



## **Community Reinvestment Act Statement / Policy**

Responsible Party: Katy Truelock, AVP

Policy Last Updated: December 19, 2023

Approved by Board: December 28, 2023

## COMMUNITY REINVESTMENT ACT STATEMENT

FIRST FEDERAL COMMUNITY BANK, SSB of Paris, Texas, is committed to meeting its responsibilities in the area of home financing and extending credit whenever possible to improve the quality of life in our community and to develop better neighborhoods for all people in the community we serve. Our role as a major housing lender gives us an opportunity for continued leadership in service to this community and credit will be extended whenever possible. Our objective is fairness regardless of race, handicap, color, national origin, sex, familial status, age, the receipt of public assistance, or the borrower's good faith exercise of rights under the Consumer Credit Protection Act.

The following information has been prepared for our depositors, loan customers, and members of the community, pursuant to the Community Reinvestment Act of 1977. There are four basic parts to this statement, and each serves a specific purpose.

Part 1 is "Delineation of our Community" which contains maps outlining our basic assessment area and each local community served by specific branch offices. Our assessment area includes all types of neighborhoods and persons of all income levels, races and ages. However, the designation of this area does not preclude the making of loans outside this area. We will make loans in other areas, but our primary emphasis of marketing efforts will be in this designated area.

Part 2 is "Types of Credit" which contains a list of the types of credit and an explanation of how the availability of certain types of credit can vary and be limited at times due to economic conditions.

Part 3 is "Community Reinvestment Act Notice" which has been posted in the public lobby of each of our offices for public information purposes.

Part 4 is "Description of Community Participation" which describes community participation and some of the activities the Bank has participated in to enable us to better understand and strive to meet the credit needs of the community.

We hope that the information contained in this statement is useful to our customers, applicants, and public inquiries. If there are any questions, customers and applicants are encouraged to contact any of the Bank's branch managers, loan officers, or executive officers.

## **PART 1: DELINEATION OF OUR COMMUNITY**

Our assessment area, for purposes of the Community Reinvestment Act, is comprised of Lamar, Red River, and Titus Counties. Exhibit “A” shows the entire assessment area, while Exhibit “B” and “C” more closely define the area served by our 2 offices in Paris, Texas, Exhibit “D” defines the area served by our branch office in Clarksville, Texas, and Exhibit “E” defines the area served by our branch office in Mt. Pleasant, Texas. Branch Offices are located with stars on each county map. Census tracts are shown on denoted on each map by green lines and are numbered.

The Bank may extend credit outside the above mentioned assessment area when such an extension of credit meets the objectives and standards of the Loan Underwriting Policy and Procedures, and would not jeopardize the Bank’s ability to monitor the collateral securing the loan.

Exhibit "A"

This map shows our assessment area comprised of Lamar, Red River, and Titus Counties.

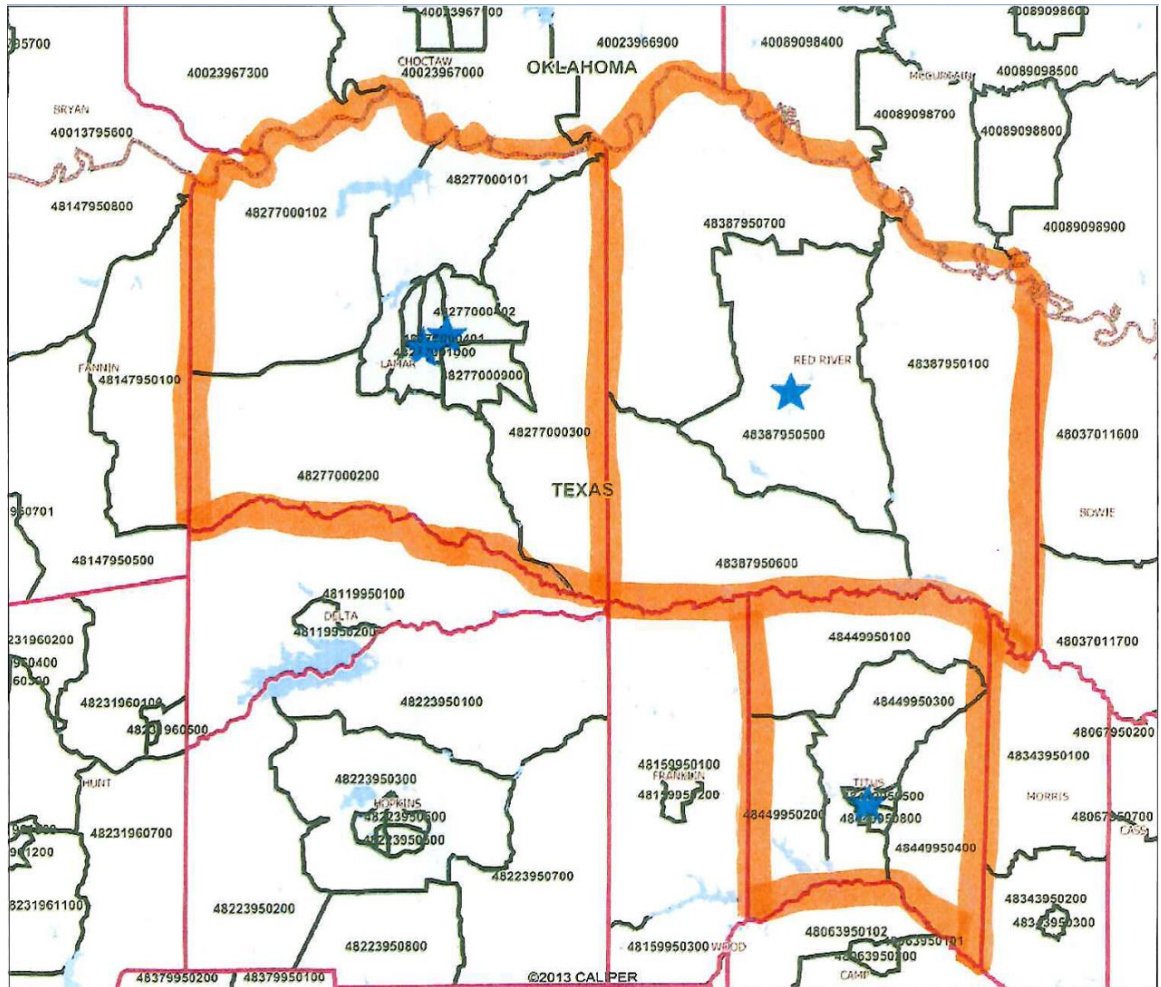


Exhibit "B"

This map outlines the area of Lamar County, primarily served by our office at 630 Clarksville Street, Paris, Texas.

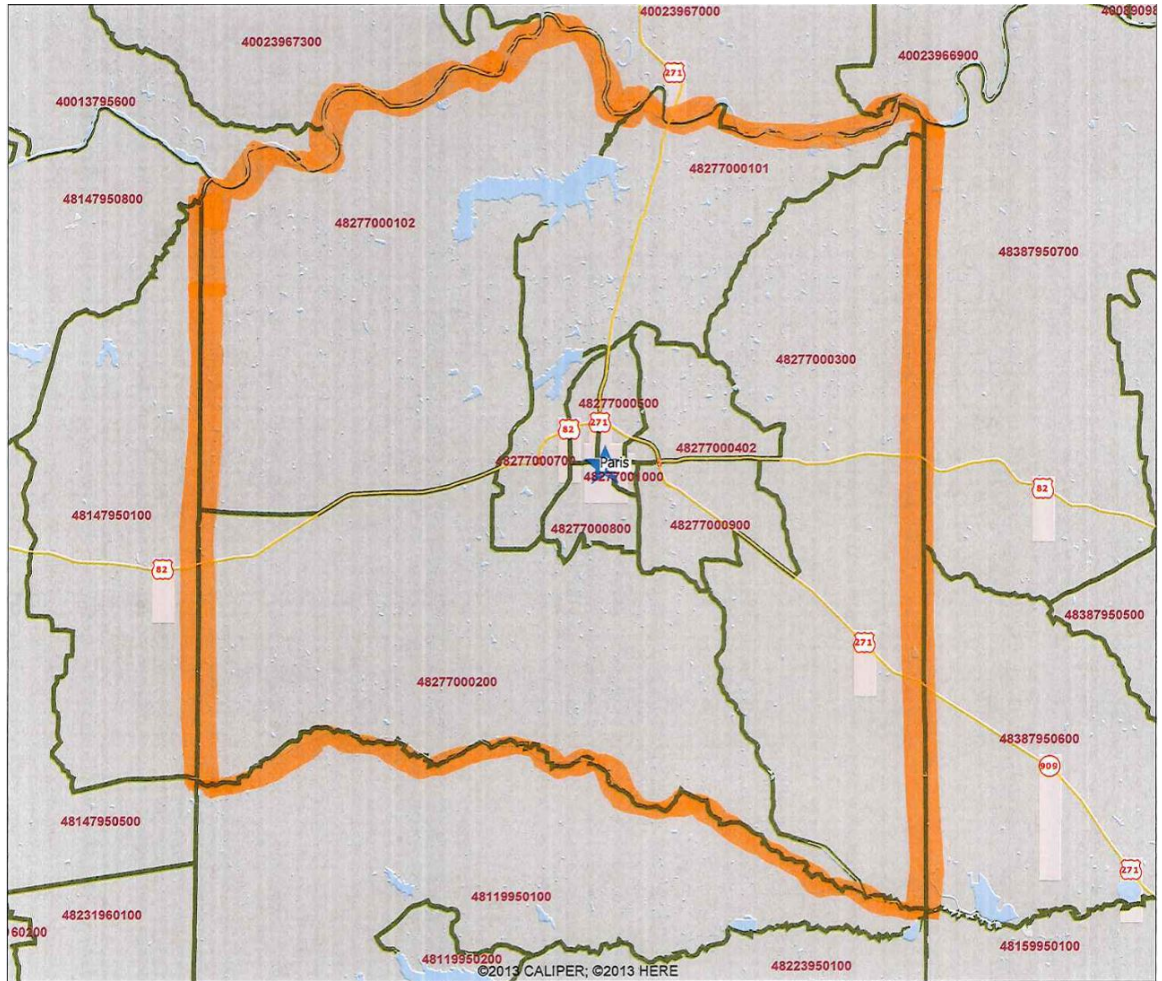


Exhibit "C"

This map outlines the area of Lamar County, primarily served by our office at 3010 NE Loop 286, Paris, Texas.

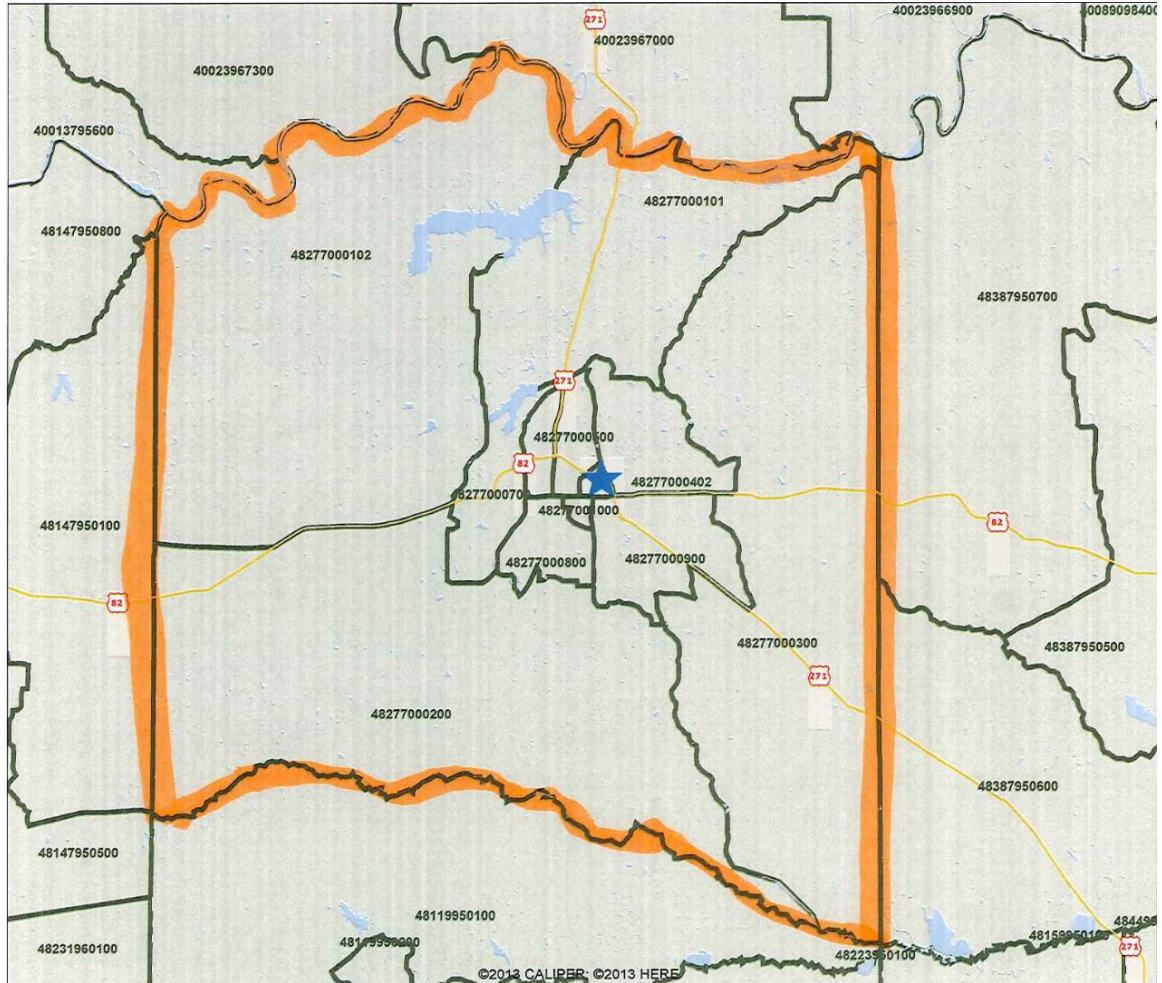


Exhibit "D"

This map outlines the area of Red River County, primarily served by our office at 1902 W Main, Clarksville, Texas.

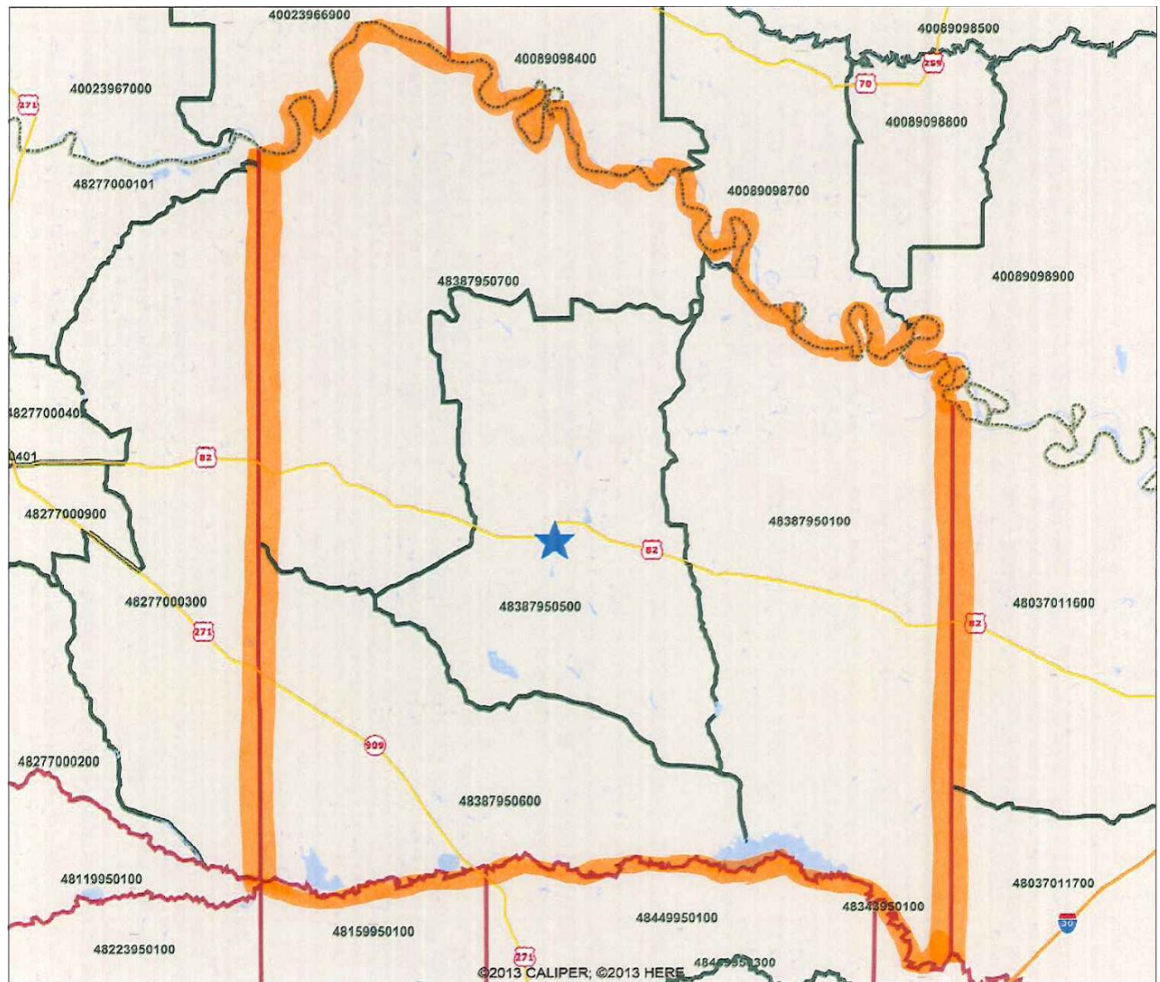
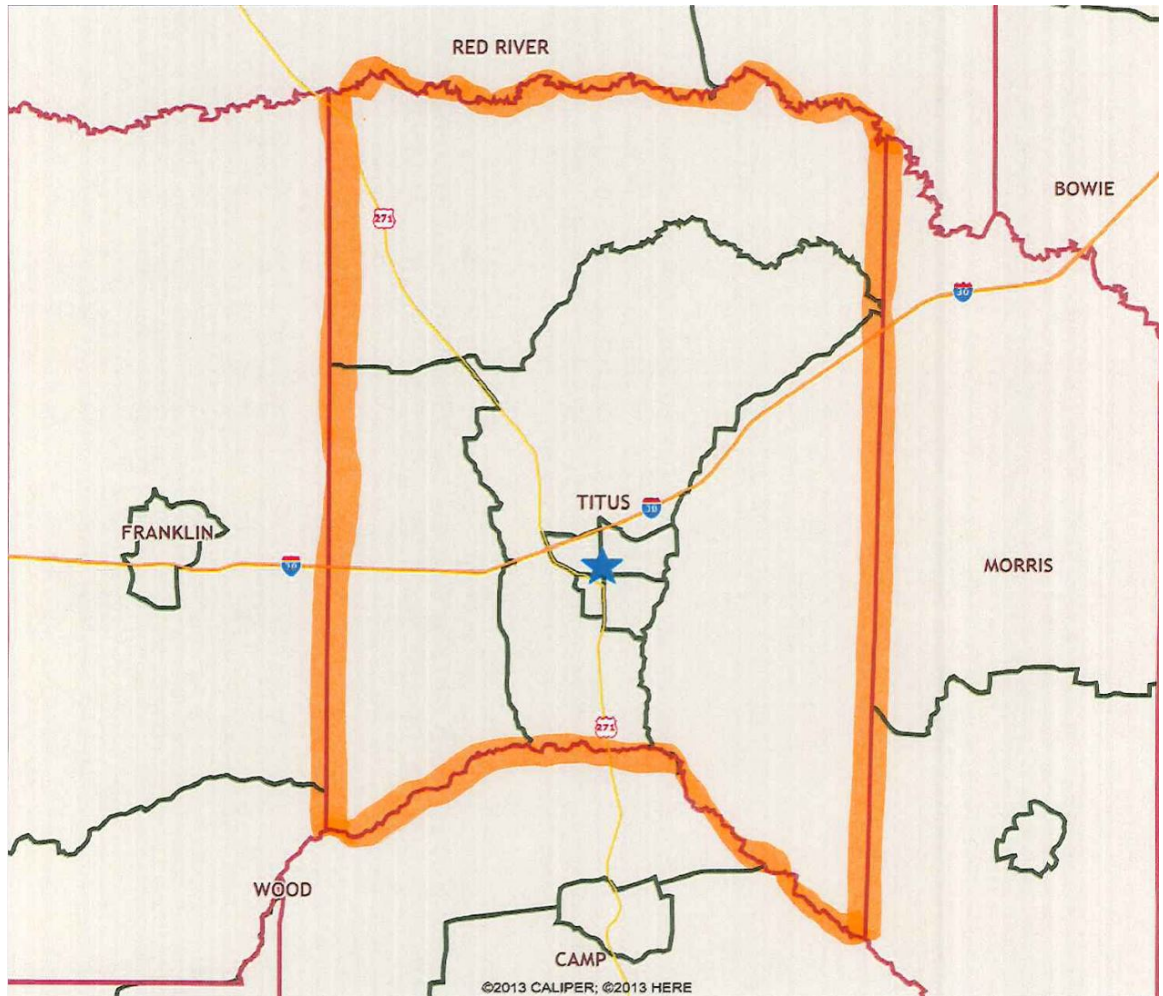


Exhibit "E"

This map outlines the area of Titus County, primarily served by our office at 805 N Madison, Mount Pleasant, Texas.



## **PART 2: TYPES OF CREDIT**

Listed below are the types of loans that we make in the communities we serve. However, these loan types can be limited at times due to economic, regulatory, and other considerations. You will need to consult with one of our loan officers to determine what types of loans are available at a given time.

### **A. MORTGAGE LOANS**

1. Permanent mortgage loans
2. Construction loans
3. Home equity loans

### **B. CONSUMER LOANS**

1. Home improvement
2. Savings accounts
3. Personal loans (secured and unsecured)
4. Home equity loans

### **C. COMMERCIAL / SMALL BUSINESS LOANS**

All of the above loan programs are subject to the guidelines set out in our Loan Underwriting Policy and Procedures, Appraisal Policy, and all federal, state, local, and other applicable laws and regulations which we must comply with.

## **PART 3: COMMUNITY REINVESTMENT ACT NOTICE**

A copy of the “Community Reinvestment Act Notice”, as displayed in the lobby of each office, is attached.

## **COMMUNITY REINVESTMENT ACT NOTICE**

**Under the Federal Community Reinvestment Act (CRA), the Federal Deposit Insurance Corporation (FDIC) evaluates our record of helping to meet the credit needs of this community consistent with safe and sound operations. The FDIC also takes this record into account when deciding on certain applications submitted by us.**

**Your involvement is encouraged.**

**You are entitled to certain information about our operations and our performance under the CRA, including, for example, information about our branches, such as their location and services provided at them; the public section of our most recent CRA Performance Evaluation, prepared by the FDIC; and comments received from the public relating to our performance in helping to meet community credit needs, as well as our responses to those comments. You may review this information today.**

**At least 30 days before the beginning of each quarter, the FDIC publishes a nationwide list of the banks that are scheduled for CRA examination in that quarter. This list is available from the Regional Director, FDIC, 600 North Pearl Street, Suite 700, Dallas, Texas, 75201. You may send written comments about our performance in helping to meet community credit needs to: Brad Meyers, President, FIRST FEDERAL COMMUNITY BANK, SSB, 630 Clarksville Street, Paris, Texas, 75460 and to the FDIC Regional Director. You may also submit comments electronically through the FDIC's Web site at [www.fdic.gov/regulations/cra](http://www.fdic.gov/regulations/cra). Your letter, together with any response by us, will be considered by the FDIC in evaluating our CRA performance and may be made public.**

**You may ask to look at any comments received by the FDIC Regional Director. You may also request from the FDIC Regional Director an announcement of our applications covered by the CRA filed with the FDIC.**

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**You are entitled to certain information about our operations and our performance under the CRA. You may review today the public section of our most recent CRA evaluation, prepared by the FDIC, and a list of services provided at this branch. You may also have access to the following additional information, which we will make available to you at this branch within five calendar days after you make a request to us: (1) A map showing the assessment area containing this branch, which is the area in which the FDIC evaluates our CRA performance in this community; (2) information about our branches in this assessment area; (3) a list of services we provide at those locations; (4) data on our lending performance in this assessment area; and (5) copies of all written comments received by us that specifically relate to our CRA performance in this assessment area, and any responses we have made to those comments. If we are operating under an approved strategic plan, you may also have access to a copy of the plan.**

**If you would like to review information about our CRA performance in other communities served by us, the public file for our entire Bank is available at First Federal Community Bank, SSB, located at 630 Clarksville Street, Paris, Texas 75460.**

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#### **PART 4: DESCRIPTION OF COMMUNITY PARTICIPATION**

- A. In the lobby of each of our offices the following notices are prominently displayed for the public:
  - 1. Equal Housing Lender and Non-discrimination poster
  - 2. Community Reinvestment Act Notice poster
- B. A copy of the Loan Underwriting Policy and Procedures is available at all offices to loan inquirers.
- C. Our Board of Directors has adopted an “Equal Opportunity in Lending Policy” pertaining to non-discrimination to assure that all applicants will be given an opportunity obtain a loan, regardless of race, color, national origin, religion, sex, familial status, age, handicap, the receipt of any public assistance, or the borrower’s good faith exercise of rights under the “Consumer Credit Protection Act.”
- D. The Board of Directors meets regularly with management to participate in the loan review process. The Board of Directors, along with senior management, has the responsibility of carrying out all CRA and Equal Opportunity in Lending policies.
- E. All loan officers participate in an informal “call program” where they regularly meet with real estate agents, builders, and other interested parties, keeping them informed of our services and seeking out information concerning ways in which we can improve our service.
- F. All loan officers, branch managers, marketing representatives, supervisory personnel, and executive officers participate in local community affairs such as civic clubs, charitable organizations, and fund raising events within the community. All of these activities help to increase the communication between the Bank and members of the community.

It is our policy to be involved with the community through the above programs, to keep abreast of the credit needs of our community. Moreover, the Bank shall continue to give support and communicate with those community and civic groups who address housing and housing credit needs.

- G. The Bank’s Compliance Officer regularly monitors CRA programs and performance and reports to the Board of Directors annually. This internal assessment is based on our commitment to quality service.
- H. The Bank has a website (<https://www.ffcbank.com>) where individuals may review a variety of Bank products and services, hours of operation, personnel directories, and other beneficial links. Online banking is available through the website and cell phone app.”

We also routinely undergo examination by state and federal banking regulators which also evaluate our performance in meeting the community’s credit needs. Our most recent Community Reinvestment Act Performance Evaluation rating, as assigned by the Regional Manager of the FDIC, is “Satisfactory Record of Meeting Community Credit Needs”.

## Branch Locations and Services Provided

### **Locations:**

Paris - Home Office 630 Clarksville Street Paris, TX 75460 Phone (903) 784-0881 Census Tract # 8.00 Low Income	Paris Loop Branch 3010 NE Loop 286 Paris, TX 75460 Phone (903) 669-0600 Census Tract # 4.01 Middle Income	Clarksville Branch 1902 W. Main Street Clarksville, TX 75426 Phone (903) 427-3858 Census Tract # 9505.00 Moderate Income	Mt. Pleasant Branch 805 N. Madison Mt. Pleasant, TX 75455 Phone (903) 577-1118 Census Tract # 9506.00 Moderate Income
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### **Hours of Operation:**

#### Paris Downtown Banking Center

Drive-In	Monday - Thursday	7:30 a.m. - 5:00 p.m.
	Friday	7:30 a.m. - 5:30 p.m.
	Saturday	9:00 a.m. - 12:00 noon
Lobby	Monday - Wednesday	9:00 a.m. - 3:00 p.m.
	Thursday - Friday	9:00 a.m. - 5:00 p.m.

#### Paris Loop Banking Center

Drive-In	Monday - Thursday	7:30 a.m. - 5:30 p.m.
	Friday	7:30 a.m. - 6:00 p.m.
	Saturday	9:00 a.m. - 12:00 noon
Lobby	Monday - Wednesday	9:00 a.m. - 3:00 p.m.
	Thursday - Friday	9:00 a.m. - 5:00 p.m.

#### Clarksville Banking Center

Drive-In	Monday - Thursday	8:00 a.m. - 5:30 p.m.
	Friday	8:00 a.m. - 6:00 p.m.
	Saturday	9:00 a.m. - 12:00 noon
Lobby	Monday - Thursday	9:00 a.m. - 3:00 p.m.
	Friday	9:00 a.m. - 5:00 p.m.

#### Mt. Pleasant Banking Center

Drive-In	Monday - Thursday	8:00 a.m. - 5:30 p.m.
	Friday	8:00 a.m. - 6:00 p.m.
	Saturday	9:00 a.m. - 12:00 noon
Lobby	Monday - Thursday	9:00 a.m. - 3:00 p.m.
	Friday	9:00 a.m. - 5:00 p.m.

No branches have been opened or closed during the current year or each of the two prior calendar years.

**Services Provided:** All branch offices provide the same services.

Deposit services

- Checking accounts
- Savings accounts
- Money market deposit accounts
- Certificates of deposit
- IRA accounts
- ATM cards/ATM network access
- Direct deposit
- Direct debit
- Cashiers checks
- Savings bonds redemptions
- Debit cards
- Wire Transfer Services

Lending services:

- Construction and/or permanent financing of 1-4 family residences
- For purchase of residential lots
- Construction and/or permanent financing of 5 or more dwelling units
- Construction and/or permanent financing of non-residential real estate
- Home improvement
- Home Equity loans
- Savings account loans
- Personal loans (secured and unsecured)
- Commercial / small business loans (secured and unsecured)

Miscellaneous services

- Notary services
- Safe deposit boxes
- Internet Banking
- Online Bill Paying
- Person to Person (PTP) Online Transactions
- Mobile Banking

Fees: A list of transaction fees is available in the Bank's Truth-in-Savings brochure

The Bank's loan-to-deposit ratio is as follows:

	March 2023	90.10%	
	June 2023	90.40%	
	September 2023	91.21%	
	December 2023	95.08%	

# **PUBLIC DISCLOSURE**

June 26, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Federal Community Bank, SSB  
Certificate Number: 27678

630 Clarksville Street  
Paris, Texas 75460

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 Lending Test is rated Satisfactory.**

First Federal Community Bank, SSB (FFCB) 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 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 and farms 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. Excellent responsiveness to the community development needs and an excellent record regarding community development loans, without simply ignoring the other types of community development activities, support this conclusion. The bank also demonstrated an excellent record regarding community development services and an adequate record regarding qualified investments.

## DESCRIPTION OF INSTITUTION

FFCB, established in 1922, is headquartered in Paris, Texas. The institution does not operate under a holding company structure as it converted to a Texas state-chartered mutual savings bank, effective June 30, 2013. The institution received a Satisfactory rating at its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated May 18, 2020, based on Intermediate Small Bank (ISB) CRA Examination Procedures.

The bank continues to operate four full-service offices; the main location and an additional branch in Lamar County, one branch in Red River County, and one branch in Titus County. The institution maintains banking hours typical for its areas and the industry, with extended hours available at each of the drive-thru facilities. Each location maintains an automated teller machine (ATM), with one additional ATM located in Paris, Texas. However, none of the ATMs accept deposits. The bank did not open or close any branches since the prior evaluation nor did it participate in any merger or acquisition activities.

FFCB offers a broad array of financial products and services to businesses, consumers, farmers, and ranchers. FFCB's primary business focus remains commercial and residential lending, although the bank offers a variety of loan products including construction, agricultural, residential, consumer, and commercial loans. It also provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Alternative services include debit cards, ATMs, drive-thru banking, wire transfers, safe deposit boxes, telephone banking, internet banking, and mobile banking. Customers maintain 24-hour access to their accounts via the bank's website at [www.ffcbank.com](http://www.ffcbank.com).

As of March 31, 2023, the bank reported total assets of \$541.5 million, total loans of \$432.6 million, and total deposits of \$474.0 million. Since the last CRA evaluation, total assets increased by 20.2 percent, total loans increased by 13.1 percent, and total deposits increased by 28.1 percent. As reflected in the following table, the mix of outstanding loans shows a slight shift in distribution from the previous evaluation with a higher ratio of total loans classified as residential real estate and a lower ratio classified as commercial loans. The table shows that residential loans (Secured by 1-4 Family and Residential Properties and Secured by Multi-Family Residential Prosperities) represent the largest category of outstanding loans at 47.1 percent, followed by commercial loans (Secured by Nonfarm Nonresidential Properties and Commercial and Industrial Loans) at 25.2 percent, and agricultural loans (Secured by Farmland and Agricultural Production and Other Loans to Farmers) at 16.7 percent.

<b>Loan Portfolio Distribution as of 03/31/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	27,156	6.3
Secured by Farmland	42,590	9.9
Secured by 1-4 Family Residential Properties	196,284	45.4
Secured by Multifamily (5 or more) Residential Properties	7,518	1.7
Secured by Nonfarm Nonresidential Properties	66,420	15.4
<b>Total Real Estate Loans</b>	<b>339,968</b>	<b>78.7</b>
Commercial and Industrial Loans	42,315	9.8
Agricultural Production and Other Loans to Farmers	29,461	6.8
Consumer Loans	11,895	2.7
Obligations of State and Political Subdivisions in the U.S.	29	<0.1
Other Loans	8,902	2.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>432,570</b>	<b>100.0</b>
<i>Source: Report of Income and Condition</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**

The CRA requires each financial institution to define one or more assessment areas for evaluation of CRA performance. FFCB designated one assessment area, which contains a portion of the Texas Nonmetropolitan Statistical Area (Texas Non-MSA). The Texas Non-MSA Assessment Area (Texas Non-MSA AA) consists of three contiguous counties: Lamar, Red River, and Titus. The area conforms to CRA regulatory requirements.

According to the 2020 U.S. Census, the Texas Non-MSA AA encompasses 27 census tracts reflecting the following income designations: 1 low-, 6 moderate-, 17 middle-, and 3 upper-income tracts. The number of census tracts changed since the last evaluation, with three new census tracts added due to census tract splits. Further, the assessment area experienced multiple census tract designation changes based on the updated 2020 Census data.

The following table shows the bank's four full-service offices that service the assessment area. The table notes the census tract and census tract income level of the office locations, as well as any branch openings or closings.

Office Locations Texas Non-MSA AA				
County/City/Office	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation
<b>Lamar County</b> Paris Downtown - 630 Clarksville Street Paris Loop – 3010 NE Loop 286	Main Office Branch	0008.00 0004.01	Moderate Middle	No No
<b>Red River County</b> Clarksville – 1902 West Main	Branch	9505.01	Moderate	No
<b>Titus County</b> Mt. Pleasant – 805 North Madison	Branch	9506.00	Middle	No

Source: Bank Data; 2020 U.S. Census

### **Economic and Demographic Data**

The Federal Financial Institutions Examination Council (FFIEC) publishes an annual report of distressed and underserved middle-income census tracts. This report identified three census tracts in Red River County (9501.00, 9506.00, and 9507.00) as distressed every year since the last evaluation due to population loss. Lamar and Titus Counties did not contain any census tracts designated as distressed or underserved since the last evaluation. The following table provides additional demographic information for the Texas Non-MSA AA stratified into low-, moderate-, middle-, and upper-income categories.

Demographic Information of the Assessment Area Texas Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	3.7	22.2	63.0	11.1	0.0
Population by Geography	92,922	2.1	17.5	66.2	14.1	0.0
Housing Units by Geography	42,250	3.1	19.9	64.6	12.4	0.0
Owner-Occupied Units by Geography	24,479	2.0	14.6	69.5	13.9	0.0
Occupied Rental Units by Geography	11,723	4.9	28.4	56.4	10.2	0.0
Vacant Units by Geography	6,048	4.2	24.9	60.3	10.6	0.0
Businesses by Geography	8,426	2.8	24.4	58.1	14.8	0.0
Farms by Geography	438	0.9	12.3	64.4	22.4	0.0
Family Distribution by Income Level	25,070	23.9	17.4	21.6	37.1	0.0
Household Distribution by Income Level	-	-	-	-	-	-
Median Family Income Non-MSAs - TX		\$61,785	Median Housing Value			\$103,385
			Median Gross Rent			\$703
			Families Below Poverty Level			13.8%
Source: 2020 U.S. Census; 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.						

Examiners used the applicable FFIEC-estimated median family income levels to analyze home mortgage loans under the borrower profile criterion. The following table presents a stratification of the Texas Non-MSA income based on the 2022 FFIEC-estimated median family income of \$68,800.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
TX NA Median Family Income (99999)				
2022 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
Source: FFIEC				

The 2022 D&B business demographic data for the assessment area shows 8,864 businesses, of which approximately 95.1 percent are non-farm enterprises. Service industries represent the largest portion of businesses at 33.1 percent, followed by retail trade at 14.1 percent. The same data shows that 86.2 percent of the area's businesses and 98.2 percent of the area's farms reported gross annual revenues of \$1 million or less. The data also indicates that 91.9 percent of all businesses and farms in the assessment area employ fewer than 10 people, further underscoring the prevalence of small businesses in the area.

Service industries like food production, manufacturing, and retail warehousing provide the economic base for the assessment area. The area's major employers include Paris Regional Medical Center, Campbell Soup, Kimberly Clark, Turner Industries, and Pilgrim Pride. As illustrated in the table below, unemployment rates were elevated during 2020 due to the COVID-19 pandemic and have been dropping at national, state, and local levels since. Although the bank's assessment area fared better than the state and national averages during 2020, the assessment area counties have remained above state and national averages since, which indicates a slower than average return to pre-pandemic levels.

Unemployment Rates			
Area	2020	2021	2022
	%	%	%
Lamar County	6.5	5.5	4.3
Red River County	6.4	5.9	5.1
Titus County	6.8	5.4	4.3
State of Texas	7.7	5.6	3.9
National Average	8.1	5.4	3.7
Source: Bureau of Labor Statistics			

## **Competition**

The area contains a low level of competition from other chartered banks based on the area's population, with 29 branch offices representing 16 institutions serving about 3,204 people, on average. According to FDIC Deposit Market Share data as of June 30, 2022, FFCB ranks 2<sup>nd</sup> with 17.5 percent of the area's deposit market. The largest 10 institutions by deposit market share encompassed 22 branches and captured approximately 95.6 percent of all deposit market share.

## **Community Contact**

As a part of the evaluation process, examiners contacted a community member, involved with local service organizations and 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 characterized the local economic conditions as having fared well since the COVID-19 pandemic. The contact indicated that the local housing stock and downtown areas are dilapidated and that work is being done with local government and banking institutions to revitalize and stabilize the city of Paris and Lamar County. The contact pointed to a need in the local community for affordable housing and more diversity in the type of homes offered. For example, the contact mentioned that the area had a lot of duplexes and quadplexes, but that more single-family homes would make the area more attractive to new families. The contact stated that the community businesses and farms are hiring; however, they do not have persons to hire for the jobs due to a lack of affordable housing. Primary credit needs identified by the contact included home mortgage and small farm loans. The contact was pleased with the performance of local banks and commended their efforts and involvement in community development activities and responsiveness to credit needs.

## **Credit and Community Development Needs and Opportunities**

Considering information obtained from the community contact, bank management, as well as demographic and economic data, examiners concluded that the primary credit need for the assessment area includes home mortgage loans. Furthermore, as indicated by the community contact, as well as demographic and economic data, the assessment area's community development needs primarily include affordable housing and economic development. Additionally, given the percentage of the population reporting low- and moderate-incomes, the community development needs include services that benefit low- and moderate-income individuals.

# **SCOPE OF EVALUATION**

## **General Information**

This evaluation covers the period from May 18, 2020, the date of the previous CRA evaluation, to June 26, 2023, the date of this evaluation. To evaluate performance, examiners applied the FFIEC's ISB CRA Examination Procedures, which include the Lending Test and the Community Development Test. The Appendices list the applicable tests' criteria. Examiners performed a full-scope review of the bank's sole assessment area, the Texas Non-MSA AA.

## **Activities Reviewed**

For the Lending Test, CRA ISB procedures require examiners to determine the bank's major product lines for 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.

Examiners considered the bank's lending strategy and dollar and number volume of originations in 2022. Examiners determined that the bank's major product lines include home mortgage lending at 28.9 percent of the dollar volume, commercial lending at 26.8 percent of the dollar volume, and agricultural lending at 23.1 percent of the dollar volume. Consumer loans account for 45.8 percent by number volume; however, account for only 4.7 percent of overall lending by dollar volume. Therefore, since consumer lending did not represent a major product line and thus would not materially affect any conclusions or ratings, this evaluation does not them. Consequently, examiners evaluated and presented conclusions for home mortgage, small business, and small farm lending. The following table shows the bank's 2022 lending activity by loan category, which reflects a generally consistent pattern with the bank's lending emphasis since the last evaluation.

<b>Loans Originated or Purchased</b>				
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Construction and Land Development	24,043	11.2	57	3.8
Secured by Farmland	14,639	6.7	34	2.3
Secured by 1-4 Family Residential Properties	60,769	28.0	300	20.0
Multi-Family (5 or more) Residential Properties	2,054	0.9	3	0.2
Commercial Real Estate Loans	17,688	8.1	31	2.1
Commercial and Industrial Loans	40,701	18.7	265	17.7
Agricultural Loans	35,586	16.4	115	7.7
Consumer Loans	10,265	4.7	687	45.8
Other Loans	11,360	5.3	8	0.4
<b>Total Loans</b>	<b>217,105</b>	<b>100.0</b>	<b>1,500</b>	<b>100.0</b>
<i>Source: Bank Data</i>				

As noted in the table above, the bank originated 303 home mortgage loans in 2022, totaling \$62.8 million. Of the 303 home mortgage loans, examiners selected a random sample of 58 loans totaling \$13.9 million, to arrive at applicable conclusions for the Lending Test performance factors. Examiners based the random sample on a 90 percent confidence interval with 10 percent precision level. The 2020 U.S. Census demographic data provided a standard of comparison for the sampled home mortgage loans.

Additionally, the universe of commercial loans originated in 2022 consisted of 296 loans totaling \$58.4 million. Of the 296 commercial loans, 285 loans totaling \$31.5 million qualified as small business loans. Of the 285 small business loans, examiners selected a random sample of 55 small business loans totaling \$5.0 million, to arrive at applicable conclusions for the Lending Test performance factors. Examiners based the random sample on a 90 percent confidence interval with a 10 percent precision level. D&B data for 2022 provided a standard of comparison for the sampled small business loans.

Finally, the bank originated 149 agricultural loans, totaling \$50.2 million in 2022. Of the 149 agricultural loans, 126 loans totaling \$13.1 million qualified as small farm loans. Of the 126 small farm loans, examiners selected a random sample of 47 small farm loans totaling \$5.0 million, to arrive at applicable conclusions for the Lending Test performance factors. Examiners based the

random sample on a 90 percent confidence interval with a 10 percent precision level. D&B data for 2022 provided a standard of comparison for the sampled small farm loans.

Examiners considered the 2022 universes by number and dollar volume, as reflected in the below table, as well as management's stated business strategy to determine the weighting applied to the loan categories reviewed when arriving at applicable conclusions. Consequently, examiners placed slightly more weight on home mortgage lending, followed by small business and then small farm lending when arriving at overall conclusions.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Home Mortgage	303	62,823	58	13,884
Small Business	285	31,500	55	5,042
Small Farm	126	13,100	47	5,012
Source: Bank Data				

The review period for the Community Development Test extends from May 18, 2020, to June 26, 2023. For this test, examiners considered all the bank's community development lending, qualified investments, and community development services provided within the Texas Non-MSA AA and the broader statewide/regional area. The scope of this evaluation encompassed all prior period qualified investments and those purchased prior to the previous evaluation, if these investments were still outstanding as of this evaluation's date. Examiners used the book value as of the current evaluation date for all prior period qualified investments.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

FFCB demonstrated a satisfactory record regarding the Lending Test. The reasonable geographic distribution and borrower profile performances primarily support the rating. The bank also demonstrated a more than reasonable LTD ratio and originated a majority of loans in the bank's assessment area. For the Lending Test, typically, once a bank displays at least some level of satisfactory performance regarding its LTD ratio and its assessment area concentration, examiners will then place more weight on the geographic and borrower profile performances when arriving at the overall Lending Test rating.

#### Loan-to-Deposit Ratio

The 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.

The LTD ratio, calculated from Report of Income and Condition data, averaged 90.5 percent over the past 12 calendar quarters from June 30, 2020, to March 31, 2023, representing a decrease from the 102.4 percent average, net LTD ratio recorded at the prior evaluation. The ratio ranged from a low of 85.7 percent as of September 30, 2021, to a high of 97.6 percent as of June 30, 2020, with a declining trend through October 31, 2021, and then stabilizing through March 31, 2023.

The following table demonstrates three comparable institutions operating within or adjacent to FFCB's assessment area and reflecting predominately the same lending emphases and somewhat similar asset sizes. The table shows that all of the comparable banks reported average, net LTD ratios lower than FFCB's average, net LTD ratio.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 03/31/2023 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>First Federal Community Bank, SSB, Paris, Texas</b>	<b>541,477</b>	<b>90.5</b>
The Liberty National Bank, Paris, Texas	405,738	69.1
Lamar National Bank, Paris, Texas	372,382	69.7
Peoples Bank, Paris, Texas	168,884	86.0
<i>Source: Reports of Condition and Income (06/30/2020 – 03/31/2023)</i>		

### **Assessment Area Concentration**

A majority of loans are in the institution's assessment area. Majorities of home mortgage, small business, and small farm lending originated inside the bank's assessment area support this conclusion. Examiners considered the bank's asset size and office structure as well as the loan categories reviewed relative to the assessment area's size and economy when arriving at this conclusion.

As seen in the following table, the lending concentration of home mortgage, small business, and small farm loans reflects a majority of lending inside the bank's assessment area by the percentages of number and dollar amount of loans.

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	47	81.0	11	19.0	58	11,269	81.2	2,615	18.8	13,884
Small Business	49	89.1	6	10.9	55	3,170	62.9	1,872	37.1	5,042
Small Farm	40	85.1	7	14.9	47	4,171	83.2	841	16.8	5,012
Source: Bank Data Due to rounding, totals may not equal 100.0%										

## **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The reasonable levels regarding home mortgage and small farm lending outweighed the very poor performance regarding small business lending in the bank's sole assessment area to support this conclusion. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues. This factor only considered loans granted inside the assessment area.

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The reasonable performances in the low- and moderate-income census tracts support this conclusion.

As seen in the following table, the bank's level of lending in the low-income census tract lands 0.1 percentage point above the demographic level, reflective of reasonable performance. In moderate-income census tracts, the bank's level of lending falls 1.8 percentage points below the demographic figure, indicative of reasonable performance. As noted previously, the community contact indicated the lack of affordable housing in the assessment area which limits residential borrowing opportunities.

<b>Geographic Distribution of Home Mortgage Loans Texas Non-MSA AA</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	2.0	1	2.1	65	0.6
Moderate	14.6	6	12.8	493	4.4
Middle	69.5	28	59.6	6,232	55.3
Upper	13.9	12	25.5	4,479	39.7
Not Available	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>11,269</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data Due to rounding, totals may not equal 100.0%</i>					

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

The geographic distribution of small business loans reflects very poor dispersion throughout the assessment area. The very poor performance in the moderate-income census tracts outweighed reasonable performance in the low-income geography to support this conclusion. Examiners placed greater weight on the bank's performance in the moderate-income census tracts given the greater opportunities as reflected by demographic data.

As shown in the following table, FFCB did not originate any of the reviewed small business loans within the assessment area's low-income census tract; however, the bank's level falls only 2.8 percentage points below demographic data, reflective of reasonable performance. Further, examiners noted that nearly one-third of the bank's only low-income census tract is owned by a

single, large business, Campbell's Soup, limiting lending opportunities. The bank's level of lending in moderate-income census tracts falls 16.2 percentage points below the demographic figure, reflective of very poor performance.

Geographic Distribution of Small Business Loans Texas Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	2.8	0	0.0	0	0.0
Moderate	24.4	4	8.2	244	7.7
Middle	58.1	36	73.5	2,463	77.7
Upper	14.8	9	18.4	463	14.6
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>	<b>3,170</b>	<b>100.0</b>
Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%					

### ***Small Farm Loans***

FFCB demonstrated a reasonable distribution of small farm loans among the various tract income categories. Reasonable distribution of small farm lending in low- and moderate-income census tracts supports this conclusion.

The following table shows that the bank's level of lending in the low-income census tract rises 1.6 percentage points above demographic data, reflective of reasonable performance. The bank's level of lending in moderate-income geographies falls within a reasonable range of the D&B demographic data, rising 0.2 percentage points above, reflective of reasonable performance.

Geographic Distribution of Small Farm Loans Texas Non-MSA AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.9	1	2.5	120	2.9
Moderate	12.3	5	12.5	1,148	27.5
Middle	64.4	18	45.0	1,421	34.1
Upper	22.4	16	40.0	1,482	35.5
Not Available	0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>4,171</b>	<b>100.0</b>
Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%					

### **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 and farms of different sizes. The reasonable performance levels regarding small

business and small farm lending lifted the poor performance regarding home mortgage lending in the bank's sole assessment area to support this conclusion. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues. This factor only considered loans granted inside the assessment area.

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

The distribution of home mortgage loans to individuals of different income levels reflects poor performance. The reasonable level of lending to low-income individuals slightly lifted the very poor performance regarding moderate-income individuals to support this conclusion. Examiners placed generally equal weight on the bank's performance to low- and moderate-income borrowers given the demographic data.

As illustrated in the following table, the bank's level of lending to low-income borrowers falls 15.4 percentage points below demographic data, typically reflective of very poor performance. However, examiners determined that 13.8 percent of families live below the poverty level. Historically, low-income borrowers do not have access to the higher loan amounts and associated down payments required for residential loans making it difficult for low-income borrowers to qualify. Affordability challenges are further compounded by the rising interest rates. Therefore, given the performance context considerations, the bank demonstrated reasonable performance to low-income borrowers. The bank's level of lending to moderate-income borrowers falls 13.1 percent below the percent of families, indicative of very poor performance.

<b>Distribution of Home Mortgage Loans by Borrower Income Level Texas Non-MSA AA</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	23.9	4	8.5	187	1.7
Moderate	17.4	2	4.3	147	1.3
Middle	21.6	7	14.9	924	8.2
Upper	37.1	31	66.0	9,480	84.1
Not Available	0.0	3	6.4	531	4.7
<b>Total</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>11,269</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data Due to rounding, totals may not equal 100.0%</i>					

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

The borrower profile distribution of small business loans reflects reasonable performance. Reasonable performance regarding the bank's overall level of lending to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion.

As illustrated in the table below, the bank originated a majority of the reviewed small business loans to businesses with gross annual revenues of \$1 million or less, reflective of reasonable performance. D&B data reflects 86.2 percent of the businesses reporting gross annual revenues of \$1 million or less, although D&B captures data only for those businesses that report such information. Additionally, the large disparity in the Revenue Not Available category between the bank and demographic data makes any comparison between the two less meaningful.

Distribution of Small Business Loans by Gross Annual Revenue Category Texas Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	60.6	10	20.4	1,157	36.5
\$100,000 - \$249,999	17.7	4	8.2	87	2.7
\$250,000 - \$499,999	5.2	6	12.2	438	13.8
\$500,000 - \$1,000,000	2.7	7	14.3	695	21.9
<b>Subtotal &lt;= \$1,000,000</b>	<b>86.2</b>	<b>27</b>	<b>55.1</b>	<b>2,377</b>	<b>75.0</b>
>\$1,000,000	3.5	11	22.4	629	19.8
Revenue Not Available	10.3	11	22.4	164	5.2
<b>Total</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>	<b>3,170</b>	<b>100.0</b>
Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%					

### ***Small Farm Loans***

The borrower profile distribution of small farm loans reflects reasonable performance. Reasonable performance regarding the bank's overall level of lending to farms with gross annual revenues of \$1 million or less primarily supports this conclusion.

The following table shows that the bank originated almost eight out of every ten small farm loans to farms with gross annual revenues of \$1 million or less, reflective of reasonable performance. In addition, of the 77.5 percent granted to farms with gross annual revenues of \$1 million or less, the bank granted 65.0 percent in the two smallest revenue categories, further supporting reasonable performance. D&B data reflects 98.2 percent of the farms reporting gross annual revenues of \$1 million or less, although D&B captures data only for those farms that report such information. Additionally, the large disparity in the Revenue Not Available category between the bank and demographic data makes any comparison between the two less meaningful.

Detailed Distribution of Small Farm Loans by Gross Annual Revenues Texas Non-MSA AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
< \$100,000	74.0	22	55.0	1,727	41.4
\$100,000 - \$249,999	19.2	4	10.0	639	15.3
\$250,000 - \$499,999	3.7	2	5.0	125	3.0
\$500,000 - \$1,000,000	1.4	3	7.5	1,115	26.7
<b>Subtotal &lt;= \$1,000,000</b>	<b>98.2</b>	<b>31</b>	<b>77.5</b>	<b>3,606</b>	<b>86.4</b>
>\$1,000,000	0.7	1	2.5	300	7.2
Revenue Not Available	1.1	8	20.0	265	6.4
<b>Total</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>4,171</b>	<b>100.0</b>
Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%					

## **Response to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

The bank demonstrated an outstanding record regarding the Community Development Test. The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment areas 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. Excellent responsiveness to the community development needs and an excellent record regarding community development loans, without simply ignoring the other types of community development activities, support this conclusion. The bank also demonstrated an excellent record regarding community development services and an adequate record regarding qualified investments. Examiners also considered community development activities performed outside the bank's designated assessment area, within the broader statewide/regional area, since the bank met the needs of its assessment area.

The bank demonstrated an appropriate level of leadership in regard to its community development efforts, as, for example, the bank's community development services involve bank personnel's use of their technical expertise in key roles of organizations with a primary purpose of community development.

## **Community Development Loans**

The bank demonstrated an excellent record regarding its community development lending. Excellent performance regarding the dollar volume of community development lending primarily supports this conclusion. Examiners evaluated the number and dollar volume of community development loans relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that since the last evaluation the bank granted 378 community development loans totaling \$26.8 million. This level equates to 5.1 percent of average total assets of \$524.9 million since the last evaluation and 6.5 percent of average net loans of \$411.7 million for the same timeframe. Although these levels reflect a slight decrease from the 5.5 percent of average total assets and remain consistent with the 6.5 percent of average net loans recorded at the last evaluation, the current figures still reflect excellent performance.

The community development loans proved responsive to the area's needs given that they primarily address affordable housing and economic development needs. As seen in the following table, 32.1 percent by dollar volume address activities that support affordable housing and 27.2 percent promote economic development, which demonstrate the bank's responsiveness to identified community development needs.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	6	618	0	0	0	0	6	1,499	12	2,117
2021	25	3,795	1	82	285	7,294	6	542	317	11,713
2022	22	3,277	4	1,075	0	0	12	7,306	38	11,658
YTD 2023	8	908	0	0	0	0	3	391	11	1,299
<b>Total</b>	<b>61</b>	<b>8,598</b>	<b>5</b>	<b>1,157</b>	<b>285</b>	<b>7,294</b>	<b>27</b>	<b>9,738</b>	<b>378</b>	<b>26,787</b>
<i>Source: Bank Data</i>										

The following table contains the distribution of the bank's community development loans by area benefitted.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Texas Non-MSA AA	61	8,598	5	1,157	258	6,774	27	9,738	351	26,267
Statewide Activities	0	0	0	0	15	245	0	0	15	245
Regional Activities	0	0	0	0	12	275	0	0	12	275
<b>Total</b>	<b>61</b>	<b>8,598</b>	<b>5</b>	<b>1,157</b>	<b>285</b>	<b>7,294</b>	<b>27</b>	<b>9,738</b>	<b>378</b>	<b>26,787</b>
<i>Source: Bank Data</i>										

The following points provide notable examples of the bank's community development lending activities.

- ***Economic Development:*** The bank originated 258 loans totaling \$6.8 million to small businesses inside its assessment area, and an additional 27 loans totaling 519.5 thousand to small businesses inside the broader statewide or regional area as part of the Small Business Administration's Paycheck Protection Program (PPP). During this evaluation period, the pandemic declaration in March 2020 immediately affected operating small businesses. Under the PPP, funds go directly for payroll, rent, mortgage interest, or utilities. These funds supported the economic development of hundreds of small businesses and helped those businesses keep their workforce employed during a national emergency.
- ***Revitalize or Stabilize:*** In 2022, the bank originated a \$3.4 million loan to build a new commercial building in downtown Paris, Texas. The renovation revitalizes and stabilizes a low-income census tract within the bank's assessment area.

## Qualified Investments

FFCB displayed an adequate record regarding its qualified investments. Adequate performance regarding the dollar volume of qualified investments primarily supports this conclusion. Examiners evaluated the number and dollar volume of qualified investments relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that the bank made 389 qualified investments totaling \$3.5 million, which includes 384 grants and donations totaling \$715 thousand. This level equates to 0.7 percent of average total assets of \$524.9 million and 15.7 percent of average securities of \$22.5 million since the last evaluation. These levels reflect a decrease from the 0.8 percent of average total assets and 23.8 percent of average securities recorded at the last evaluation. Despite the declined performance, the bank's level still reflects adequate performance.

The qualified investments proved responsive to the area's needs given that they primarily address affordable housing and economic development needs. As seen in the following table, 47.4 percent by dollar volume address activities that support affordable housing and 32.9 percent promote economic development, which demonstrate the bank's responsiveness to identified community development needs.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	3	1,654	0	0	1	842	0	0	4	2,496
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	1	318	0	0	1	318
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>3</b>	<b>1,654</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1,160</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>2,814</b>
Qualified Grants & Donations	7	18	301	466	0	0	76	231	384	715
<b>Total</b>	<b>10</b>	<b>1,672</b>	<b>301</b>	<b>466</b>	<b>2</b>	<b>1,160</b>	<b>76</b>	<b>231</b>	<b>389</b>	<b>3,529</b>
<i>Source: Bank Data</i>										

The following table contains the breakdown of the bank's qualified investments by area benefitted.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Texas Non-MSA AA	10	1,672	291	453	2	1,160	74	230	377	3,515
Statewide Activities	0	0	2	3	0	0	1	1	3	4
Regional Activities	0	0	8	10	0	0	1	<1	9	10
<b>Total</b>	<b>10</b>	<b>1,672</b>	<b>301</b>	<b>466</b>	<b>2</b>	<b>1,160</b>	<b>76</b>	<b>231</b>	<b>389</b>	<b>3,529</b>
Source: Bank Data										

The following points provide notable examples of the bank's qualified investments.

- **Community Services:** Since the last evaluation, the bank donated nearly \$465.6 thousand to organizations that provide essential services such as transitional housing, health, and safety, as well as financial services and tangible items such as food to community organizations. These donations provide a community service to low- and moderate-income residents.
- **Economic Development:** In 2021, the bank made a \$317.9 thousand investment in a Small Business Investment Company (SBIC). SBICs are licensed and regulated by the Small Business Administration, and make equity and debt investments in qualifying small businesses.

### **Community Development Services**

The bank demonstrated excellent performance regarding its community development services that primarily benefit low- and moderate-income individuals. An excellent extent, or number, of community development services primarily supports this conclusion. Examiners evaluated the types and availability of services relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that, during the review period, the bank provided 80 community development services. This number equates to 6.4 community development services, per office, per year since the previous evaluation. This level demonstrates a decrease from the average of 7.9 community development services, per office, per year recorded at previous evaluation. Despite the decrease, the current level continues to reflect excellent performance. All services involved employees using their financial or technical expertise to benefit organizations or projects that reflect community development, as defined by CRA regulations, as their primary purpose. All community development services benefitted the bank's sole assessment area.

The community services proved responsive to the area's needs given that they primarily aid in providing community services targeted to low- and moderate-income individuals. As seen in the following table, 58.8 percent address activities that support community services, which demonstrates the bank's responsiveness to an identified community development need.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	2	7	1	5	15
2021	1	12	1	6	20
2022	2	12	1	6	21
YTD 2023	0	16	2	6	24
<b>Total</b>	<b>5</b>	<b>47</b>	<b>5</b>	<b>23</b>	<b>80</b>
Source: Bank Data					

The following points provide examples of the bank's community development services.

- **Community Services:** Since the previous evaluation, 11 bank employees used their financial expertise to teach approximately 19 hours of financial literacy within the bank's assessment area, including topics such as banking and saving. Personnel conducted these classes for audiences ranging in age from preschool to high school. The schools and independent school districts benefitting from this program include those with a student population in which the majority of students receive free and reduced-price lunches.
- **Revitalize or Stabilize:** Since the previous evaluation, four bank employees used their financial expertise to hold and maintain Board positions for local community development and government agencies that revitalize and stabilize low- and moderate-income geographies and distressed middle-income geographies.

In addition to the excellent number of services, the retail banking structure benefits low- and moderate-income individuals through its branch network. As reflected in the following table, the bank currently operates two of its four offices and three of its five ATMs in moderate-income census tracts within its designated assessment area.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	1	3.7	1,990	2.2	0	0	0	0
Moderate	6	22.2	16,300	17.5	2	50.0	3	60.0
Middle	17	63.0	61,532	66.2	2	50.0	2	40.0
Upper	3	11.1	13,100	14.1	0	0	0	0
NA	0	0	0	0	0	0	0	0
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>92,922</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>
Source: 2020 U.S. Census; Bank Data								

## **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 Acts. 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.