<b>139</b>	<b>4,516</b>	<b>27.5</b>	<b>11,933</b>	<b>72.5</b>	<b>16,449</b>
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%</i>										

***Effect on Overall Rating***

The majority of small business lending located outside of the assessment area did not have an adverse effect on the bank’s overall Lending Test rating. Examiners took into consideration the bank began lending in Bell and Coryell Counties in 2018 and 2019; however, once the bank determined these areas provided a sufficient volume of lending they opened a full-service branch in Temple, Texas as of January 2020. Given the timing of the branch opening, examiners did not review this new assessment area during this evaluation. The table above only accounts for loans originated in the Waco MSA AA; however, to allow examiners a qualitative perspective on lending, they considered the volumes of small business loans originated in the Killeen-Temple MSA during the 2-year period. With these loans included, the bank originated 71.9 percent by number volume and 50.3 percent by dollar volume within the assessment areas.

## Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Waco MSA AA. The bank's excellent performance of home mortgage lending hampered by the reasonable performance of small business lending supports this conclusion.

### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the Waco MSA AA. Excellent levels of lending in low- and moderate-income census tracts supports this conclusion. Examiners focused on the comparison to aggregate data.

The following table shows that the bank's performance in low- and moderate-income census tracts significantly exceeds aggregate data. Within low-income census tracts, the bank's level of lending exceeds aggregate data by 10.7 percentage points in 2018, indicative of excellent performance. In moderate-income census tracts, the bank's level exceeds aggregate performance by 30.2 percentage points, also indicative of excellent performance. The bank's 2019 figures continue to exceed aggregate lending. Overall, this dispersion of lending reflects excellent performance.

<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>
<b>Low</b>						
2018	4.2	4.9	5	15.6	315	10.6
2019	4.2	--	5	11.4	342	6.1
<b>Moderate</b>						
2018	22.5	16.7	15	46.9	947	32.0
2019	22.5	--	12	27.3	891	15.9
<b>Middle</b>						
2018	29.1	22.5	6	18.8	938	31.7
2019	29.1	--	10	22.7	1,336	23.8
<b>Upper</b>						
2018	44.2	55.9	6	18.8	763	25.7
2019	44.2	--	17	38.6	3,038	54.2
<b>Not Available</b>						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>2,964</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>44</b>	<b>100.0</b>	<b>5,607</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%*

**Small Business Loans**

The geographic distribution of small business loans reflects reasonable dispersion throughout the Waco MSA AA. Reasonable performance within low- and moderate-income census tracts supports this conclusion.

SB did not originate any small business loans in low-income census tracts in 2018 or 2019 partly due to the small number of businesses operating in these tracts. Given the limited opportunities, examiners noted the performance as reasonable. The bank’s lending in moderate-income census tracts fell below business demographic data in 2018 and 2019. However, examiners noted that the bank’s year-over-year performance in moderate-income census tracts improved by 7.7 percentage points, a positive trend. Therefore, the bank’s level of lending reflects reasonable performance.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2018	4.8	0	0.0	0	0.0
2019	4.9	0	0.0	0	0.0
Moderate					
2018	31.2	6	14.0	208	7.1
2019	30.7	5	21.7	507	32.1
Middle					
2018	26.5	17	39.5	1,904	64.9
2019	26.5	9	39.1	467	29.6
Upper					
2018	36.9	20	46.5	823	28.0
2019	37.5	9	39.1	606	38.4
Not Available					
2018	0.6	0	0.0	0	0.0
2019	0.5	0	0.0	0	0.0
<b>Totals</b>					
<b>2018</b>	<b>100.0</b>	<b>43</b>	<b>100.0</b>	<b>2,935</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>1,581</b>	<b>100.0</b>

*Source: 2018, 2019 D&B Data; Bank Data; 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%*

Although aggregate data is not used as a direct comparison or benchmark, it is a good measure to determine the demand for small business credit. Aggregate data for 2018 shows that 4.1 percent and 27.8 percent of small business loans in the Waco MSA AA were originated in low- and moderate-income census tracts, respectively. Aggregate lending data for 2019 is not available. Overall, SB’s geographic distribution of small business loans demonstrates reasonable performance considering business demographic data, aggregate data, and the location of the bank’s branches.

## **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. The reasonable home mortgage performance hampered the excellent small business loan performance to support this conclusion.

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

The distribution of borrowers reflects reasonable penetration of home mortgage loans to individuals of different income levels. Examiners focused on the comparison to aggregate data, which is presented to reflect the level of demand. The following table illustrates the distribution of home mortgage loans by borrower income level during the review period.

The bank's 2018 lending to low-income borrowers at 3.1 percent is comparable to the aggregate data, falling just 0.4 percentage points lower and reflective of reasonable performance. The 2018 lending to moderate-income borrowers at 6.3 percent remains in line with aggregate data, falling 5.4 percentage points lower. This level also reflects reasonable performance.

<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>
<b>Low</b>						
2018	22.6	3.5	1	3.1	74	2.5
2019	22.6	--	1	2.3	70	1.2
<b>Moderate</b>						
2018	17.8	11.7	2	6.3	74	2.5
2019	17.8	--	6	13.6	1,360	24.2
<b>Middle</b>						
2018	18.0	18.8	2	6.3	110	3.7
2019	18.0	--	5	11.4	484	8.6
<b>Upper</b>						
2018	41.5	47.1	13	40.6	1,771	59.8
2019	41.5	--	17	38.6	2,193	39.1
<b>Not Available</b>						
2018	0.0	18.9	14	43.8	935	31.5
2019	0.0	--	15	34.1	1,501	26.8
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>2,964</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>44</b>	<b>100.0</b>	<b>5,607</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%*

Comparison to aggregate data serves as a better benchmark since the data reflects actual lending

performance from other institutions in the area. The percentage of families shows the opportunity for lending, although not all low- and moderate-income borrowers may qualify for a traditional home loan. Taking all this into consideration, the bank’s penetration among individuals of different incomes levels is reasonable.

***Small Business Loans***

The distribution of small business borrowers reflects excellent penetration to businesses with GARs of \$1 million or less. For analysis purposes, examiners compared the bank’s lending performance to D&B data. The following table illustrates the distribution of small business loans by number and dollar volume.

As shown, the bank originated all of its small business loans to businesses with GARs of \$1 million or less in 2018, reflecting excellent performance. In addition, in 2019 the bank’s lending level exceeded D&B data by 3.8 percentage points. The D&B data reflects the percentage of businesses located in the assessment area and the lending opportunities; however, not all small businesses have credit needs or are credit worthy. Overall, the bank’s lending to small businesses demonstrates excellent penetration in the Waco MSA AA.

<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>					
2018	81.3	30	100.0	1,909	100.0
2019	83.2	20	87.0	1,511	95.6
<b>&gt;1,000,000</b>					
2018	5.9	0	0.0	0	0.0
2019	5.1	0	0.0	0	0.0
<b>Revenue Not Available</b>					
2018	12.8	0	0.0	0	0.0
2019	11.7	3	13.0	70	4.4
<b>Totals</b>					
<b>2018</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>1,909</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>1,581</b>	<b>100.0</b>
<i>Source: 2018, 2019 D&amp;B Data; Bank Data; 2018 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

**Response to Complaints**

SB did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

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

Examiners did not identify any evidence of discriminatory or other illegal credit practices; 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 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;
- 4) The geographic distribution of the bank's loans; 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.

**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.