

PUBLIC DISCLOSURE

August 21, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grandview Bank
Certificate Number: 3230

105 East Criner Street
Grandview, Texas 76050

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

600 North Pearl Street, Suite 700
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.

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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 following points summarize the applicable performance factors, discussed in detail elsewhere.

- The loan-to-deposit (LTD) 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 businesses of different sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated **Outstanding.**

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area. The bank displayed excellent levels of community development lending and services, which lifted the adequate level of qualified investments.

DESCRIPTION OF INSTITUTION

Grandview Bank, headquartered in Grandview, Texas, opened in 1890 and operates as an independent, retail institution. Grandview, Texas lies approximately 35 miles south of Fort Worth, Texas, in Johnson County. D2 Alliances, LLC, Fort Worth, Texas continues to be the bank's top tier holding company, followed by Grandview Bancshares, Inc., of Grandview, Texas. The bank received a "Satisfactory" rating based on CRA Small Bank procedures at its previous January 16, 2018 Federal Deposit Insurance Corporation CRA evaluation.

Grandview Bank maintains five full-service locations within the State of Texas, with its main office located in Grandview, Texas. Since the prior evaluation, the bank made some changes to its office locations. Specifically, in December of 2021, the bank opened a full-service branch location in Burleson, Texas, which operates in a moderate-income census tract. Additionally, the bank relocated its branch in Weatherford, Texas. Overall, the bank operates two branch locations in moderate-income census tracts. Since the prior evaluation, the bank did not close any branches or participate in any mergers or acquisitions.

Grandview Bank maintains a primary business focus on commercial lending, while also offering traditional banking products and services to consumers and businesses in its assessment area. In addition to commercial lending products, the institution offers consumer and 1-4 family residential loan products. The bank provides a variety of deposit services including checking, savings, and money market deposit accounts. Other services include debit cards, drive-thru banking, automated teller machines (ATMs), online banking, and mobile banking.

As of June 30, 2023, the institution reported total assets of \$498.1 million, total loans of \$325.7 million, net loans of \$321.2 million, and total deposits of \$449.8 million. Since the previous CRA evaluation, total assets increased substantially, by 148.2 percent, net loans increased by 188.9 percent, and total deposits increased by 145.5 percent.

As seen in the following table, the mix of outstanding loans as of the June 30, 2023 Report of Income and Condition reflects a similar distribution to that shown for originated loans under the Scope of Evaluation. Commercial loans (Secured by Nonfarm Nonresidential Properties and Commercial and Industrial) represent the largest loan category of outstanding loans at 55.0 percent.

Loan Portfolio Distribution as of 06/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	58,320	17.9
Secured by Farmland	5,100	1.6
Secured by 1-4 Family Residential Properties	54,859	16.8
Secured by Multifamily (5 or more) Residential Properties	1,121	0.3
Secured by Nonfarm Nonresidential Properties	78,666	24.2
Total Real Estate Loans	198,066	60.8
Commercial and Industrial Loans	100,693	30.9
Agricultural Production and Other Loans to Farmers	5,128	1.6
Consumer Loans	21,702	6.7
Obligations of State and Political Subdivisions in the U.S.	288	<0.1
Other Loans	142	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	350	<0.1
Total Loans	325,669	100.0
<i>Source: Reports of Condition and Income</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 credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas (AA) for which examiners will evaluate its CRA performance. Grandview Bank designated all census tracts in Johnson and Parker Counties (part of the Fort Worth-Arlington Metropolitan Division), as well as tracts 9601 and 9602 in Hill County (part of the Texas Non-Metropolitan Statistical Area) as the bank's Fort Worth-Arlington MD AA. Examiners determined the additional tracts from Hill County do not extend substantially beyond the MSA boundary. Consequently, the AA conforms to CRA regulatory requirements. The bank did not change its AA since the previous CRA evaluation.

Economic and Demographic Data

As of the 2020 U.S. Census, the bank's Fort Worth-Arlington MD AA consists of 70 census tracts reflecting the following income designations: 1 low-, 18 moderate-, 33 middle-, and 18 upper-income census tracts. Although the counties within the bank's AA are not contiguous, they lie in close proximity and share similar demographics; therefore, examiner combined the counties for analysis purposes.

The following table shows additional demographic and economic characteristics of the area.

Demographic Information of the Assessment Area Fort Worth-Arlington MD AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	70	1.4	25.7	47.1	25.7	0.0
Population by Geography	337,059	0.9	25.3	47.8	26.0	0.0
Housing Units by Geography	117,851	1.1	26.5	47.3	25.1	0.0
Owner-Occupied Units by Geography	82,293	0.9	22.4	46.9	29.7	0.0
Occupied Rental Units by Geography	25,023	1.6	41.4	46.8	10.2	0.0
Vacant Units by Geography	10,535	0.7	23.4	50.9	24.9	0.0
Businesses by Geography	36,746	0.4	23.4	44.1	32.1	0.0
Farms by Geography	1,596	0.3	16.9	46.3	36.5	0.0
Family Distribution by Income Level	82,362	19.8	18.9	20.5	40.8	0.0
Household Distribution by Income Level	107,316	21.2	17.1	18.5	43.2	0.0
Median Family Income MSA – 23104 Fort Worth-Arlington-Grapevine, Texas		\$82,649	Median Housing Value			\$194,454
Median Family Income Non-MSAs - Texas		\$61,785	Median Gross Rent			\$1,014
			Families Below Poverty Level			6.8%
Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

Retail trade industries represent the largest portion of the area’s businesses at 18.3 percent; followed by healthcare and social assistance at 11.9 percent, manufacturing at 10.4 percent, and educational services at 10.2 percent. The area’s major employers include Walmart Distribution Center, Johnson County Government, Johns Manville Corporation, Hill Community College, Texas Health Harris Methodist Hospital, and various independent school districts.

As illustrated in the table below, and based on the U.S. Bureau of Labor Statistics data, since previous evaluation, unemployment rates for the bank’s AA, with the exception of Hill County in 2023, remained at or lower than both, the state and national averages.

Unemployment Rates Fort Worth-Arlington MD AA				
Area	2020	2021	2022	YTD 2023
	%	%	%	%
Hill County	6.3	5.0	3.9	4.3
Johnson County	6.5	4.9	3.5	3.7
Parker County	5.8	4.5	3.3	3.5
State of Texas	7.7	5.6	3.9	4.2
National Average	8.1	5.3	3.6	3.5
Source: U.S. Bureau of Labor Statistics				

Competition

According to FDIC's Summary of Deposits Report dated June 30, 2022, the bank's assessment area contains a strong level of competition with 33 FDIC-insured depository institutions operating 81 offices. Grandview Bank ranks 5th in deposit market share by capturing 0.6 percent of the area's deposits.

Community Contact

Examiners contacted a community contact to help assess the area's current economic conditions, community credit needs, and potential opportunities for bank involvement. The contact noted that while the area's economic conditions are stable with increasing growth and development, challenges remain with affordable housing due to the current economic conditions. In addition, the contact stated projects and programs for revitalization and stabilization purposes are a need of the community.

The contact also noted that small business lending continues to be in demand in the area; however, small businesses continue to struggle since the COVID-19 pandemic. Overall, the contact stated financial institutions continue to offer non-traditional financing for commercial projects and remain 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 small business lending represents the primary credit need of the bank's AA. The significant percentage (91.6 percent) of small businesses operating in this area, with gross annual revenues under \$1 million or less supports this conclusion.

Demographic data showing that 38.7 percent of the area's families reported low- or moderate-incomes also suggest a need for activities that benefit projects or organizations that provide community services targeted to these families. Additionally, as noted by the community contact, activities that revitalize and stabilize the area remain an identified need.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated January 16, 2018, to the current evaluation dated August 21, 2023. Due to bank growth since the last evaluation, examiners will apply the Federal Financial Institutions Examination Council's (FFIEC) Intermediate Small Bank CRA Examination Procedures, which will include the Lending Test and the Community Development Test, to evaluate performance.

Activities Reviewed

For the Lending Test, CRA Intermediate Small Bank procedures require examiners to determine the bank's major product lines from which to review. As an initial matter, examiners may select from among 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 2022 lending activity by loan category. The lending emphasis and strategies remained the same throughout the evaluation period; therefore, this evaluation will only present and discuss information for the most recent full calendar year.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	57,317	24.1	150	8.4
Secured by Farmland	1,280	0.5	8	0.4
Secured by 1-4 Family Residential Properties	22,902	9.6	174	9.7
Multi-Family (5 or more) Residential Properties	446	0.2	2	0.1
Commercial Real Estate Loans	25,350	10.7	54	3.0
Commercial and Industrial Loans	109,040	45.8	306	17.1
Agricultural Loans	4,683	2.0	85	4.8
Consumer Loans	16,968	7.1	1,009	56.4
Other Loans	0	0.0	0	0.0
Total Loans	237,986	100.0	1,788	100.0
<i>Source: Bank Data (01/01/2022 to 12/31/2022)</i>				

Examiners considered the bank's lending strategy as well as the dollar volume and number of loans originated in 2022. Examiners determined that the bank's major product line is commercial lending (commercial real estate and commercial and industrial) comprising 56.5 percent of the total dollar volume of 2022 lending. Construction and land development lending accounts for 24.1 percent of the bank's dollar volume; however, this product will not be reviewed due to lack of comparable data. As of the end of 2022, the bank does not report loans pursuant to the Home Mortgage Disclosure Act. Consequently, by dollar volume, no other loan products comprised a relatively significant portion of the bank's 2022 lending including home mortgage at 9.8 percent and consumer at 7.1 percent; therefore, this performance evaluation does not include a discussion of them.

As the bank's major product, this evaluation considered the universe of 360 commercial loans totaling \$134.4 million originated in 2022. Of the 360 commercial loans, 332 loans totaling \$39.7 million qualified as small business loans. Examiners used all 332 small business loans totaling \$39.7 million to arrive at applicable conclusions for the assessment area concentration performance factor. Further, examiners selected a random sample of 162 small business loans totaling \$22.3 million, of which 139 loans totaling \$17.1 million inside the bank's assessment area were used to arrive at applicable conclusions for the geographic distribution and borrower profile performance factors. Examiners based the sample on a 95 percent confidence interval with a 5 percent precision level. D&B data for 2022 provided a standard of comparison for the sampled small business loans.

The performance evaluation presents information regarding the number and dollar volume of small business loans; however, for the Lending Test, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and families served. Small business lending received all weight when arriving at conclusions.

The scope for the Community Development (CD) Test, considered all CD activities since the previous January 16, 2018 FDIC Performance Evaluation. Bank management provided data on community development loans, qualified investments, and community development services. The evaluation of qualified investments includes the book value of prior period investments still outstanding as of the date of this evaluation. The evaluation discusses and presents information on the bank's CD activities within the designated AA as well as the broader regional, statewide, and nationwide area, consistent with the Intermediate Small Bank CRA Examination Procedures.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Grandview Bank demonstrated a satisfactory overall record regarding the Lending Test. Grandview Bank's reasonable performance regarding the loan-to-deposit ratio, geographic distribution, and borrower profile, along with the majority of loans made by number and dollar amount inside its AA, support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio, calculated from Report of Condition and Income data, averaged 66.9 percent, over the past 22 quarters, slightly lower than the average, net LTD ratio of 73.3 percent reported at the previous evaluation. The bank's quarterly net LTD ratios ranged from a low of 58.0 percent on September 30, 2021, to a high of 76.5 percent on December 31, 2020, with an overall increasing trend.

As evidenced in the table below, examiners identified three similarly situated institutions operating in or near the bank's Fort Worth-Arlington MD AA, based on similar products, services, asset size, and location. Grandview Bank's ratio ranks second among all ratios of similarly situated institutions. Specifically, the bank's ratio lands 31.7 percentage points higher than the lowest listed ratio.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/2023 (\$000s)	Average Net LTD Ratio (%)
Grandview Bank, Grandview, Texas	498,088	66.9
First National Bank of Burleson, Burleson, Texas	231,544	35.2
Trinity Bank, N.A., Fort Worth, Texas	449,084	67.6
NBT Financial, Fort Worth, Texas	169,921	51.2
<i>Source: Reports of Condition and Income 03/31/2018 - 06/30/2023</i>		

Assessment Area Concentration

A majority of loans are in the institution's AA. The majority of small business loans originated inside the AA support this conclusion. Examiners considered the bank's asset size and office structure, as well as the loan categories reviewed relative to the combined size and economy of its AA, when arriving at this conclusion.

The following table shows the bank originated a majority of its small business loans inside its assessment area, by both number and dollar volumes.

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		
	#	%	#	%		\$	%	\$	%	
Small Business	243	73.2	89	26.8	332	25,987	65.5	13,714	34.5	39,701
Source: Bank Data										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The reasonable record regarding small business lending supports this conclusion. Examiners considered the loan product type reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. The reasonable level of lending within low- and moderate-income census tracts supports this conclusion. The analysis focused on the bank's percentage of loans originated in low-income and moderate-income census tracts relative to the D&B data when arriving at this conclusion.

As seen in the table below, the bank's percentage of loans within low-income census tracts exceeds the demographic data by 0.3 percentage points, demonstrating reasonable performance. In addition, the bank's percentage of loans within moderate-income census tracts exceeds the demographic data by 3.9 percentage points, demonstrating reasonable performance.

Geographic Distribution of Small Business Loans Fort Worth-Arlington MD AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.4	1	0.7	120	0.7
Moderate	23.4	27	19.5	4,272	24.9
Middle	44.1	78	56.1	6,050	35.3
Upper	32.1	33	23.7	6,705	39.1
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	139	100.0	17,148	100.0
Source: 2022 D&B Data; Bank Data					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes. Reasonable performance regarding small business loans supports this conclusion. Examiners considered the loan product type reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion.

Small Business Loans

The distribution of borrowers in the bank's AA reflects reasonable penetration among businesses of different sizes. Examiners analysis focused on the bank's loan number percentage relative to the percentage of businesses with gross annual revenues of \$1 million or less, within the AA, when arriving at this conclusion.

The following table shows that to businesses reporting gross annual revenues of \$1 million or less, the bank's performance level at 70.5 percent trails D&B data by 21.1 percentage points, reflective of reasonable performance. Specifically, examiners noted the bank originated seven out of every ten loans to businesses reporting gross annual reviews of \$1 million or less.

Detailed Distribution of Small Business Loans by Gross Annual Revenues Fort Worth-Arlington MD AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	67.5	37	26.6	3,737	21.8
\$100,000 - \$249,999	18.2	24	17.3	2,323	13.5
\$250,000 - \$499,999	4.0	21	15.1	2,665	15.6
\$500,000 - \$1,000,000	1.8	16	11.5	2,770	16.2
Subtotal <= \$1,000,000	91.6	98	70.5	11,495	67.1
>\$1,000,000	2.4	28	20.1	5,166	30.1
Revenue Not Available	6.0	13	9.4	487	2.8
Total	100.0	139	100.0	17,148	100.0
Source: 2022 D&B Data, Bank Data.					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

Community Development Loans

The bank exhibited an excellent record regarding its CD loans. The following table shows that since the last evaluation, the bank granted 439 CD loans totaling \$57.1 million. This level equates to 17.8 percent of average total assets of \$320.2 million and 102.3 percent of average net loans of \$55.8 million since the last evaluation. The 439 CD loans totaling \$57.1 million include 423 Payment Protection Program (PPP) loans totaling \$18.4 million.

The following table illustrates the bank's CD loans by purpose and year. As shown, by number volume, 96.4 percent of CD loans benefitted economic development efforts; however, by dollar volume, 61.8 percent benefitted efforts to revitalize or stabilize communities, which supports an identified CD need and illustrates the bank's excellent responsiveness to those needs.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	0	0	0	0	0	0
2019	1	1,050	0	0	0	0	2	3,319	3	4,369
2020	1	2,325	0	0	265	12,882	2	6,921	268	22,128
2021	0	0	0	0	158	5,541	4	13,357	162	18,898
2022	0	0	0	0	0	0	5	10,482	5	10,482
YTD 2023	0	0	0	0	0	0	1	1,180	1	1,180
Total	2	3,375	0	0	423	18,423	14	35,259	439	57,057
<i>Source: Bank Data</i>										

The CD loans benefitted the following areas:

- Fort Worth-Arlington MD AA – 375 CD loans totaling \$37.5 million
- Broader Statewide – 62 CD loans totaling \$14.4 million
- Nationwide – 2 CD loans totaling \$5.2 million

The following points provide examples of the bank's CD lending.

- **Revitalization/Stabilization:** In 2022, the bank originated one loan, totaling \$4.0 million, to a Community Development Financial Institution (CDFI) organization. The organization provides loans and growth capital to small business ventures considered too risky for traditional lenders. Additionally, the organization also specializes in investing more a quarter of their financial assistance portfolio in businesses owned by minorities, women, or disabled individuals as well as businesses that operate in economically depressed areas.
- **Economic Development:** From 2020 to 2021, the bank originated 423 PPP loans totaling \$18.4 million to various small businesses. The loans, which met the small business size test, promoted economic development by creating and retaining jobs for low- and moderate-income individuals.

Qualified Investments

Grandview Bank displayed an adequate record regarding its qualified investments (QIs). The following table shows that the bank made 12 QIs totaling \$4.1 million, as well as 64 grants and donations totaling \$63.0 thousand. This level equates to 1.3 percent of average total assets of \$320.2 million and 7.3 percent of average total securities of \$56.9 million since the last evaluation. The current figures reflect adequate performance.

The following table illustrates the bank's QIs by purpose and year. As shown, all QIs addressed community service needs. These levels illustrate the bank's responsiveness to the AA needs.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	7	1,959	0	0	0	0	7	1,959
2018	0	0	1	375	0	0	0	0	1	375
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	1	359	0	0	0	0	1	359
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	3	1,385	0	0	0	0	3	1,385
Subtotal	0	0	12	4,078	0	0	0	0	12	4,078
Qualified Grants & Donations	0	0	64	63	0	0	0	0	64	63
Total	0	0	76	4,141	0	0	0	0	76	4,141
Source: Bank Data										

The QIs benefitted the following areas:

- Fort Worth-Arlington MD AA – 68 QIs totaling \$1.9 million
- Broader Statewide – 8 QIs totaling \$2.2 million

The following points provide examples of the bank's QIs.

- **Community Services:** The bank donated \$20.0 thousand dollars to United Way of Johnson County. The bank targeted these funds within United Way of Johnson County to address the educational needs of low- and moderate-income children.
- **Community Services:** The bank provided educational grants and donations, totaling \$1.9 million, to four school districts where the majority of students come from low-income families based upon the percentage of students receiving free or reduced price lunches. Additionally, funds went to an organization that provides essential services to low- and moderate-income students, and an organization that provides aid in continuing education to low- and moderate-income veterans.

Community Development Services

The bank established an excellent record of providing CD services. The following table shows that the bank provided 98 CD services, which on average equates to 5.7 CD services, per office, per year since the previous evaluation reflective of excellent performance. Further, CD services involved 2,297 hours of service since the previous CRA evaluation. The majority of service hours provided supported the provision of community services targeted to low- and moderate-income individuals and families, an identified community development need for the bank's AA.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	10	0	0	10
2019	0	13	0	0	13
2020	0	16	0	0	16
2021	0	17	0	0	17
2022	0	21	0	0	21
YTD 2023	0	21	0	0	21
Total	0	98	0	0	98
<i>Source: Bank Data</i>					

All of the bank's CD services benefitted the bank's Fort Worth-Arlington MD AA. The following points provide examples of the bank's qualified services.

- **Community Service:** Two bank employees serve as Board members, utilizing their financial expertise, to assist an organization that provides medical, legal, educational, and housing assistance to abused and/or neglected low- and moderate-income children within the bank's assessment area.
- **Community Service:** The bank provided five financial literacy classes to low- and moderate-income students in four different schools within the bank's assessment area.

As noted previously, the bank opened a full-service branch in a moderate-income census tract in Burleson, Texas since the previous evaluation. Therefore, the bank now operates two branches and three ATMs in moderate-income census tracts within the designated AA.

In addition to its branches and ATMs, the bank provides other alternative banking services such as free 24-hour telephone banking, internet banking, mobile banking, bill pay, remote deposit capture, and night depository services.

Grandview Bank also offers a free e-checking account to consumer and business customers. Finally, since 2020, the bank originated 248 small dollar loans totaling \$359.4 thousand, out of which 53 originated to low- and moderate-income individuals.

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

INTERMEDIATE 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).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

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.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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.