



## PUBLIC DISCLOSURE

July 31, 2017

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Charles Schwab Bank, Federal Savings Association  
Charter Number 718077

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Reno, Nevada 89502

Office of the Comptroller of the Currency

Midsized Bank Supervision  
400 7th Street, SW Suite 3E-18  
Washington, DC 20219

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

## Table of Contents

<b>OVERALL CRA RATING</b> .....	<b>2</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS</b> .....	<b>3</b>
<b>DESCRIPTION OF INSTITUTION</b> .....	<b>7</b>
<b>SCOPE OF THE EVALUATION</b> .....	<b>9</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW</b> .....	<b>11</b>
<b>STATE</b> .....	<b>12</b>
STATE OF CALIFORNIA .....	12
STATE OF NEVADA .....	15
<b>SUMMARY OF PERFORMANCE BY PLAN</b> .....	<b>19</b>
<b>APPENDIX A - SCOPE OF EXAMINATION</b> .....	<b>A-1</b>
<b>APPENDIX B - SUMMARY OF STATE AND MULTISTATE METROPOLITAN AREA RATINGS</b> .....	<b>B-1</b>

## Charles Schwab Bank, Federal Savings Association

**OVERALL CRA RATING:** This institution is rated **Outstanding**.

The major factors that support this rating include:

- The bank's lending performance is "Outstanding". Community development lending exceeded the 2012 and 2016 Strategic Plan (Plan) goals for outstanding performance. The percentage of low- and moderate-income (LMI) loans originated or purchased exceeded the 2012 Plan goal for outstanding performance in Year 2 and met the goal for satisfactory performance in Year 3.
- The bank's investment performance is "Outstanding". Community development investments exceeded the 2012 and 2016 Plan goals for outstanding performance with the exception of Year 3 of the 2012 Plan for the San Francisco Bay Area Assessment Area (AA), in which investments exceeded the goal for satisfactory performance.
- The bank's service performance is "Outstanding". Community development services exceeded the 2012 and 2016 Plan goals for outstanding performance.

### CONCLUSIONS:

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including LMI neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Charles Schwab Bank (CSB) issued by the OCC, the institution's supervisory agency, for the evaluation period starting January 1, 2014 and ending December 31, 2016. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

CSB's CRA performance is rated "Outstanding." CSB exceeded the overall lending, investment, and service goals for outstanding performance noted within the 2012 and 2016 Plans for all AAs. While 2015 investments within the San Francisco Bay AA only exceeded the 2012 Year 3 goal for satisfactory performance, CSB's outstanding performance in 2014 and 2016 within the AA resulted in an overall "Outstanding" rating. Refer to the "Summary of Performance by Plan" section for a comparison of CSB's performance to the goals within the Plans applicable to this evaluation.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**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 MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**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.

**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, which 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).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

**Median Family Income (MFI):** The median income determined by the United States Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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 percent 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 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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 qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

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

**Small Loan(s) to Farm(s):** 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, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

## Description of Institution

CSB is a \$175.7 billion federal savings association headquartered in Reno, Nevada. The bank opened in April 2003 and is a wholly owned subsidiary of Charles Schwab Corporation (CSC), a \$227.1 billion savings and loan holding company based in San Francisco, California. CSC, through its principal subsidiary Charles Schwab & Co. (CS&Co), is primarily engaged in securities brokerage.

Affiliate activities were considered when evaluating CD loans, investments, and services. The review included an assessment of the affiliate's ability to invest in CSB's AAs. We considered CSC's CD activities performed during the evaluation period. CSC's CD activities are primarily performed through the Charles Schwab Foundation and Schwab Community Services entities. These entities were established to promote financial literacy and capability as well as serving CSB's AAs.

CSB had tier one capital of \$11.9 billion as of December 31, 2016 and \$9.3 billion as of December 31, 2013. The bank's balance sheet is heavily concentrated in cash and investments. CSB's \$15.4 billion loan portfolio consists of 75.6 percent 1-4 family residential loans, 23.4 percent loans to individuals and 1.0 percent other loans. Net loans represent 8.8 percent of total assets.

CSB has a unique business model that differs significantly from traditional brick and mortar bank models. CSB markets products and services to customers of its affiliate in order to complement the range of financial services and products offered by CS&Co. Unique features of the bank's business model include:

- Limited retail brick and mortar branch presence in the bank's two AAs that include Reno, NV and the San Francisco Bay Area, CA;
- Extensive use of internet and mobile delivery channels for client service;
- Limited product set focused on CS&Co brokerage clients;
- Narrow credit product line with a focus on mortgage orientation; and,
- Nationwide customer base for products and services with the highest concentration in the state of California and several other major metropolitan areas.

Deposit products include interest-bearing checking accounts, savings accounts, certificates of deposit, and money market deposit accounts. Loan products include overdraft lines of credit, home equity lines of credit, residential mortgage loans for home purchase and refinance, and stock-secured personal loans. CSB only offers deposit and loan products to U.S. domiciled clients. CSB does not offer business-lending products. CSB's merger and acquisition activity did not affect the scope of the bank's operations during the evaluation period.

Strong competition to provide financial services exists within CSB's AAs. Competitors include several branches of national, regional, and local community banks operating in the AAs. The June 30, 2016 FDIC Deposit Market Share Report shows CSB ranked first of 17 depository financial institutions, with a 93.63 percent market share within the Reno-Sparks, NV AA. CSB's top five competitors, in order of market share rank are Wells Fargo Bank, N.A., Bank of America, N.A., U.S. Bank, N.A., Zions Bank NA, and BOFI Federal Bank within this AA. These competitors control 5.19 percent of the deposit market share in the AA. The June 30, 2015 Market Share Report shows CSB ranked 18<sup>th</sup> of 81 depository financial institutions, with a 0.4

percent market share within the San Francisco Bay Area, CA AA. CSB's top five competitors, in order of market share rank are Bank of America, N.A., Wells Fargo Bank, N.A., Silicon Valley Bank, JPMorgan Chase Bank, N.A., and Citibank, N.A. within this AA. These competitors control 60.8 percent of the deposit market share in the AA.

CSB has limited physical branch presence. CSB had twelve branches at the beginning of the assessment period and two by the end of the assessment period. CSB closed the ten San Francisco Bay Area branches in March 2016. Two branches are located in the Reno-Sparks AA as well as three automated teller machines (ATMs), of which one ATM is deposit taking. Ten branches were located in the San Francisco Bay Area AA as well as three ATMs, of which only one ATM is available to the public with two available to employees only. All but one branch (located in Reno, NV) were domiciled in CS&Co brokerage branches. There are six ATMs located outside of CSB's AAs, only four are available to the public and none accept deposits.

CSB serves the vast majority of its customers by alternative delivery systems including telephone, mail, online, mobile, and other electronic means. Over 95 percent of deposits are associated with broker-dealer relationships, and only three percent are derived from bank branches. Given CSB's reliance on non-branch delivery systems, deposits are sourced and products are available nationally.

CSB has elected to use the Strategic Plan framework for this evaluation given its non-traditional banking model. In October 2012, CSB received approval from the OCC to operate under a Plan for purposes of assessing its CRA performance record in accordance with 12 CFR §195.27 for the period October of 1, 2012 through December 31, 2015. In February 2016, the OCC approved a new Plan for the period from January 1, 2016 through December 31, 2018.

There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AAs. The OCC rated CSB "Outstanding" in the prior CRA performance evaluation dated January 6, 2014.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Evaluation includes CSB's performance from January 1, 2014, through December 31, 2016. This 36-month period encompasses portions of two separate and distinct CRA Plans and is representative of the bank's activities since the previous CRA examination. Under a Strategic Plan, CRA regulations require CSB to specify measurable goals for helping to meet the credit needs of the AA or areas covered by the Plan through lending, investment, and services, as appropriate. We analyzed home purchase and home refinance mortgage loans reported under the HMDA, CD loans, qualified investments, and services during the evaluation. Affiliate activities were considered when evaluating CD loans, investments, and services.

Evaluation of CSB's performance under the Plans is based on a matrix that assigns point values to each category of activity and benchmark level contained in the Plan. Component points are then aggregated to arrive at cumulative totals for each Plan year. Point values correspond to three possible benchmark levels for each performance category (Levels 1, 2 and 3). While it is necessary to achieve at least "Level 1" performance in all required categories in order to achieve a satisfactory rating, attainment of Level 1 in these categories, alone, is not sufficient to earn a satisfactory rating. Additional points may be earned in a variety of ways to increase totals above the baseline level. This approach affords CSB the necessary flexibility to respond to community needs and opportunities, as well as consider market conditions, internal capacity, and constraints over the Plan period. Although a number of different point combinations might earn the requisite total, the Plan framework does not allow CSB to earn an overall "Outstanding" rating in a given Plan Year, unless it achieves at least Level 2 lending and investment volumes for that Plan Year. Refer to the "Summary of Performance by Plan" section for more information on the specific goals outlined in the Plans applicable to this evaluation.

### Plan Coverage

#### **2012 Plan**

The 2012 Plan approved by the OCC runs from October 1, 2012 through December 31, 2015. This evaluation covers the 24-month period from January 1, 2014 to December 31, 2015. The following Plan years are applicable to this evaluation:

- Plan Year 2 (January 1, 2014 – December 31, 2014)
- Plan Year 3 (January 1, 2015 – December 31, 2015)

#### **2016 Plan**

The 2016 Plan approved by the OCC runs from January 1, 2016 through December 31, 2018. This evaluation covers the 12-month period from January 1, 2016 to December 31, 2016. The following Plan year is applicable to this evaluation:

- Plan Year 1 (January 1, 2016 – December 31, 2016)

### **Data Integrity**

We conducted a CRA data integrity examination beginning December 5, 2016. We assessed the accuracy of the data for CD loans, investments, and services as defined under 12 CFR

Part 195 Community Reinvestment Act. We concluded that the bank's data for CD loans, investments, and services is accurate and reliable.

### **Selection of Areas for Full-Scope Review**

The AAs receiving a full-scope review are the Reno-Sparks AA and the San Francisco Bay Area AA, per the 2012 and 2016 Plans. Full-scope reviews consider quantitative and qualitative factors, as well as performance context factors. There are no AAs receiving a limited-scope review. Refer to "Appendix A – Scope of Examination" for more information on each AA.

### **Ratings**

The bank's overall rating is a consolidation of the Reno-Sparks AA rating and the San Francisco Bay Area AA rating. The OCC did not apply performance weighting to the Plans or the AA during this evaluation.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State

### State of California

#### ***CRA RATING FOR CALIFORNIA: Outstanding***

The major factors that support this rating include:

- CSB exceeded the goals for outstanding performance in originating community development loans. For Plan Year 2 and Year 3 of the 2012 Plan, CSB substantially exceeded the goal for outstanding performance of \$84.0 million and \$210.0 million. For Plan Year 1 of the 2016 Plan, CSB substantially exceeded the goal for outstanding performance of \$52.5 million.
- Overall, CSB exceeded the goals for satisfactory performance in originating HMDA loans to LMI borrowers and in LMI geographies. The percentage of HMDA loans to LMI borrowers originated or purchased exceeded the 2012 Plan goal for outstanding performance in Year 2 and exceeded the goal for satisfactory performance in Year 3. The percentage of loans originated or purchased exceeded the Level 1 goals to borrowers in LMI geographies for both Year 2 and Year 3 of the 2012 Plan.
- Overall, CSB exceeded the goals for outstanding performance in originating community development investments. CSB's cumulative qualified investments of \$450.0 million in the San Francisco Bay Area AA exceeded the cumulative goal for outstanding performance of \$346.5 million. For Plan Year 2 of the 2012 Plan and Plan Year 1 of the 2016 Plan, CSB exceeded the goal for outstanding performance of \$84.0 million and \$52.5 million, respectively. For Plan Year 3 of the 2012 Plan, CSB exceeded the goal for satisfactory performance of \$140.0 million.
- CSB exceeded the goals for outstanding performance when providing community development services. CSB's cumulative 8,217 service hours in the San Francisco Bay Area AA substantially exceeded the cumulative goal for outstanding performance of 3,500 hours. For Plan Year 2 and Plan Year 3 of the 2012 Plan, CSB substantially exceeded the goal for outstanding performance of 1,000 hours each year. For Plan Year 1 of the 2016 Plan, CSB substantially exceeded the goal for outstanding performance of 1,500 hours.

#### ***CONCLUSIONS WITH RESPECT TO PERFORMANCE IN CALIFORNIA:***

##### **Lending Performance - Outstanding**

CSB's lending performance in the San Francisco Bay Area AA is rated "Outstanding". CSB's community development lending exceeded the goals for outstanding performance during the evaluation period. CSB's lending to LMI borrowers and in LMI geographies exceeded the goals for satisfactory performance as set forth in the 2012 Plan. The 2016 Plan did not include specific goals for lending to LMI borrowers and in LMI geographies.

CSB's lending in 2014 of \$185.8 million, including a permissible carry-forward from Plan Year 1 loans of \$132.8 million, substantially exceeded the 2012 Plan Year 2 goal for outstanding performance of \$84.0 million. CSB's lending to LMI borrowers of 153 percent significantly

exceeded the goal for outstanding performance of 125 percent. CSB's lending to LMI geographies of 49 percent significantly exceeded the Level 1 goal of 25 percent.

CSB's lending in 2015 of \$292.4 million, including a permissible carry-forward from Plan Year 1 and Year 2 of \$185.8 million, significantly exceeded the 2012 Plan Year 3 goal for outstanding performance of \$210.0 million. CSB's lending to LMI borrowers of 112 percent significantly exceeded the goals for satisfactory performance of 100 percent. CSB's lending to LMI geographies of 45 percent significantly exceeded the Level 1 goal of 25 percent.

CSB's lending in 2016 of \$153.0 million substantially exceeded the 2016 Plan Year 1 goal for outstanding performance of \$52.5 million. CSB originated \$101.5 of million loans to Community Development Financial Institutions (CDFI) and purchased \$51.5 million of mortgage loans in 2016.

CSB demonstrated leadership when creating the Century Housing Long Term Value Fund (Fund) with CDFI Century Housing. The Fund addresses a critical AA need for long term permanent capital for small dollar amounts supporting affordable housing. There are a limited number of banks willing to provide long term permanent capital to multifamily affordable housing properties due to the time, effort, and risk attributed toward originating and servicing these long term loans. In 2015, CSB worked with CDFI Century Housing to design a program, which provides \$25.0 million to affordable housing in the AA and the broader state regional area.

Under the terms of the Fund, CDFI Century Housing will manage the Fund to specified underwriting criteria. CSB will lend up to \$25.0 million to the Fund. Loan terms can be as long as 15 years with an amortization of up to 35 years. CSB does not charge CDFI Century Housing any fees in connection with the loans.

### **Investment Performance – Outstanding**

CSB's investment performance in the San Francisco Bay Area AA is rated "Outstanding". CSB's cumulative qualified investments of \$450.0 million in the AA exceeded the cumulative goal for outstanding performance. The only time that the bank did not meet the outstanding performance goal was in 2015 (2012 Plan Year 3) when the bank met the goal for satisfactory performance with \$187.3 million in qualified investments.

CSB demonstrated innovativeness when investing \$10.0 million in April 2016 in the Housing Partnership Equity Trust ("HPET"). HPET is a private real estate investment trust owned by 12 affordable housing developers to provide long term affordable housing for the LMI population in high cost or high rent areas like the San Francisco Bay Area AA. The AA experiences an affordable housing hardship when the affordable housing regulatory restrictions expire and investors purchase the properties with the intent of significantly increasing the rents making them unaffordable to the LMI population. HPET seeks to address this issue by providing a capital source to purchase properties to maintain affordable rents until affordable financing, housing subsidies, or tax credits can be obtained.

CSB's investments were responsive to the needs of the AA. The following are examples of highly responsive investments made during the evaluation period:

- \$25 thousand grant to Juma Ventures: Juma Ventures provides programs for low-income youth. Programs include professional career development, providing a support system to help participants complete a four year college education, achieve self-sufficiency, and overcome social/economic barriers.
- \$25 thousand grant to Opportunity Fund: Opportunity Fund provides affordable financing alternatives to small businesses and entrepreneurs in low-income communities which creates employment opportunities in these communities.
- \$25 thousand grant to Jewish Vocational Services (JVS): JVS finds employment opportunities for low-income clients, and works with local employers to meet their employment needs. JVS receives funding from public assistance agencies that require clients to show proof of income status.
- \$20 thousand grant to the East Bay Asian Local Development Corp.: This organization provides neighborhood and economic development programs to four thousand low-income residents by providing commercial space for small businesses, low-income housing, financial education, and career development programs.

### **Service Performance – Outstanding**

CSB's service performance in the San Francisco Bay Area AA is rated "Outstanding". CSB contributed 8,217 community service hours during the evaluation period which substantially exceeded the goal for outstanding performance of 3,500 hours. All service performance Plan goals were substantially exceeded for the evaluation period. Employees served on boards or committees of organizations whose primary goal is community development; providing financial service technical assistance; facilitating access to public subsidies that help nonprofits to assist LMI consumers; providing financial coaching; and creating financial access opportunities for low-income families.

CSB provided significant leadership to meet the community needs of nonprofits needing expertise to support innovation and service delivery by partnering up with the Center for Financial Services Innovation (CFSI). This community service supported the "Financial Wellness Network" (membership of four nonprofit organizations) whose goal is to expand financial services to LMI and underbanked individuals. CSB hosted a two day development lab event intended to provide resources, connections, and guidance to help CFSI nonprofit grantees advance, refine, and scale their innovative projects aimed at building financial capabilities of LMI individuals. Participating AA nonprofits include: Mission SF Community Financial Center, Self-Help Economic Development, Juma Ventures, and Mission Economic Development Agency. CSB also provided youth and adult financial education workshops, career counseling, and educational tours to meet the needs of the AA.

## State of Nevada

### ***CRA RATING FOR NEVADA: Outstanding***

The major factors that support this rating include:

- CSB exceeded the goals for outstanding performance in originating community development loans. For Plan Year 2 and Year 3 of the 2012 Plan, CSB substantially exceeded the goal for outstanding performance of \$10.0 million and \$18.0 million. For Plan Year 1 of the 2016 Plan, CSB substantially exceeded the goal for outstanding performance of \$5.3 million.
- Overall, CSB exceeded the goals for satisfactory performance in originating HMDA loans to LMI borrowers and in LMI geographies. The percentage of HMDA loans to LMI borrowers originated or purchased substantially exceeded the 2012 Plan goal for outstanding performance in Year 2 and met the goal for satisfactory performance in Year 3. The percentage of loans originated or purchased significantly exceeded the Level 1 goals to borrowers in LMI geographies for both Year 2 and Year 3 of the 2012 Plan.
- CSB exceeded the goals for outstanding performance in originating community development investments. CSB's cumulative qualified investments of \$145.7 million in the Reno-Sparks AA substantially exceeded the cumulative outstanding performance threshold of \$33.3 million. For Plan Year 2 and Year 3 of the 2012 Plan, CSB significantly exceeded the goals for outstanding performance of \$10.0 million and \$18 million, respectively. For Plan Year 1 of the 2016 Plan, CSB significantly exceeded the outstanding goal of \$5.3 million.
- CSB exceeded the goals for outstanding performance when providing community development services. CSB's cumulative 3,223 service hours in the Reno-Sparks AA significantly exceeded the cumulative outstanding performance threshold of 2,400 hours. CSB significantly exceeded the goal for outstanding performance of 800 hours each year of the evaluation period.

### ***CONCLUSIONS WITH RESPECT TO PERFORMANCE IN NEVADA:***

#### **Lending Performance - Outstanding**

CSB's lending performance in the Reno-Sparks AA is rated "Outstanding". CSB's community development lending exceeded the goals for outstanding performance during the evaluation period. CSB's lending to LMI borrowers and in LMI geographies exceeded the goals for satisfactory performance as set forth in the 2012 Plan. The 2016 Plan did not include specific goals for lending to LMI borrowers and in LMI geographies.

CSB's lending in 2014 of \$21.4 million, including a permissible carry-forward from Plan Year 1 loans of \$12.6 million, substantially exceeded the 2012 Plan Year 2 goal for outstanding performance of \$10.0 million. CSB's lending to LMI borrowers of 194 percent substantially exceeded the goal for outstanding performance of 125 percent. CSB's lending to LMI geographies of 67 percent significantly exceeded the Level 1 goal of 25 percent.

CSB's lending in 2015 of \$27.2 million, including a permissible carry-forward from Plan Year 1 loans of \$21.4 million, exceeded the 2012 Plan Year 3 goal for outstanding performance of \$18.0 million. CSB's lending to LMI borrowers of 100 percent met the goal for satisfactory performance. CSB's lending to LMI geographies of 65 percent significantly exceeded the Level 1 goal of 25 percent.

CSB's lending in 2016 of \$8.6 million substantially exceeded the 2016 Plan Year 1 goal for outstanding performance of \$5.3 million. CSB originated \$7.5 million loans to CDFIs and purchased \$1.1 million of mortgage loans in 2016.

CSB demonstrated leadership through the CDFI loan program during the evaluation period. CSB is one of the few banks that have a program to lend to CDFIs. Providing financing to CDFIs is a critical need within the AA. The loans provide construction and permanent financing for affordable housing, charter schools, health care clinics, community facilities, and small businesses. CSB's CDFI loan program is highly flexible with loan terms up to five years with revolving credit lines without fees.

### **Investment Performance – Outstanding**

CSB's investment performance in the Reno-Sparks AA is rated "Outstanding". CSB's cumulative qualified investments of \$145.7 million in the AA substantially exceeded the goal for outstanding performance during the evaluation period. All investment performance Plan goals were substantially exceeded for the evaluation period. A majority of CSB's investments are affordable housing funds.

CSB demonstrated leadership and responsiveness to community needs by providing investment capital to the Clearinghouse CDFI and bringing the CDFI's lending expertise to the AA. CSB provided \$10 million in Equity Equivalent Investments (EQ2), which provided low interest rate, flexible, long term, fully subordinated unsecured capital to two CDFIs. The Nevada CDFIs provide financing in cities, rural areas, and tribal communities. CSB's grants provided general operating funds for nonprofit organizations that provide workforce development, financial education, and small business technical support.

CSB demonstrated leadership and innovation through a number of investments. CSB funded the Nevada Asset Building Coalition which provides housing counseling services, homeownership preservation to residents, and brings new and innovative community service models to the AA such as the Mission SF My Path program. The Truckee Meadows Healthy Communities project is a collaborative effort with community partners, nonprofit organizations, and local and state agencies to promote affordable health services, provide financial education, and coordinate community development resources to address the needs of LMI families.

The following are additional examples of investments made during the evaluation period that demonstrated leadership and innovation:

- \$25 thousand grant to the Boys & Girls Club of Truckee Meadows: This organization provides programs and services to children of LMI families to improve their financial knowledge and earnings capabilities. One of the programs provides college scholarships and savings incentive programs.

- \$20 thousand grant to Opportunity Alliance: This organization improves the lives of LMI individuals and households through financial education, income and asset preservation, workforce development, home ownership, access to public and private financial assistance programs, and entrepreneurship.
- \$35 thousand grant to Mission SF My Path program: This program promotes financial security and upward economic mobility among LMI families through financial education, and providing access to affordable financial services, financial education and counseling, and savings and credit building services and products.
- \$10 thousand grant to Bridges to a Thriving Nevada: This is a community initiative supported by the Food Bank of Northern Nevada to provide the tools needed to support the community to end poverty. The initiative provides direct services, advocacy, outreach, and education.
- \$15 thousand grant to the Financial Guidance Center program: This organization provides services to LMI households such as credit repair, credit counseling, reverse mortgage counseling, foreclosure and short sale mitigation, and the First Time Home Buyer program.

### **Service Performance - Outstanding**

CSB's service performance in the Reno-Sparks AA is rated "Outstanding". CSB contributed 3,223 community service hours during the evaluation period which significantly exceeded the goal for outstanding performance of 2,400 hours. All service performance Plan goals were significantly exceeded for the evaluation period. Employees served on boards or committees of organizations whose primary goal are community development; providing financial service technical assistance; facilitating access to public subsidies that help nonprofits to assist LMI consumers; providing financial coaching; and creating financial access opportunities for low-income families.

CSB provided significant leadership and technical expertise to CD service organizations and forged partnerships that promoted financial education, career development, income and asset building or preservation, home ownership, and affordable housing. Also, CSB worked with CD organizations and partners to develop pilot programs and initiatives to assist LMI individuals and families by improving their income, careers, education, and potential for home ownership. The following are examples of organizations in which employees served during the evaluation period that demonstrate leadership and innovation:

- The Financial Guidance Center (FGC) is a HUD-approved financial counseling agency serving the state of Nevada. A CSB representative serves on the Northern Nevada advisory board. During the evaluation period, CSB and FGC took the lead in bringing the following opportunities to the AA, and to the broader Nevada statewide area:
  - Lending Circles – In 2011, CSB facilitated the expansion of an innovative San Francisco Bay Area AA based credit-building program to the Reno-Sparks AA. Lending Circles are informal arrangements where individuals form a group and pool resources together to benefit each member of the group over time.
  - Mission Assets Fund (MAF) - This organization is an administrator for Lending Circles which assists the community by automating the deposit and withdrawal of payments, adding a credit reporting component to help participants build credit, and reduces payment risk and formalizes the loan process by incorporating debt instruments such as promissory notes, and loan disclosures. MAF works closely

with selected organizations to provide training, financial capability curriculum, outreach, loan servicing tools, and technical support to meet the needs of their community.

- Opportunity Alliance of Nevada (OAN): In 2008, CSB began an innovative partnership with the United Way of Northern Nevada seeking to address financial insecurity among LMI residents of Northern Nevada. The partnership helped to catalyze the formation of the Financial Stability Partnership of Northern Nevada (FSPNN), which was later renamed the OAN. OAN seeks to strengthen individuals and families in Northern Nevada and the Sierra through programs that support financial education, income and asset building or preservation, workforce development, home ownership, access to public and private benefits, and entrepreneurship. It provides access to financial education and resources to LMI individuals. Key OAN initiatives developed and implemented under CSB's leadership during the evaluation period include:
  - Assets & Opportunity Network - OAN serves as the Northern Nevada lead organization for this network of advocates, practitioners, policymakers, and others who work to expand the reach and deepen the impact of asset-based strategies.
  - Asset Building Learning Cluster Work Groups - OAN created this educational program for human service providers seeking to integrate asset building into their existing programs and services.
  - Assets & Opportunity Legislative Day - This is an OAN coordinated advocacy and policy effort held in Carson City to bring awareness of the importance of financial education, savings, and asset building for LMI individuals in Nevada.
  - Bridges to a Thriving Community - This community initiative is supported by the Food Bank of Northern Nevada. Its mission is to end hunger through direct services, advocacy, outreach, and education. The initiative provides the tools and approach needed to support the community to end poverty.
  - Community Foundation of Western Nevada - CSB was a stakeholder in this project that led to the creation of an ad hoc investment committee to identify affordable housing, community revitalization, and micro-enterprise investment opportunities in the Northern Nevada and the Washoe County area.
  - Family College Night - This was the family annual educational workshop to support the Nevada State Treasurer's "Nevada Kick Start College Savings Program." This workshop focused on encouraging LMI and minority families from 27 elementary schools to start saving for their child's college education through a number of college savings program sponsored by the Treasurer's Office.
  - Gear Up Network - The Nevada State Department of Higher Education formed a state-wide network to provide opportunities for children of LMI families to obtain higher education. Network members are government and business leaders located throughout the state. Members assist in identifying and creating mentoring, apprenticeships, and job shadowing opportunities for LMI high school students.
  - Reno Area Alliance for the Homeless (RAAH) - This is a coalition of human service providers; representatives of local, state, and federal agencies; and faith-based organizations to serve the homeless population and those risk of homelessness.

## Summary of Performance by Plan

### Summary of 2012 Plan Year 2 and Year 3

	Geography	Component Test	Level 1 Goal (as % of peer aggregate)	Level 2 Goal (as % of peer aggregate)	Level 3 Goal (as % of peer aggregate)	Actual (as % of peer aggregate)	Points
<b>HMDA-Reportable Loans</b>	San Francisco Bay Area AA 2014	LMI Borrowers	75%	100%	125%	153%	5.0
		LMI Geography	25%	100%	125%	49%	1.5
	San Francisco Bay Area AA 2015	LMI Borrowers	75%	100%	125%	112%	4.0
		LMI Geography	25%	100%	125%	45%	1.5
	Reno-Sparks AA 2014	LMI Borrowers	75%	100%	125%	194%	5.0
		LMI Geography	25%	100%	125%	67%	1.5
	Reno-Sparks AA 2015	LMI Borrowers	75%	100%	125%	100%	4.0
		LMI Geography	25%	100%	125%	65%	1.5
			<b>Level 3 Performance Goals</b>	<b>Actual Performance*</b>	<b>Quantitative Points</b>	<b>Qualitative Points</b>	<b>Total Points</b>
<b>2014 Loans and Investments (\$ in Thousands)</b>	San Francisco Bay Area AA	Loans	\$84,000	\$185,843	7.5	0	7.5
		Investments	\$84,000	\$123,348	7.5	0	7.5
		Subtotal	\$168,000	\$309,191			
	Reno-Sparks AA	Loans	\$10,000	\$21,402	7.5	0	7.5
		Investments	\$10,000	\$37,049	7.5	2.5	10.0
		Subtotal	\$20,000	\$58,451			
Statewide or Regional	Loans or Investments	\$349,600	\$430,246	N/A	N/A	N/A	
<b>2015 Loans and Investments (\$ in Thousands)</b>	San Francisco Bay Area AA	Loans	\$210,000	\$292,386	7.5	0	7.5
		Investments	\$210,000	\$184,379	6.0	0	6.0
		Subtotal	\$420,000	\$476,765			
	Reno-Sparks AA	Loans	\$18,000	\$27,208	7.5	0	7.5
		Investments	\$18,000	\$39,657	7.5	2.5	10.0
		Subtotal	\$36,000	\$66,865			
Statewide or Regional	Loans or Investments	\$1,044,000	\$159,164	N/A	N/A	N/A	
*Calculations include positive consideration for applicable prior period loans and investments							
			<b>Level 3 Performance Goals</b>	<b>Actual Performance</b>	<b>Quantitative Points</b>	<b>Qualitative Points</b>	<b>Total Points</b>
<b>2014 Services</b>	SF Bay Area AA		1,000 hours	3,610 hours	7.5	0	7.5
	Reno-Sparks AA		800 hours	1,029 hours	7.5	2.5	10.0
<b>2015 Services</b>	SF Bay Area AA		1,000 hours	2,155 hours	7.5	0	7.5
	Reno-Sparks AA		800 hours	1,092 hours	7.5	2.5	10.0
<b>2014 Performance Summary</b>				<b>2015 Performance Summary</b>			
<b>Performance Summary</b>	<b>Quantitative Points YTD</b>	<b>Qualitative Points</b>	<b>Total Points</b>	<b>Performance Summary</b>	<b>Quantitative Points YTD</b>	<b>Qualitative Points</b>	<b>Total Points</b>
SF Bay Area Total Points	29.0	0	29.0	SF Bay Area Total Points	26.5	0	26.5
Reno-Sparks Total Points	29.0	5.0	34.0	Reno-Sparks Total Points	28.0	5.0	33.0
Grand Total Points	58.0	5.0	63.0	Grand Total Points	54.5	5.0	59.5

**Summary of 2016 Plan Year 1**

	Geography	Component Test	Level 3 Performance Goals	Actual Performance*	Quantitative Points	Qualitative Points	Total Points
<b>2016 Loans and Investments (\$ in Thousands)</b>	San Francisco Bay Area AA	Loans	\$52,500	\$152,982	11.0	0	11.0
		Investments	\$52,500	\$138,288	11.0	0	11.0
		Subtotal	\$105,000	\$291,270			
	Reno-Sparks AA	Loans	\$5,250	\$8,581	11.0	0	11.0
		Investments	\$5,250	\$68,438	11.0	0	11.0
		Subtotal	\$10,500	\$77,019			
Statewide or Regional	Loans or Investments	\$234,500	\$127,271	N/A	N/A	N/A	

\*Calculations include positive consideration for applicable prior period loans and investments

		Level 3 Performance Goals	Actual Performance	Quantitative Points	Qualitative Points	Total Points
<b>2016 Services</b>	San Francisco Bay Area AA	1,500 hours	2,452	9.0	0	9.0
	Reno-Sparks AA	800 hours	1,102 hours	9.0	3.0	12.0

<b>2016 Performance Summary</b>			
Performance Summary	Quantitative Points YTD	Qualitative Points	Total Points
San Francisco Bay Area AA Total Points	31.0	0	31.0
Reno-Sparks AA Total Points	31.0	3.0	34.0
Grand Total Points	62.0	3.0	65.0

**Performance Evaluation Points Needed**

Points Needed 2012 Plan Year 2 and Year 3	San Francisco Bay Area AA	Reno-Sparks AA	Combined	Points Needed 2016 Plan Year 1	San Francisco Bay Area AA	Reno-Sparks AA	Combined
Satisfactory	19.5	19.5	39.0	Satisfactory	20.5	20.5	41.0
Outstanding	28.5	28.5	57.0	Outstanding	31.0	31.0	62.0

## Appendix A - Scope of Examination

We analyzed home purchase and home refinance mortgage loans CSB reported under the HMDA and CD loans, qualified investments, and services for the period of January 1, 2014 through December 31, 2016. This period is representative of the bank's activities since the previous CRA examination. Affiliate activities were considered when evaluating CD loans, investments, and services. The review included an assessment of the CSC ability to invest in CSB's AAs.

All AAs received a comprehensive examination review (designated by the term "full-scope"). The following identifies the AAs included in the evaluation period as designated by the bank's CRA Plans:

### CSB 2012 Plan AAs

The 2012 Plan includes the following two AAs:

1. The Reno-Sparks AA includes Washoe and Story counties within the Reno-Sparks, NV MSA
2. The San Francisco Bay Area AA includes the following two MSAs:
  - The San Francisco-Oakland-Fremont, CA MSA includes Marin, San Francisco and San Mateo counties from the San Francisco-San Mateo-Redwood City, CA MD; and Alameda and Contra Costa counties from the Oakland-Fremont-Hayward, CA MD.
  - The San Jose-Sunnyvale-Santa Clara, CA MSA includes San Benito and Santa Clara counties.

### CSB 2016 Plan AAs

The 2016 Plan includes the following two AAs:

1. The Reno-Sparks AA includes Washoe and Story counties within the Reno-Sparks, NV MSA
2. The San Francisco Bay Area AA includes the following two MSAs:
  - The San Francisco-Oakland-Fremont, CA MSA includes San Francisco and San Mateo counties from the San Francisco-San Mateo-Redwood City, CA MD; Alameda and Contra Costa counties from the Oakland-Fremont-Hayward, CA MD; and Marin County from the San Rafael MD.
  - The San Jose-Sunnyvale-Santa Clara, CA MSA includes San Benito and Santa Clara counties.

**Appendix B - Summary of State and Multistate Metropolitan Area Ratings**

State or Multistate Metropolitan Area Name	State Rating
California	Outstanding
Nevada	Outstanding