

PUBLIC DISCLOSURE

September 14, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Choice Financial Group
Certificate Number: 9423

4501 23rd Avenue South
Fargo, North Dakota 58104

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			
<i>* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.</i>			

The Lending Test is rated High Satisfactory.

- Lending levels reflect good responsiveness to assessment area credit needs.
- A high percentage of loans are made in the institution’s assessment areas.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of borrowers reflects good penetration among business and farm customers of different sizes and retail customers of different income levels.
- The institution exhibits a good record of serving the credit needs of the most economically disadvantaged areas, low-income individuals, and/or very small businesses, consistent with safe and sound banking practices.
- The institution has made an adequate level of community development loans.
- The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs.

The Investment Test is rated Low Satisfactory.

- The institution has an adequate level of qualified community development investments.
- The institution exhibits good responsiveness to credit and community economic development needs.
- The institution occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated Low Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services, including business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals.
- The institution provides an adequate level of community development services.

DESCRIPTION OF INSTITUTION

Choice Financial Group is a full-service interstate financial institution headquartered in Fargo, North Dakota. The bank is wholly owned by Choice Financial Holdings, Inc., a one-bank financial holding company based in Fargo. The bank received a "Satisfactory" CRA rating at its previous FDIC Performance Evaluation dated March 17, 2020, based on Interagency Intermediate Small Institution Examination Procedures. The institution demonstrated satisfactory performance under both the Lending and Community Development tests.

Choice Financial Group currently owns and operates 19 offices throughout North Dakota and Minnesota. It has 17 ATMs in North Dakota, but is a member of the MoneyPass network, which allows customers access to more than 32,000 fee-free ATMs nationwide. The entity also has wealth management and insurance offices in North Dakota; however, these offices do not offer credit or deposit services. Since the prior evaluation, the bank closed one full service branch in Medina, North Dakota. Additional details are included in the applicable assessment area sections of this evaluation.

The bank offers a variety of credit products, including commercial, agricultural, home mortgage, and consumer loans. While these loan products are offered in all of the assessment areas, the lending focus varies slightly by market. Nonetheless, commercial loans continue to represent the primary business line of the institution overall. Agricultural loans are a secondary lending focus, particularly in the rural areas, followed by home mortgage loans throughout all assessment areas. The bank also offers loan products through government-sponsored programs and local agencies and sells home mortgage loans to secondary market investors. Generally, the bank's participation in the aforementioned programs assists small businesses, farms, and home mortgage borrowers, including low- and moderate-income persons. Details are presented in the Lending Test under the Innovative or Flexible Lending Practices section of this evaluation. The institution also offers a full line of traditional deposit services, including checking, savings, health savings, individual retirement, and certificates of deposit accounts. Internet and mobile banking services provide alternative means of accessing loan and deposit accounts.

As of June 30, 2022, the institution reported total assets of \$3.1 billion, total loans of \$2.6 billion, and total deposits of \$2.7 billion. Since the previous evaluation, assets, loans, and deposits grew 27.6, 27.6, and 29.4 percent, respectively. The following table illustrates the bank's loan portfolio. However, it does not include home mortgage loans originated by the bank and subsequently sold to secondary market investors.

Loan Portfolio Distribution as of 6/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	240,920	9.2
Secured by Farmland	248,505	9.5
Secured by 1-4 Family Residential Properties	218,787	8.4
Secured by Multifamily (5 or more) Residential Properties	116,716	4.5
Secured by Nonfarm Nonresidential Properties	742,742	28.5
Total Real Estate Loans	1,567,670	60.1
Commercial and Industrial Loans	629,693	24.1
Agricultural Production and Other Loans to Farmers	304,768	11.7
Consumer Loans	38,919	1.5
Obligations of State and Political Subdivisions in the U.S.	41,025	1.6
Other Loans	3,060	0.1
Lease Financing Receivable (net of unearned income)	26,325	1.0
Less: Unearned Income	(3,530)	(0.1)
Total Loans	2,607,930	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any impediments that affect the bank’s ability to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to identify one or more assessment areas within which its CRA performance will be evaluated. Choice Financial Group has designated seven assessment areas, six of which are in North Dakota and one in Minnesota. Three of the North Dakota assessment areas (Fargo, ND-MN Metropolitan Statistical Area (MSA); Bismarck; and Grand Forks, ND-MN MSA) as well as the Minnesota assessment area (Minneapolis-St. Paul) consist of entire or partial MSAs, while the remaining North Dakota assessment areas (Dickinson; Grafton; and LaMoure) are nonmetropolitan areas. The boundaries of the assessment areas is unchanged from the previous evaluation. Examiners analyzed all of the assessment areas separately, and while the nonmetropolitan areas in North Dakota are not contiguous, they have similar economic conditions and are dependent on agricultural credit. Due to the similarities of the nonmetropolitan assessment areas, examiners combined the data and presented it as one for the remainder of this evaluation, unless otherwise noted. These combined nonmetropolitan areas will be referred to as the “North Dakota Nonmetropolitan Assessment Area” going forward.

Ratings are assigned to the Fargo, ND-MN MSA, as well as the states of North Dakota and Minnesota. Refer to the rated areas and individual assessment areas for additional information.

SCOPE OF EVALUATION

General Information

This evaluation covered the period from the prior evaluation dated March 17, 2020, to the current evaluation dated September 14, 2022. Examiners used Interagency Large Institution Examination Procedures to evaluate Choice Financial Group’s CRA performance using the Lending, Investment, and Service tests. The criteria for the tests are outlined in the Appendices. The tests are used to determine the bank’s overall rating as well as its ratings in the Fargo, ND-MN MSA and the states of North Dakota and Minnesota. Banks must achieve at least a Low Satisfactory rating under the Lending Test to obtain an overall Satisfactory rating.

Examiners reviewed all of the assessment areas using full-scope examination procedures. The greatest weight was given to the bank’s performance in the State of North Dakota, followed by performance in Minnesota, when arriving at conclusions, since the majority of the bank’s lending, deposit, and branch activity occurs in these states. Performance in the Fargo, ND-MN MSA received the least weight when reaching overall conclusions. The following table reflects the distribution of 2020 reported loans, deposits, and branches within each rated area.

Rated Area Breakdown of Loans, Deposits, and Branches			
Rated Area	% Reported Loans (by #)	% Deposits (by \$)	% Branches (by #)*
North Dakota	55.3	45.3	65.0
Minnesota	31.1	36.5	20.0
Fargo, ND-MN MSA	13.6	18.2	15.0
Total	100.0	100.0	100.0
<i>Source: 2020 CRA and HMDA LARs; FDIC Summary of Deposits (6/30/2020)</i>			
<i>* includes the Medina branch that was still open in 2020</i>			

Activities Reviewed

Examiners determined that the bank’s primary product lines include commercial, agriculture, and home mortgage lending. This conclusion considered Consolidated Reports of Condition and Income data, the number and dollar volume of reported loans during the evaluation period, and the bank’s business strategy.

Upon transitioning to a large bank for CRA purposes, Choice Financial Group began collecting and reporting CRA loan data in 2020. Therefore, examiners reviewed small business and small farm loans reported under CRA data collection requirements for 2020 and 2021. For small business lending, the bank reported 3,090 loans totaling \$497.0 million in 2020 and 2,355 loans totaling \$385.6 million in 2021. For small farm lending, the bank reported 1,641 loans totaling \$191.8 million in 2020 and 1,926 loans totaling \$164.3 million in 2021. In addition, examiners reviewed home mortgage loans reported on the bank’s 2020 and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For home mortgage lending, the bank reported 876 loans totaling \$336.4 million in 2020 and 678 loans totaling \$283.3 million in 2021.

CRA aggregate lending data for 2020, as well as D&B data for 2020 and 2021 provided a standard of comparison for the small business and small farm loans reviewed. HMDA aggregate lending data for 2020, as well as 2015 American Community Survey (ACS) data provided a standard of comparison for the home mortgage loans reviewed. Examiners placed more weight on the comparisons to the aggregate lending data since it is typically a better indicator of market conditions and loan demand. In general, examiners did not identify any trends between the two years of CRA and HMDA data that materially affected conclusions. Therefore, only 2020 small business, small farm, and home mortgage data is presented for the Geographic Distribution and Borrower Profile criteria as this is the most recent year with available aggregate data.

For the Lending Test, small business lending received the most weight in drawing overall conclusions since commercial loans represent the institution’s primary lending focus. The secondary lending focus of the institution is agricultural loans, followed by home mortgage lending. Home mortgage loans received the least weight in drawing overall conclusions. These three products were reviewed for all of the assessment areas, with the exception of the Minneapolis-St. Paul Assessment Area. Small farm lending was not analyzed in this metropolitan assessment area since it is not a lending focus. Loan product weighting varied slightly by assessment and rated area, as well. Additional details can be found in the

Scope of Evaluation section for each rated area. Finally, examiners did not evaluate consumer loans since they represent less than 2.0 percent of the overall loan portfolio, by dollar volume, and the bank opted to forego collecting data on these loans.

Community development lending, qualified investments, and community development services were considered from the prior evaluation dated March 17, 2020, through the current evaluation dated September 14, 2022. Furthermore, investments that were made before the prior evaluation, and that remain outstanding, are included at the current book values as prior period investments. The Investment Test also included an analysis of the institution's responsiveness to opportunities for qualified investments, as well as the use of any innovative or complex investments.

For the Service Test, examiners analyzed community development services, the innovativeness of the services, including whether they serve low- or moderate-income customers in new ways or serve groups of customers not previously served, and the degree to which they serve low- or moderate-income areas or individuals. Examiners also considered the institution's record of opening and closing branch offices, the hours of operations, and the accessibility and use of alternative systems for delivering retail banking services in low- and moderate-income geographies and to low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Choice Financial Group demonstrated high satisfactory performance under the Lending Test. The Lending Test for North Dakota was good. Performance in Minnesota and the Fargo, ND-MN MSA were low satisfactory; however, these areas received lesser weight when reaching the overall conclusion.

Lending Activity

Lending levels reflect good responsiveness to the credit needs of the assessment areas. The institution is an active lender by originating or purchasing a significant volume of small business, small farm, and home mortgage loans. Based on 2020 CRA aggregate data, Choice Financial Group ranked 9th, by number, out of 237 lenders for originating small business loans in the combined assessment areas. In regards to small farm lending, the bank ranked 1st, by number, out of 46 lenders in 2020, capturing 28.7 percent of the market share. Similarly, 2020 HMDA aggregate data reflects the bank as ranking 77th out of 747 lenders by number for originating or purchasing home mortgage loans.

Choice Financial Group's average net loan-to-deposit ratio was 91.7 percent over the ten most recent calendar quarters ending June 30, 2022. The average net loan-to-deposit ratio does not represent all lending activity as a significant volume of home mortgage loans are sold to secondary market investors and not reflected on the institution's balance sheet. This activity included 1,273 home mortgage loans totaling approximately \$344.6 million between March 2020 and July 2022. Secondary market lending is responsive to the credit needs of the assessment areas as it provides long-term home mortgage financing, which further supports an overall good record of responsiveness.

Assessment Area Concentration

A high percentage of loans are made in Choice Financial Group's assessment areas, which demonstrates the bank's willingness to meet the credit needs of the assessment areas. Details are presented in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2020	2,827	91.5	263	8.5	3,090	453,343	91.2	43,689	8.8	497,032
2021	1,995	84.7	360	15.3	2,355	335,416	87.0	50,160	13.0	385,576
Subtotal	4,822	88.6	623	11.4	5,445	788,759	89.4	93,849	10.6	882,608
Small Farm										
2020	1,327	80.9	314	19.1	1,641	155,016	80.8	36,812	19.2	191,828
2021	1,500	77.9	426	22.1	1,926	127,018	77.3	37,305	22.7	164,323
Subtotal	2,827	79.3	740	20.7	3,567	282,034	79.2	74,117	20.8	356,151
Home Mortgage										
2020	725	82.8	151	17.2	876	280,575	83.4	55,854	16.6	336,429
2021	538	79.4	140	20.6	678	226,471	79.9	56,822	20.1	283,292
Subtotal	1,263	81.3	291	18.7	1,554	507,046	81.8	112,675	18.2	619,721
Total	8,912	84.3	1,654	15.7	10,566	1,577,839	84.9	280,641	15.1	1,858,480

Source: CRA and HMDA Reported Data; Due to rounding, totals may not equal 100.0%

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment areas. Conclusions regarding the bank's overall lending performance are consistent with the conclusions throughout all rated areas. Emphasis under the Geographic Distribution criterion is placed on the bank's record of lending in low- and moderate-income census tracts. Examiners reviewed only those loans extended within the assessment areas to perform this analysis. A complete discussion of the institution's geographic distribution lending performance can be found in the separate assessment area sections of this evaluation.

Borrower Profile

The distribution of borrowers reflects good penetration among business and farm customers of different sizes and retail customers of different income levels. Overall, conclusions are consistent with the conclusions in North Dakota and the Fargo, ND-MN MSA. Although performance in Minnesota was demonstrated adequate, that area received less weight in than North Dakota when reaching overall conclusions. Examiners focused on the percentage by number of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less and home mortgage loans to low- and moderate-income borrowers. Examiners reviewed only those loans extended within the assessment areas to perform this analysis. A complete discussion of the bank's borrower profile lending performance can be found in the separate assessment area sections of this evaluation.

Innovative or Flexible Lending Practices

Choice Financial Group uses innovative and/or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies throughout its assessment areas. These include flexible lending programs offered through a variety of government-sponsored agencies and in response to the COVID-19 pandemic. Most of these flexible lending programs are offered in all of the assessment areas and are designed to assist borrowers who might not otherwise qualify for credit. They require extra effort and expertise by bank personnel and meet a defined need compared to conventional loans. The bank also used innovative lending practices in response to the

economic hardship due to the COVID-19 pandemic. This was done through loan deferrals and mortgage forbearances in accordance with the CARES Act. In addition, the bank enacted the help of 75 percent of its employees to assist in processing and originating numerous loans through the Small Business Administration's (SBA) Paycheck Protection Program (PPP), which assisted small business and farm operators struggling with the impact of the COVID-19 pandemic. Finally, the institution proactively created an online portal that allowed businesses easier and more convenient access to apply for PPP loans. The following table reflects the institution's flexible and innovative lending activity. While the table reflects the number and dollar volume of loans in these programs, the dollar volume is estimated as balances were not readily available. Nonetheless, the data reflects the institution's flexibility and additional time in underwriting and processing these loans.

Innovative or Flexible Lending Programs								
Type of Program	2020*		2021		2022*		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Bank of North Dakota (BND)	86	138,418	35	182,625	17	54,279	138	375,322
CARES Act Home Mortgage Forbearance	24	2,551	1	348	0	0	25	2899
COVID-19 Loan Deferrals	761	219,907	4	10,795	0	0	765	230,702
Community Planning & Economic Development (CPED)	0	0	1	44	0	0	1	44
Federal Housing Administration (FHA)	0	0	2	499	1	154	3	653
Farm Service Agency (FSA)	17	6,814	12	5,916	9	4,187	38	16,917
Group Home Loans	9	2,070	14	3,548	2	544	25	6,162
North Dakota Housing Finance Agency (NDHFA)	7	1,307	7	1,491	5	1,204	19	4,002
SBA (excluding PPP loans)	35	29,210	169	53,800	29	15,817	233	98,827
SBA PPP Loans	2,144	399,503	1,884	166,473	-	-	4,028	565,976
U.S. Department of Agriculture (USDA)	4	525	2	494	4	812	10	1,831
Veteran's Administration (VA)	5	1,041	8	3,885	4	1,127	17	6,053
Totals	3,092	801,346	2,139	429,918	71	78,124	5,302	1,309,388
<i>Source: Bank Data; *Partial Year</i>								

Community Development Loans

Choice Financial Group originated an adequate level of community development loans, which is consistent with the bank's performance in North Dakota and the Fargo, ND-MN MSA. While the bank originated a relatively high level of community development loans in Minnesota, this area received less weight than North Dakota and did not enhance the overall assessment. Overall, the institution originated 59 community development loans totaling approximately \$136.7 million during the evaluation period, which represents 4.4 percent of total assets and 5.3 percent of net loans. Both of these ratios increased since the previous evaluation, at which time community development loans represented 3.0 percent of total assets and 3.6 percent of net loans. Comparable bank ratios of community development loans to total assets ranged from 4.1 to 8.7 percent while community development loans to net loans ranged from 5.9 to 13.3 percent. Although the bank's performance is reasonable in relation to the performance of

similarly situated institutions, there were only eight loans totaling approximately \$10.6 million in North Dakota, which was given the greatest weight. Furthermore, while performance evaluations generally cover a three-year period or longer, this evaluation period covers a shorter period; however, examiners considered this difference in assessing the bank's community development activities with similar institutions. The following tables reflect the bank's responsiveness to community development lending opportunities by rated area and by year. Those reflected as OAA (outside the assessment area) are those in which the activity was outside of the bank's assessment areas, but included since the bank was responsive to the community development lending opportunities in its assessment areas.

Community Development Loans by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
North Dakota	2	1,845	0	0	2	4,293	4	4,451	8	10,588
Minnesota	4	6,224	2	4,332	8	17,620	19	59,105	33	87,281
Fargo, ND-MN MSA	2	548	0	0	6	15,144	2	2,623	10	18,315
OAA	1	2,000	0	0	6	16,981	1	1,528	8	20,509
Total	9	10,617	2	4,332	22	54,037	26	67,707	59	136,693
<i>Source: Bank Data</i>										

Community Development Loans by Year										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	3	4,348	2	4,332	7	15,526	13	27,817	25	52,023
2021	6	6,269	0	0	14	32,882	12	38,490	32	77,641
YTD 2022	0	0	0	0	1	5,630	1	1,400	2	7,030
Total	9	10,617	2	4,332	22	54,037	26	67,707	59	136,693
<i>Source: Bank Data</i>										

INVESTMENT TEST

Choice Financial Group demonstrated low satisfactory performance under the Investment Test, which is consistent with conclusions in the rated areas.

Investment and Grant Activity

Choice Financial Group has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. The institution made or retained 158 qualified investments totaling approximately \$14.5 million during the evaluation period. Overall, the bank's qualified investment activity has increased by approximately 34.2 percent, by dollar volume, since the previous evaluation.

The volume of qualified investments represents 0.5 percent of total assets as of June 30, 2022, which is comparable to the performance of similarly situated institutions in which qualified investments ranged from 0.7 to 0.8 percent of total assets. Similarly, the volume of qualified investments represents 4.9 percent of total securities as of June 30, 2022, compared to similarly situated institutions in which this ratio ranged from 2.8 to 5.9 percent. Examiners included the total securities ratio strictly as a measurement since this comparison can vary between institutions based on investment strategies.

The following tables illustrate qualified investments by rated area and by year. Those reflected as BSRA represent investments, such as mortgage-backed securities, that benefit one or more of the bank's assessment areas, as well as a broader statewide or regional area. Rather than allocating these activities to multiple assessment areas which, in turn, would skew the number of investments made, examiners slotted the activity as BSRA, which is different than the method used at the previous evaluation. As such, comparisons between investments granted during this evaluation period to those during the previous evaluation period could be slightly distorted. Another factor affecting comparisons between the two evaluation periods is prior period investments that remain outstanding. Specifically, 10 of the 20 prior period investments reflected in the second table were not provided for examiner consideration at the previous evaluation. The dollar volume of these is approximately \$2.1 million, or 28.1 percent of the prior period investments noted in the table. Nonetheless, examiners considered the various factors described above in drawing conclusions.

The following table also includes investments reflected as OAA. These represent investments in a broader area that did not include or directly impact the bank's assessment areas. These are included since the institution has been responsive to the community development needs within its assessment areas.

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
North Dakota	4	665	31	63	5	34	34	2,522	74	3,284
Minnesota	2	1,120	26	112	6	1,176	1	1	35	2,409
Fargo, ND-MN MSA	3	40	25	179	1	10	4	2,365	33	2,594
BSRA	4	5,747	1	1	2	10	3	415	10	6,172
OAA	0	0	2	2	0	0	4	36	6	38
Total	13	7,572	85	355	14	1,230	46	5,339	158	14,497

Source: Bank Data

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	6	3,589	0	0	2	1,150	12	2,668	20	7,407
2020 (partial)	2	3,940	0	0	0	0	4	2,365	6	6,305
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	0	0	0	0	0	0	0	0	0	0
Subtotal	8	7,528	0	0	2	1,150	16	5,033	26	13,712
Qualified Grants & Donations	5	44	85	355	12	80	30	306	132	785
Total	13	7,572	85	355	14	1,230	46	5,339	158	14,497

Source: Bank Data

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits good responsiveness to credit and community economic development needs. This conclusion is primarily supported by good responsiveness in North Dakota and the Fargo, ND-MN MSA. Further details are located in the separate assessment area sections of this evaluation.

Community Development Initiatives

Choice Financial Group occasionally uses innovative and/or complex investments to support community development initiatives. While a few of the investments purchased during the evaluation period and held from prior periods are innovative, the majority of the bank's investments are noncomplex and routinely provided by private investors.

SERVICE TEST

Choice Financial Group demonstrated low satisfactory performance under the Service Test, which is consistent in all of the rated areas.

Accessibility of Delivery Systems

Choice Financial Group's delivery systems are reasonably accessible to essentially all portions of its assessment areas including low- and moderate-income geographies and individuals and those designated distressed and/or underserved. The bank's service delivery systems include 19 offices and 17 ATMs located within its assessment areas, as well as alternative delivery methods. The following table shows the overall distribution of branches, ATMs, and population by tract income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	55	6.3	196,682	5.2	0	0.0	0	0.0
Moderate	186	21.2	696,139	18.5	5	26.3	4	23.5
Middle	409	46.7	1,799,326	47.8	10	52.6	10	58.8
Upper	218	24.9	1,060,581	28.2	4	21.1	3	17.6
NA	8	0.9	13,331	0.4	0	0.0	0	0.0
Total	876	100.0	3,766,059	100.0	19	100.0	17	100.0

Source: 2015 ACS Data; Bank Data

Alternate delivery systems are also available to enhance accessibility to financial services. The bank offers electronic delivery systems that include internet and mobile banking. The bank's website has information on its products and services, allows the user to open a deposit account or apply for a home mortgage loan, and provides customers access to online banking services. Online banking services allow customers the ability to access detailed account information, transfer funds or make loan payments, view periodic statements and checks, initiate stop payments, pay bills, and set up alerts. Mobile banking is available for customers to access account information, transfer funds, pay bills and make loan payments, deposit a check, view check images, and set up alerts to monitor spending. Other alternative delivery systems offered include text banking that allows customers the ability to check balances and transaction history, electronic statements, and mobile wallet.

Changes in Branch Locations

The bank's record of closing branches has not adversely affected the accessibility of its delivery systems, particularly for low- and moderate-income geographies and/or individuals. Since the prior evaluation, the bank closed one full-service branch that was located in a middle-income geography. Details are discussed in greater detail in the separate assessment area sections. The bank has not opened any new branches since the previous evaluation.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. Further, branch hours and services are convenient and reasonable in comparison to other financial institutions operating in the assessment areas. Finally, Choice Financial Group offers a wide variety of deposit and loan products, as well as other services, at all locations.

Community Development Services

Choice Financial Group provides an adequate level of community development services. Bank employees provided 94 instances of financial expertise or technical assistance to community development organizations in the rated areas, the majority of which benefited the state of North Dakota. The number of community development services is relatively the same as the prior evaluation, at which time employees provided 99 instances of community development services. In addition, the bank provided loan modifications or payment deferrals to customers impacted by the pandemic. Although the community development services are not particularly innovative, they demonstrate the bank’s responsiveness to community development needs considering its resources, business strategy, assessment area competition, and available opportunities.

The bank’s level of community development services reasonably compares to similarly situated institutions in which community development services ranged from 22 to 218 instances. Management indicated that shutdowns during the COVID-19 pandemic prohibited bank employees from providing some community development services. The following tables illustrate the bank’s community development services by rated area and by year. Further details are located in the separate assessment area sections of the evaluation.

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
North Dakota	0	22	7	10	39
Minnesota	2	18	2	0	22
Fargo, ND-MN MSA	3	5	8	0	16
BSRA	5	3	9	0	17
Total	10	48	26	10	94

Source: Bank Data

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (partial)	3	10	8	1	22
2021	4	23	11	6	44
YTD 2022	3	15	7	3	28
Total	10	48	26	10	94

Source: Bank Data

FARGO, ND-MN MSA

CRA RATING FOR FARGO, ND-MN MSA: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE FARGO, ND-MN MSA

The Fargo, ND-MN MSA consists of Cass County, North Dakota and Clay County, Minnesota, which comprises the entire Fargo, ND-MN MSA. The assessment area boundaries are unchanged from the prior evaluation. According to 2015 ACS data, the assessment area consists of 12 moderate-, 24 middle-, 9 upper-income census tracts, and 1 census tract with no income designation. The bank operates 3 offices in the assessment area. One branch is located in a moderate-income geography, an appointment-only branch and an ATM are in a middle-income geography, and the main office, which has an ATM in its drive-up, is located in an upper-income census tract.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Fargo, ND-MN MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	46	0.0	26.1	52.2	19.6	2.2
Population by Geography	223,379	0.0	21.9	44.4	32.3	1.4
Housing Units by Geography	97,878	0.0	23.8	45.8	28.7	1.6
Owner-Occupied Units by Geography	51,774	0.0	14.8	50.9	33.7	0.6
Occupied Rental Units by Geography	39,676	0.0	36.1	38.3	23.0	2.6
Vacant Units by Geography	6,428	0.0	21.0	51.2	23.7	4.2
Businesses by Geography	23,376	0.0	29.1	35.0	35.4	0.5
Farms by Geography	1,050	0.0	8.9	63.4	27.6	0.1
Family Distribution by Income Level	52,742	18.8	19.0	23.0	39.3	0.0
Household Distribution by Income Level	91,450	23.5	17.3	17.2	42.0	0.0
Median Family Income - Fargo, ND-MN MSA		\$75,010	Median Housing Value			\$165,470
			Median Gross Rent			\$709
			Families Below Poverty Level			6.7%
<small>Source: 2015 ACS and 2021 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.</small>						

According to bank management, the area has a robust economy that is diversified with technology firms, manufacturing companies, financial services, operations, health care, and several colleges. Management added that one of the biggest issues for area businesses is labor force, and the low unemployment rate adds to the difficulties of attracting staff. Furthermore, the pandemic has resulted in the closure of several retail businesses and restaurants despite some new ones opening. In regards to agriculture, farm costs continue to rise, which ultimately affects profitability. Management stated that housing continues to be a challenge as the

median home price, as well as rent prices, continues to rise. The individual added that the demand for affordable housing exceeds the supply as new affordable housing units are fully leased within a few months of completion. Management mentioned two new low-income housing projects in the area, one in which the bank bid on, but lost to another financial institution. The individual noted that the bank will seek out an opportunity to bid on the second project when it becomes available, as well as other affordable housing projects in the community.

D&B data for 2021 indicates that services represent the largest portion of business and farm operations at 33.7 percent; followed by non-classifiable establishments at 18.6 percent; and finance, insurance, and real estate at 13.8 percent. The same data indicates that area businesses and farms are predominantly small operations with 90.0 percent operating from a single location and 61.9 percent of them employing less than five individuals.

The 2020 Federal Financial Institutions Examination Council (FFIEC)-estimated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion as well as for community development activities. The low-, moderate, middle-, and upper-income categories for the Fargo, ND-MN MSA are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$89,400)	<\$44,700	\$44,700 to <\$71,520	\$71,520 to <\$107,280	≥\$107,280
<i>Source: FFIEC</i>				

Competition

The financial services market is extremely competitive. According to June 30, 2021, FDIC Deposit Market Share data, 29 FDIC-insured financial institutions operate 92 offices within the MSA. Of these institutions, Choice Financial Group ranked 6th with a deposit market share of 4.3 percent. This data does not include competition from non-FDIC insured entities, such as credit unions, which are not included in the report.

The institution also faces significant competition for small business loans in the assessment area. To demonstrate the demand, examiners reviewed aggregate CRA data for 2020, which is the most recent available data. The data shows that 83 CRA data reporters collectively reported 7,619 small business loans within the assessment area. Of these institutions, Choice Financial Group ranked 7th with 5.0 percent of the market share by number. The top 6 lenders collectively accounted for over half (64.1 percent) of the total market share, by number. These figures do not include loans originated by smaller institutions that are not required to report small business lending data but that operate within the assessment area.

The level of competition for small farm loans in the assessment area is moderately competitive despite being a metropolitan area. CRA aggregate data for 2020 revealed that 19 lenders reported 721 small farm loans. Of these institutions, Choice Financial Group ranged 3rd with a 14.2 percent market share by number. The top 2 lenders collectively accounted for over 51.7 percent of the total market share, by number. These figures do not include loans originated by smaller institutions and non-bank entities, which are not included in the report.

There is also significant competition for home mortgage loans within the assessment area. In 2020, 229 HMDA-reporting institutions originated or purchased 14,943 home mortgage loans in the MSA. Choice Financial Group ranked 20th with a 1.2 percent market share by number. The top 3 reporters collectively

originated or purchased over 35.0 percent of total market share, by number. This demonstrates strong competition for home mortgage loans considering that all home mortgage lenders are not required to report HMDA data.

Credit and Community Development Needs and Opportunities

After reviewing information from bank management, as well as demographic and economic data, examiners concluded that commercial and home mortgage lending represent the primary credit needs of the assessment area. The assessment area's community development needs are primarily related to economic development and affordable housing; however, there is a high level of competition for any available opportunities.

SCOPE OF EVALUATION – FARGO, ND-MN MSA

Examiners reviewed small business, small farm, and home mortgage lending. When analyzing performance, small business lending was given the greatest weight followed by small farm lending. Home mortgage lending received the least weight. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE FARGO, ND-MN MSA

LENDING TEST

Choice Financial Group demonstrated low satisfactory performance under the Lending Test in the Fargo, ND-MN MSA. The bank's adequate Lending Activity, Geographic Distribution, and Community Development Lending primarily support this conclusion. The bank's performance under the Borrower Profile criterion was good, but this performance did not enhance the overall Lending Test rating for this area.

Lending Activity

The bank's lending activity reflects adequate responsiveness to the credit needs of the Fargo, ND-MN MSA. In 2020, the bank originated or purchased 663 small business, small farm, and home mortgage loans totaling \$164.3 million in the assessment area. This accounts for 13.6 percent of the total loans reviewed, by number, in 2020. In comparison, 18.2 percent of the bank's deposits were from the assessment area.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. This is supported by the bank's adequate small business, small farm, and home mortgage lending.

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. As indicated in the following table, lending in the moderate-income census tracts lags aggregate data. One of the bank's branches operates in a moderate-income geography and the main office is near several moderate-income census tracts. However, there are numerous financial institutions in close proximity that compete for business. In addition, management stated that the pandemic had a significant impact on business activity and the bank's goal was to keep its commercial customers afloat rather than focusing its efforts on new businesses. Given this information, the geographic distribution of small business loans in the MSA is reasonable.

Geographic Distribution of Small Business Loans						
Assessment Area: Fargo ND-MN MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	29.9	31.1	78	20.4	12,114	21.2
Middle	36.1	32.3	139	36.3	19,949	34.8
Upper	33.6	36.3	165	43.1	25,154	43.9
Not Available	0.5	0.3	1	0.3	28	0.0
Totals	100.0	100.0	383	100.0	57,245	100.0
<i>Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

Small Farm Loans

The geographic distribution of small farm loans reflects adequate penetration throughout the assessment area. Choice Financial Group did not originate any small farm loans in the moderate-income census tracts, rather all 102 small farm loans were originated in middle- and upper-income geographies in 2020. Nonetheless, the bank's performance is comparable with aggregate lending data, which shows that 1.0 percent of peer lenders originated small farm loans in moderate-income geographies. Furthermore, the moderate-income census tracts are primarily commercial areas within city limits. Finally, there are numerous other financial institutions in and near the moderate-income census tracts that would be in closer proximity to serve area farmers.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. While the bank's performance lags comparable data, it is reasonable considering the significant home loan competition from financial institutions and mortgage companies in the area. Furthermore, the majority of moderate-income census tracts in this assessment area are within commercial districts rather than residential areas. Given this information, the geographic distribution of home mortgage loans is reasonable.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Fargo ND-MN MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	14.8	10.2	13	7.3	1,768	1.9
Middle	50.9	38.2	79	44.4	29,101	31.6
Upper	33.7	51.2	86	48.3	61,311	66.5
Not Available	0.6	0.4	0	0.0	0	0.0
Totals	100.0	100.0	178	100.0	92,180	100.0
<i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects good penetration among business and farm customers of different sizes and retail customers of different income levels. The bank's good small business lending performance, which received the greatest weight in the analysis, primarily supports this conclusion.

While the institution’s good small farm lending and adequate home mortgage lending were also considered, they were given less weight in drawing conclusions.

Small Business Loans

The distribution of borrowers reflects good penetration among businesses with gross annual revenues of \$1 million or less when compared to aggregate data, as depicted in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Fargo ND-MN MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	82.9	34.8	179	46.7	24,234	42.3
>\$1,000,000	6.0	--	80	20.9	21,065	36.8
Revenue Not Available	11.1	--	124	32.4	11,946	20.9
Totals	100.0	100.0	383	100.0	57,245	100.0
<i>Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data; "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

Small Farm Loans

As indicated in the following table, the distribution of borrowers reflects good penetration among farms with gross annual revenues of \$1 million or less when compared to aggregate data.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Assessment Area: Fargo ND-MN MSA						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	96.2	58.6	72	70.6	12,435	83.4
>\$1,000,000	2.8	--	10	9.8	1,595	10.7
Revenue Not Available	1.1	--	20	19.6	878	5.9
Totals	100.0	100.0	102	100.0	14,908	100.0
<i>Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data; "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

As shown in the following table, the distribution of borrowers reflects adequate penetration among low- and moderate-income borrowers when compared to aggregate data. The bank’s performance of lending to low-income borrowers is lower than aggregate data, yet the bank’s performance generally mirrors aggregate data for moderate-income borrowers. Given the high level of competition in this assessment area and the percent of families that live below the poverty level, the bank’s performance is reasonable. Furthermore, a large percentage (46.6 percent) of the bank’s reported loans were reported as “Not Available” which, in turn, skews the bank’s performance of lending in all borrower income level categories. These loans reflect HMDA-reportable transactions that are not subject to income reporting requirements, such as multi-family dwellings, loans to non-natural persons, or purchased loans. Finally, home mortgage lending is not a primary focus of the institution.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Fargo ND-MN MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	18.8	6.0	7	3.9	669	0.7
Moderate	19.0	18.2	27	15.2	4,827	5.2
Middle	23.0	20.5	28	15.7	6,941	7.5
Upper	39.3	30.1	33	18.5	10,194	11.1
Not Available	0.0	25.2	83	46.6	69,550	75.5
Totals	100.0	100.0	178	100.0	92,180	100.0

Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Community Development Loans

Choice Financial Group made an adequate level of community development loans in the Fargo, ND-MN MSA. The bank originated 10 community development loans totaling approximately \$18.3 million in the assessment area. Of these, 3 loans totaling approximately \$5.3 million were PPP loans. Additionally, 8 of the loans promoted economic development or affordable housing initiatives, both of which were an identified need in the area. The level of community development lending by number, decreased significantly since the previous evaluation; however, the dollar volume increased substantially. More specifically, the bank originated 33 community development loans totaling approximately \$2.7 million at the previous evaluation.

INVESTMENT TEST

Choice Financial Group demonstrated low satisfactory performance under the Investment Test in the Fargo, ND-MN MSA. This conclusion is primarily based on the adequate level of investment and grant activity and good responsiveness to community development needs.

Investment and Grant Activity

Choice Financial Group has an adequate level of qualified community development investments and grants in the Fargo, ND-MN MSA. The bank made 33 qualified investments totaling approximately \$2.6 million in the assessment area during the evaluation period. The activity consisted of 4 bonds totaling approximately \$2.4 million that promote revitalization and stabilization. The remaining were donations that promoted affordable housing, community services, and economic development in the area. The level of activity is generally the same as the last evaluation, at which time the bank had 20 investments totaling approximately \$2.0 million. As indicated earlier, the comparison to previous investment activity may be slightly distorted due to the different methods of allocating investments between assessment areas. Furthermore, the information noted above does not reflect BSRA investments that may have benefited a broader area that included this assessment area.

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits good responsiveness to credit and community economic development needs in the Fargo, ND-MN MSA. This is reflected through the bank's investments and grants that support affordable housing and economic development efforts in the assessment area. Of particular mention is two donations totaling \$30,000 to a nonprofit, community-based organization focused on creating permanently affordable owner-occupied homes in the Fargo-Moorhead area, which is a community development need. This organization provides the qualified homebuyer a subsidy to buy

down the necessary mortgage amount to lower their monthly payments. In return, ownership of the land on which the home is located goes to the organization and it is leased back to the homebuyer.

Community Development Initiatives

Choice Financial Group rarely uses innovative and/or complex investments to support community development initiatives in the assessment area.

SERVICE TEST

Choice Financial Group demonstrated low satisfactory performance under the Service Test in the Fargo, ND-MN MSA. The level of community development services primarily supports this conclusion.

Accessibility of Delivery Systems

Choice Financial Group's delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank's branches are located in moderate-, middle- and upper-income geographies. The branches that are in the middle- and upper-income census tracts are near, and able to serve those businesses and individuals in moderate-income geographies. Furthermore, alternate delivery systems, particularly ATMs through the MoneyPass network described earlier, provide further access to bank services and are consistent with those discussed in the overall performance.

Changes in Branch Locations

No changes were made with regard to opening and/or closing branches during the evaluation period. Therefore, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or to low- and moderate-income individuals.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly moderate-income geographies and/or low- and moderate-income individuals, and are consistent with the bank's overall performance.

Community Development Services

The institution provides an adequate level of community development services within the Fargo, ND-MN MSA. Bank employees provided 16 instances of financial expertise or technical assistance to 7 different entities. The services were to entities that promote affordable housing, community services, and economic development. The number of instances is slightly less than the prior evaluation, at which time 22 instances were reported.

NORTH DAKOTA

CRA RATING FOR NORTH DAKOTA: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH DAKOTA

Choice Financial Group maintains five assessment areas in North Dakota: 1) Bismarck, 2) Dickinson, 3) Grafton, 4) Grand Forks, ND-MN MSA, and 5) LaMoure. However, as indicated earlier, examiners analyzed the nonmetropolitan assessment areas (Dickinson, Grafton, LaMoure) separately, but combined and presented them as one due to similarities. The bank operates 12 offices and 15 ATMs throughout the North Dakota assessment areas. Details for the individual assessment areas are provided in subsequent sections.

SCOPE OF EVALUATION – NORTH DAKOTA

Examiners evaluated the bank's CRA performance for North Dakota through full-scope reviews of the Bismarck, Grand Forks, ND-MN MSA, and North Dakota Nonmetropolitan assessment areas. The greatest weight was given to the North Dakota Nonmetropolitan Assessment Area when drawing conclusions for the state. Less but equal weight was given to the Bismarck and Grand Forks, ND-MN MSA assessment areas. Examiners reviewed small farm, small business, and home mortgage loans in all of the assessment areas. When analyzing performance, examiners gave the greatest weight to small farm lending in the North Dakota Nonmetropolitan Assessment Area, followed by small business lending. Conversely, examiners gave the greatest weight to small business lending, followed by small farm lending, when analyzing performance in the Bismarck and Grand Forks, ND-MN MSA assessment areas. Home mortgage lending was given the least weight in all assessment areas. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH DAKOTA

LENDING TEST

Choice Financial Group's Lending Test performance in North Dakota is high satisfactory. This is consistent with the bank's performance in the North Dakota Nonmetropolitan Assessment Area, which was given the greatest weight. Performance in the Bismarck and Grand Forks, ND-MN MSA was adequate, but did not impact the overall conclusion. Details are discussed under each assessment area.

Lending Activity

The bank's lending activity reflects good responsiveness to the credit needs in North Dakota. In 2020, the bank originated or purchased 2,697 small business, small farm, and home mortgage loans totaling \$366.8 million in this rated area. This accounts for 55.3 percent of the total loans reviewed, by number, in 2020. In comparison, 45.3 percent of the bank's deposits were from the rated area.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the North Dakota assessment areas, which is consistent with performance in the three separate assessment areas.

Borrower Profile

The distribution of borrowers reflects good penetration among business and farm customers of different sizes and retail customers of different income levels in North Dakota. This is consistent with the bank's performance in the North Dakota Nonmetropolitan Assessment Area, which was given the greatest weight. Performance in the Bismarck Assessment Area and Grand Forks, ND-MN MSA was adequate; however, these areas received lesser, but equal weight, in North Dakota.

Community Development Loans

Choice Financial Group made an adequate level of community development loans in North Dakota, which is consistent with the bank's performance in the more heavily weighted North Dakota Nonmetropolitan Assessment Area as well as the Grand Forks, ND-MN MSA, which was given lesser weight. The bank did not originate any community development loans in the Bismarck Assessment Area.

Community Development Loans by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Bismarck	0	0	0	0	0	0	0	0	0	0
Grand Forks, ND-MN MSA	2	1,845	0	0	1	2,066	1	1,400	4	5,311
ND Nonmetropolitan	0	0	0	0	1	2,226	3	3,051	4	5,277
Total	2	1,845	0	0	2	4,292	4	4,451	8	10,588

Source: Bank Data

INVESTMENT TEST

Choice Financial Group demonstrated low satisfactory performance under the Investment Test in North Dakota, which is consistent with the performance in all of the North Dakota assessment areas.

Investment and Grant Activity

Choice Financial Group has an adequate level of qualified community development investments and grants in North Dakota, the majority of which benefited the North Dakota Nonmetropolitan Assessment Area, which received the greatest weight. Of the 74 qualified investments reflected in the following table, 8 investments totaling approximately \$1.8 million were prior period investments that were not considered during the previous evaluation. Despite the additional investments provided for the current evaluation, the number and dollar volume of qualified investments decreased from the previous evaluation at which time the bank had 97 qualified investments that totaled \$4.3 million. However, as indicated earlier, the comparison to previous investment activity may be slightly distorted due to the different methods of allocating investments between assessment areas. Furthermore, this does not reflect BSRA investments that may have benefited a broader area that included the North Dakota assessment areas.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Bismarck	2	661	9	18	2	15	0	0	13	695
Grand Forks, ND-MN MSA	2	4	10	26	0	0	0	0	12	30
ND Nonmetropolitan	0	0	12	19	3	19	34	2,522	49	2,559
Total	4	665	31	63	5	34	34	2,522	74	3,284

Source: Bank Data

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits good responsiveness to credit and community development needs in North Dakota considering the available opportunities and investment capacity of the bank. Of particular mention is a Child Care Grant Program launched by the bank in 2021. The program was designed to provide financial assistance to child care providers which, as evidenced by numerous resources, is an area of concern nationwide. The bank focused its efforts in rural North Dakota, with an emphasis on needs within its assessment areas.

Community Development Initiatives

Choice Financial Group occasionally uses innovative or complex investments to support community development initiatives in North Dakota. The bank’s Child Care Grant Program is an example of efforts put forth by the institution, and while the donations are not complex, they evidence the bank’s willingness to act in a proactive manner. Refer to the individual assessment area sections for more information.

SERVICE TEST

Choice Financial Group demonstrated low satisfactory performance under the Service Test in North Dakota, which is consistent with the performance in the three separate North Dakota assessment areas.

Accessibility of Delivery Systems

Choice Financial Group’s delivery systems are reasonably accessible to essentially all portions of the assessment areas in North Dakota, which is consistent with the bank’s overall performance. Furthermore, alternate delivery systems, particularly ATMs through the MoneyPass network described earlier, provide further access to bank services and are consistent with those discussed in the overall performance.

Changes in Branch Locations

Choice Financial Group’s opening and closing of branches has generally not adversely affected the accessibility of its delivery systems within North Dakota, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Refer to the separate assessment area sections for additional information.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the North Dakota assessment areas, particularly low- and moderate-income geographies and/or individuals. This performance is consistent with the bank’s overall performance.

Community Development Services

Choice Financial Group provides an adequate level of community development services in North Dakota. The majority of the services were provided within the more heavily weighted North Dakota Nonmetropolitan Assessment Area with a limited level provided in the other two North Dakota

assessment areas. As indicated in the following table, bank employees provided 39 instances of community development services in North Dakota during the evaluation period. This represents a decrease from the prior evaluation, which included 46 community development services. However, this does not include any services in the BSRA. The following table illustrates the bank’s community development services by assessment area.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Bismarck	0	1	2	0	3
Grand Forks, ND-MN MSA	0	2	0	0	2
ND Nonmetropolitan	0	19	5	10	34
Total	0	22	7	10	39
<i>Source: Bank Data</i>					

BISMARCK ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE BISMARCK ASSESSMENT AREA

The Bismarck Assessment Area includes all of Burleigh County, as well as three census tracts in the eastern portion of Morton County. These counties comprise a portion of the Bismarck, ND MSA in south central North Dakota. The assessment area boundaries are unchanged from the prior evaluation. According to 2015 ACS data, the assessment area consists of 3 moderate-, 17 middle-, and 2 upper-income census tracts. The bank operates 2 branches in the assessment area. One branch is located in a moderate-income geography, while the second branch operates in a middle-income geography, but is open by appointment only. An ATM is available at both drive-up facilities.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Bismarck Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	22	0.0	13.6	77.3	9.1	0.0
Population by Geography	110,471	0.0	11.4	80.5	8.2	0.0
Housing Units by Geography	48,726	0.0	13.2	80.3	6.5	0.0
Owner-Occupied Units by Geography	32,755	0.0	9.4	81.5	9.1	0.0
Occupied Rental Units by Geography	13,793	0.0	22.1	77.2	0.7	0.0
Vacant Units by Geography	2,178	0.0	15.4	81.2	3.4	0.0
Businesses by Geography	13,073	0.0	17.1	73.1	9.8	0.0
Farms by Geography	572	0.0	7.7	79.4	12.9	0.0
Family Distribution by Income Level	29,105	17.7	18.8	25.0	38.5	0.0
Household Distribution by Income Level	46,548	21.9	17.8	19.0	41.3	0.0
Median Family Income - Bismarck, ND MSA		\$80,768	Median Housing Value			\$194,367
			Median Gross Rent			\$740
			Families Below Poverty Level			5.1%

Source: 2015 ACS and 2021 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.

Bank management indicated that Bismarck has a diversified economy that includes manufacturing, healthcare, IT, energy, education, and agriculture. There are several financing incentives, such as reduced interest loans, available to businesses that wish to locate to, or expand, in the area. The individual noted that the primary credit needs relate to operating and equipment loans, commercial real estate construction-to-permanent loans, and agricultural loans. Nonetheless, affordable housing continues to be a challenge; however, management noted that when these loan opportunities arise, there is significant competition from area banks.

D&B data for 2021 indicates that services represent the largest portion of business and farm operations at 36.0 percent; followed by non-classifiable establishments at 16.7 percent; and finance, insurance and real estate at 12.0 percent. The same data indicates that area businesses and farms are predominantly small operations with 89.3 percent operating from a single location and 64.8 percent of them employing less than five individuals.

The following table reflects the 2020 FFIEC-estimated median family income levels for the Bismarck, ND MSA, which are utilized in the Borrower Profile analysis.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$92,500)	<\$46,250	\$46,250 to <\$74,000	\$74,000 to <\$111,000	≥\$111,000

Source: FFIEC

Competition

The Bismarck Assessment Area is highly competitive for financial services. According to June 30, 2021 FDIC Deposit Market Share data, 18 FDIC-insured financial institutions operate 57 offices within Burleigh and Morton counties. Choice Financial Group ranked 9th with a deposit market share of 4.6 percent. This data does not include competition from non-FDIC insured entities, such as credit unions, which are not included in the report.

The institution also faces significant competition for small business loans in the assessment area as evidenced by 2020 aggregate CRA data, which shows that 65 lenders collectively reported 3,161 small business loans within the assessment area. Of these institutions, Choice Financial Group ranked 4th with 8.6 percent of the market share by number. These figures do not include loans originated by smaller institutions that are not required to report small business lending data but that operate within the assessment area.

Similarly, the bank faces competition for small farm loans as evidenced by the 2020 aggregate CRA data, which shows that 18 lenders collectively reported 460 small farm loans within the assessment area. Of these institutions, Choice Financial Group ranked 2nd with 22.2 percent of the market share by number. These figures do not include loans originated by smaller institutions that are not required to report small farm lending data, or those originated by nonbank entities.

There is also significant competition for home mortgage loans within the assessment area. In 2020, 144 HMDA-reporting institutions originated or purchased 7,778 home mortgage loans in the assessment area. Choice Financial Group ranked 19th with a 2.0 percent market share by number. These figures do not include loans originated by non-HMDA reporters and non-bank entities, such as mortgage companies.

Community Contact(s)

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. For this evaluation, examiners reviewed a previously conducted interview with a representative of an organization that promotes economic development and affordable housing in the assessment area.

The contact stated that the local economy has managed quite well despite the COVID-19 pandemic affecting the nation and added that the hospitality industry, particularly hotels and restaurants, were the most negatively affected. Per the contact, commercial and home mortgage loans are the predominant credit needs. The individual stated that the area is seeing an influx of families, noting that the younger generation is coming for job opportunities while the older generation is moving to be closer to health care. Because of the growth, affordable housing is an issue, and banks are hungry for business and more than willing to help anyone with decent credit and income. The individual added that the market is very competitive, and banks have been extremely busy due to low interest rates. However, the contact added that banks are sometimes not aware of or do not take the time to research various programs that may be available to aid in financing. Nonetheless, the individual believes that local financial institutions are meeting the needs of the community and was not aware of any discriminatory practices.

Credit and Community Development Needs and Opportunities

Examiners reviewed information from the community contact, bank management, and demographic and economic data to determine assessment area needs and opportunities. Examiners concluded that commercial and agricultural lending represent the primary credit needs of the assessment area, followed by home mortgage lending. The assessment area's community development needs are primarily related to affordable housing, community services, and economic development. Although considered a need, there are currently limited affordable housing opportunities available. Further, there is a high level of competition for the opportunities available, particularly for community development investments and services.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE BISMARCK ASSESSMENT AREA

LENDING TEST

Choice Financial Group demonstrated low satisfactory performance under the Lending Test in the Bismarck Assessment Area. Lending Activity, Geographic Distribution, and Borrower Profile were adequate and support this conclusion. The bank did not originate any community development loans in this assessment area during the evaluation period; however, the lack of community development lending did not negatively affect the overall conclusions.

Lending Activity

The bank's lending activity reflects adequate responsiveness to the credit needs of the Bismarck Assessment Area. In 2020, the bank originated or purchased 494 small business, small farm, and home mortgage loans totaling \$92.0 million in this assessment area. This accounts for 10.3 percent of the total loans reviewed, by number, in 2020. In comparison, 10.2 percent of the bank's deposits were from the assessment area.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. This is primarily supported by the bank's adequate small business lending, which was given the greatest weight in drawing conclusions. The institution's good small farm and adequate home mortgage lending were also considered, but given less weight in drawing conclusions.

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. As indicated in the following table, the bank's record of originating small business loans, by number, is comparable to demographic and aggregate data.

Geographic Distribution of Small Business Loans						
Assessment Area: Bismarck						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	18.4	21.2	49	18.2	7,988	21.1
Middle	72.3	68.4	192	71.4	28,418	75.0
Upper	9.3	10.4	28	10.4	1,488	3.9
Totals	100.0	100.0	269	100.0	37,894	100.0
<i>Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

Small Farm Loans

The geographic distribution of small farm loans reflects good penetration throughout the assessment area. As indicated in the following table, the bank's performance exceeds aggregate data, and while it is less than demographic data, the moderate-income census tracts are within city limits where there is little demand for agricultural credit. Furthermore, D&B data includes all farms that voluntarily respond to a survey request, including a large number of very small entities that have limited or no credit needs. As a result, the survey data regularly indicates that the vast majority of farms in a given area are smaller farms. Therefore, D&B data is only used as a general indicator of farm demographics with the assessment area.

Geographic Distribution of Small Farm Loans						
Assessment Area: Bismarck						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	8.4	0.4	1	1.4	20	0.3
Middle	80.6	92.6	68	98.6	7,131	99.7
Upper	11.0	7.0	0	0.0	0	0.0
Totals	100.0	100.0	69	100.0	7,151	100.0
<i>Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the Bismarck Assessment Area. As shown in the following table, the bank’s record of originating home mortgage loans, by number, in moderate-income geographies lags aggregate data; however, there is significant competition for home mortgage loans in this assessment area. Furthermore, management indicated that the bank did not conduct any marketing campaigns and lender networking was minimal in 2020 due to the pandemic. Finally, uncertainties of job loss and/or exposure associated with the COVID-19 pandemic in the earlier days likely deterred some potential borrowers. This is evidenced by the increased volume the following year. More specifically, the bank’s performance in lending in moderate-income geographies by number in 2021 increased to 8.5 percent, which is more in line with demographic data.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Bismarck						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	9.4	4.9	1	0.6	157	0.3
Middle	81.5	76.3	112	71.8	32,129	68.4
Upper	9.1	18.8	43	27.6	14,654	31.2
Totals	100.0	100.0	156	100.0	46,941	100.0
<i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects adequate penetration among business and farm customers of different sizes and retail customers of different income levels. The bank’s adequate small business lending performance, which received the greatest weight in the analysis, primarily supports this conclusion. While the institution’s excellent small farm lending and adequate home mortgage lending were also considered, they were given less weight in drawing conclusions.

Small Business Loans

The distribution of borrowers reflects adequate penetration among businesses with gross annual revenues of \$1 million or less when compared to aggregate data, as reflected in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Bismarck						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	83.3	41.0	116	43.1	15,901	42.0
>\$1,000,000	4.7	--	50	18.6	14,616	38.6
Revenue Not Available	11.9	--	103	38.3	7,377	19.5
Totals	100.0	100.0	269	100.0	37,894	100.0
<i>Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data; "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

Small Farm Loans

The distribution of borrowers reflects excellent penetration among farms with gross annual revenues of \$1 million or less when compared to aggregate data, as depicted in the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Assessment Area: Bismarck						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	96.9	70.3	57	82.6	6,122	85.6
>\$1,000,000	1.6	--	2	2.9	280	3.9
Revenue Not Available	1.4	--	10	14.5	749	10.5
Totals	100.0	100.0	69	100.0	7,151	100.0
<i>Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data; "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

As noted in the following table, the distribution of borrowers reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers. The bank’s performance of lending to low-income borrowers is significantly less than ACS and slightly below aggregate data, yet the bank’s performance generally mirrors both sources for moderate-income borrowers. Given the high level of competition in this assessment area and the percent of families that live below the poverty level, the bank’s performance is reasonable. Furthermore, the percentage of loans by number in which income information was not available (7.1 percent) likely skews the data in all borrower income levels, including low- and moderate-income borrowers. Finally, home mortgage lending is not a primary focus of the institution.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Bismarck						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	17.7	6.4	8	5.1	1,358	2.9
Moderate	18.8	17.8	31	19.9	7,589	16.2
Middle	25.0	22.5	39	25.0	10,582	22.5
Upper	38.5	35.1	67	42.9	23,909	50.9
Not Available	0.0	18.2	11	7.1	3,503	7.5
Totals	100.0	100.0	156	100.0	46,941	100.0

Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Community Development Loans

The bank did not originate any community development loans in the Bismarck Assessment Area. Management noted the significant competition for financial services that include more than 20 community banks and credit unions with a brick and mortar presence. Nonetheless, the level of community development lending is down from the previous evaluation, at which time the bank made three community development loans totaling approximately \$8.4 million in the Bismarck Assessment Area.

INVESTMENT TEST

Choice Financial Group demonstrated low satisfactory performance under the Investment Test in the Bismarck Assessment Area. This conclusion is primarily based on the adequate level of investment and grant activity described below.

Investment and Grant Activity

Choice Financial Group has an adequate level of qualified community development investments and grants in the Bismarck Assessment Area. The bank had 13 qualified investments totaling approximately \$695,000 that consisted of two prior period investments for \$661,000 that supported affordable housing. The remaining investments were donations that promoted community services and economic development. The level of qualified investments in this area declined from the previous evaluation, at which time the bank had 16 investments totaling approximately \$2.4 million. However, this does not reflect BSRA investments that may have benefited a broader area that included this assessment area.

Responsiveness to Credit and Community Development Needs

The bank exhibits good responsiveness to credit and community economic development needs in the Bismarck Assessment Area, which is reflected through investments that support affordable housing, community services, and economic development, all of which are identified needs in the area. Of particular mention is two donations totaling \$15,000 to child care facilities in the assessment area in conjunction with the Child Care Grant Program described earlier.

Community Development Initiatives

Choice Financial Group occasionally uses innovative and/or complex investments to support community development initiatives in the Bismarck Assessment Area. This is reflected in donations made to child care providers in conjunction with the Child Care Grant Program. While these investments are beneficial to assessment area needs, they are not necessarily considered complex.

SERVICE TEST

Choice Financial Group demonstrated low satisfactory performance under the Service Test in the Bismarck Assessment Area. While the level of Community Development Services is limited, the other factors helped offset that performance.

Accessibility of Delivery Systems

Choice Financial Group's delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank's branches are located in moderate- and middle-income geographies. Furthermore, alternate delivery systems, particularly ATMs through the MoneyPass network described earlier, provide further access to bank services and are consistent with those discussed in the overall performance.

Changes in Branch Locations

No changes were made with regard to opening and/or closing branches during the evaluation period. Therefore, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or to low- and moderate-income individuals. The branch is located in a middle-income geography, but is now only open by appointment only due to declining transactions as customers adopt electronic banking methods. Furthermore, the remaining branch is approximately five miles away.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly moderate-income geographies and/or individuals, and are consistent with the bank's overall performance. Although the one branch that operates in a middle-income geography is open by appointment only and is slated to close, all services are available at the remaining branch or through alternate delivery systems.

Community Development Services

The institution provides a limited level of community development services within the Bismarck Assessment Area. Two bank employees provided three instances of financial expertise or technical assistance to two different entities that promote community services or economic development initiatives. The level of activity has declined from the previous evaluation, at which time the bank provided ten instances of community development activity.

GRAND FORKS, ND-MN MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE GRAND FORKS, ND-MN MSA

The Grand Forks, ND-MN MSA Assessment Area consists of Grand Forks County, North Dakota, and Polk County, Minnesota, which comprises the entire Grand Forks, ND-MN MSA. The assessment area boundaries are unchanged from the prior evaluation. According to 2015 ACS data, the assessment area consists of 1 low-, 5 moderate-, 18 middle-, and 4 upper-income census tracts. The bank operates 2 offices and 3 ATMs in the assessment area. A branch and 2 ATMs are located in middle-income geographies, while the other branch and ATM are located in an upper-income census tract.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Grand Forks, ND-MN MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	28	3.6	17.9	64.3	14.3	0.0
Population by Geography	100,526	5.5	20.1	56.4	18.0	0.0
Housing Units by Geography	45,371	2.9	21.2	60.1	15.7	0.0
Owner-Occupied Units by Geography	23,457	0.3	15.0	61.9	22.7	0.0
Occupied Rental Units by Geography	17,787	5.9	29.6	56.6	7.9	0.0
Vacant Units by Geography	4,127	4.5	20.3	65.2	10.0	0.0
Businesses by Geography	8,374	2.1	16.0	56.9	25.0	0.0
Farms by Geography	807	0.0	10.8	73.6	15.6	0.0
Family Distribution by Income Level	23,958	20.2	19.0	21.1	39.7	0.0
Household Distribution by Income Level	41,244	26.0	14.0	18.1	41.9	0.0
Median Family Income - Grand Forks, ND-MN MSA		\$70,827	Median Housing Value			\$150,403
			Median Gross Rent			\$741
			Families Below Poverty Level			8.6%
<i>Source: 2015 ACS and 2021 D&B Data; Due to rounding, totals may not equal 100.0%</i> (*) The NA category consists of geographies that have not been assigned an income classification.						

According to bank management, the economy remains strong and steady. However, some area businesses have been forced to close or reduce operating hours due to labor shortages and the pandemic, as well as an increased presence of online retailers, such as Amazon. In regards to agriculture, management stated that the last few farming years have been strong, which is a direct correlation to the local economy. Home construction costs remain high, which has limited construction growth, and while affordable housing has been a concern with city officials, there has been progress over the last few years. Management named one entity that has constructed approximately 100 homes over the last three years that would be considered affordable.

D&B data for 2021 indicates that services represent the largest portion of business and farm operations at 34.3 percent; followed by non-classifiable establishments at 14.2 percent; and retail trade at 10.8 percent. The same data indicates that area businesses and farms are predominantly small operations with 86.3 percent operating from a single location and 63.7 percent of them employing less than five individuals.

The following table reflects the 2020 FFIEC-estimated median family income levels for the Grand Forks, ND-MN MSA, which are utilized in the Borrower Profile analysis.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$89,200)	<\$44,600	\$44,600 to <\$71,360	\$71,360 to <\$107,040	≥\$107,040
<i>Source: FFIEC</i>				

Competition

The Grand Forks, ND-MN MSA Assessment Area is highly competitive for financial services. According to June 30, 2021 FDIC Deposit Market Share data, 19 FDIC-insured financial institutions operate 40 offices within the MSA. Choice Financial Group ranked 5th with a deposit market share of 6.9 percent. This data does not include competition from non-FDIC insured entities, such as credit unions, which are not included in the report.

The institution also faces significant competition for small business loans in the assessment area as evidenced by 2020 aggregate CRA data, which shows that 53 lenders collectively reported 2,434 small business loans within the MSA. Of these institutions, Choice Financial Group ranked 3rd with 9.9 percent of the market share by number. These figures do not include loans originated by smaller institutions that are not required to report small business lending data but that operate within the MSA.

Similarly, the bank faces competition for small farm loans in the assessment area as evidenced by the 2020 aggregate CRA data, which shows that 18 lenders collectively reported 826 small farm loans within the MSA. Of these institutions, Choice Financial Group ranked 4th with 10.1 percent of the market share by number. These figures do not include loans originated by smaller institutions that are not required to report small farm lending data, or those originated by nonbank entities.

There is also significant competition for home mortgage loans within the assessment area. In 2020, 159 HMDA-reporting institutions originated or purchased 4,313 home mortgage loans in the assessment area. Choice Financial Group ranked 17th with a 1.9 percent market share by number. These figures do not include loans originated by non-HMDA reporters and non-bank entities, such as mortgage companies.

Credit and Community Development Needs and Opportunities

After reviewing information from bank management and demographic and economic data, examiners determined commercial and agriculture as the primary credit needs of the assessment area. Community development needs are primarily related to economic development.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE GRAND FORKS, ND-MN MSA

LENDING TEST

Choice Financial Group's Lending Test performance in the Grand Forks, ND-MN MSA is low satisfactory. The combination of the bank's performance under Lending Activity, Geographic Distribution, Borrower Profile, and Community Development Loans supports this conclusion.

Lending Activity

The institution's lending activity reflects adequate responsiveness to the credit needs of the Grand Forks, ND-MN MSA. In 2020, the bank originated or purchased 408 small business, small farm, and home mortgage loans totaling \$61.7 million in the MSA. This accounts for 8.4 percent of the total loans reviewed, by number, in 2020. In comparison, 8.7 percent of the bank's deposits were from the assessment area.

Geographic Distribution

The geographic distribution reflects adequate distribution throughout the assessment area. The combined performance of the institution's adequate small business, small farm, and home mortgage lending supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects adequate dispersion throughout the assessment area. Choice Financial Group did not originate any small business loans in the sole low-income census tract; however, this geography contains very few businesses. Lending performance in the moderate-income census tracts is relatively consistent with demographic and aggregate data. The bank’s performance is reasonable considering the significant level of competition in the assessment area.

Geographic Distribution of Small Business Loans						
Assessment Area: Grand Forks ND-MN MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.2	0.6	0	0.0	0	0.0
Moderate	16.4	13.4	29	12.0	3,901	13.2
Middle	57.2	55.6	122	50.4	15,873	53.6
Upper	24.2	30.4	91	37.6	9,820	33.2
Totals	100.0	100.0	242	100.0	29,594	100.0

Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Small Farm Loans

The geographic distribution of small farm loans reflects adequate penetration throughout the assessment area. Choice Financial Group did not originate any small farm loans in the sole low-income census tract in 2020; however, the performance is reasonable. While demographic data for 2020 indicates that 0.1 percent of farms are located in the low-income geography, aggregate CRA data indicates that other reportable financial institutions did not make any small farm loans to borrowers located in the low-income geography. Similarly, the bank did not originate any small farm loans in the moderate-income census tracts in 2020, which is lower than both demographic and peer data. D&B data for 2020 indicates that 10.6 percent of small farms are located in moderate-income geographies. Aggregate CRA data indicates that 3.5 percent of small farm loans were originated to farms in moderate-income geographies. Furthermore, the two moderate-income geographies closest to the bank are located in urban areas where agricultural lending opportunities are limited. The other three moderate-income census tracts are not in close proximity and would likely be serviced by financial institutions in or near the areas. More specifically, these moderate-income geographies include the Grand Forks Air Force Base; the city of Crookston, Minnesota, which is approximately 20 air miles from the nearest branch; and the very eastern edge of Polk County, which is more than 60 air miles from the nearest branch in Grand Forks.

Geographic Distribution of Small Farm Loans						
Assessment Area: Grand Forks ND-MN MSA						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.1	0.0	0	0.0	0	0.0
Moderate	10.6	3.5	0	0.0	0	0.0
Middle	75.1	81.2	65	78.3	7,764	75.2
Upper	14.2	15.3	18	21.7	2,554	24.8
Totals	100.0	100.0	83	100.0	10,318	100.0

Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area when compared to aggregate data. As depicted in the following table, the bank's record of originating home mortgage loans in the low-income census tract generally mirrors aggregate data. Home mortgage lending in the moderate-income census tracts is also lower than aggregate lending data. However, as previously noted, there is significant competition for home mortgage loans. More specifically, examiners reviewed aggregate lending in the moderate-income geographies, which shows that Choice Financial Group ranked 26th amongst the 76 reporting lenders that originated home mortgage loans in the moderate-income census tracts within the assessment area. Furthermore, home mortgage lending is not a primary focus of the institution. Given this information, the bank's performance is adequate.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Grand Forks ND-MN MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.3	0.2	0	0.0	0	0.0
Moderate	15.0	11.0	5	6.0	917	4.2
Middle	61.9	54.8	37	44.6	8,941	41.1
Upper	22.7	34.1	41	49.4	11,909	54.7
Totals	100.0	100.0	83	100.0	21,766	100.0

Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects adequate penetration among business and farm customers of different sizes and retail customers of different income levels. The bank's adequate small business lending performance, which received the greatest weight in the analysis, primarily supports this conclusion. While the institution's good small farm and adequate home mortgage lending were also considered, they were given less weight in drawing conclusions.

Small Business Loans

The distribution of borrowers reflects adequate penetration among businesses with gross annual revenues of \$1 million or less when compared to aggregate data, as depicted in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Grand Forks ND-MN MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	78.7	43.2	103	42.6	12,050	40.7
>\$1,000,000	6.0	--	48	19.8	7,995	27.0
Revenue Not Available	15.3	--	91	37.6	9,549	32.3
Totals	100.0	100.0	242	100.0	29,594	100.0

Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data; "--" data not available; Due to rounding, totals may not equal 100.0%

Small Farm Loans

The distribution of borrowers reflects good penetration among farms with gross annual revenues of \$1 million or less when compared to aggregate data, which is reflected in the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Assessment Area: Grand Forks ND-MN MSA						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	95.9	57.8	57	68.7	7,813	75.7
>\$1,000,000	3.5	--	11	13.3	1,686	16.3
Revenue Not Available	0.7	--	15	18.1	819	7.9
Totals	100.0	100.0	83	100.0	10,318	100.0

Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data; "--" data not available; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

As depicted in the following table, the distribution of borrowers reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers, when compared to aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Grand Forks ND-MN MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.2	7.7	6	7.2	869	4.0
Moderate	19.0	20.0	14	16.9	2,612	12.0
Middle	21.1	22.1	19	22.9	4,429	20.3
Upper	39.7	28.5	30	36.1	10,467	48.1
Not Available	0.0	21.8	14	16.9	3,390	15.6
Totals	100.0	100.0	83	100.0	21,766	100.0

Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Community Development Loans

Choice Financial Group made an adequate level of community development loans in the Grand Forks, ND-MN MSA. The bank originated 4 community development loans totaling approximately \$5.3 million in the assessment area. The loans support affordable housing, economic development, and revitalization and stabilization efforts. The level of community development lending increased since the previous evaluation, at which time the bank made 2 community development loans totaling approximately \$2.8 million.

INVESTMENT TEST

Choice Financial Group demonstrated low satisfactory performance under the Investment Test in the Grand Forks, ND-MN MSA. This conclusion is primarily based on the adequate level of investment and grant activity and adequate responsiveness to community development needs described below.

Investment and Grant Activity

Choice Financial Group has an adequate level of qualified community development investments and grants in the Grand Forks, ND-MN MSA. The bank made 12 qualified donations totaling \$30,000 consisting of 10 donations (totaling \$26,000) that provided community services, and 2 donations (totaling \$4,000) that supported affordable housing initiatives. The level of qualified investments in this assessment area decreased from the previous evaluation, at which time it made 16 qualified investments totaling approximately \$422,000; however, considering the level of competition, the bank's performance is considered adequate. Furthermore, this does not reflect BSRA investments that may have benefited a broader area that included this assessment area.

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits adequate responsiveness to credit and community economic development needs in the Grand Forks, ND-MN MSA, which is reflected through the bank's investments that support affordable housing and community service initiatives in the assessment area.

Community Development Initiatives

Choice Financial Group does not use innovative and/or complex investments to support community development initiatives in the Grand Forks, ND-MN MSA. While the bank's investments are beneficial to assessment area needs, they are not necessarily considered innovative or complex.

SERVICE TEST

Choice Financial Group demonstrated low satisfactory performance under the Service Test in the Grand Forks, ND-MN MSA. While the level of Community Development Services is limited, the other factors helped offset that performance.

Accessibility of Delivery Systems

Choice Financial Group's delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank's branches are located in middle- and upper-income geographies; however, they are fairly close to the low-income census tract and two of the five moderate-income geographies. Furthermore, alternate delivery systems, particularly ATMs through the MoneyPass network described earlier, provide further access to bank services and are consistent with those discussed in the overall performance.

Changes in Branch Locations

No changes were made with regard to opening and/or closing branches during the evaluation period. Therefore, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals, and are consistent with the bank's overall performance.

Community Development Services

The institution provides a limited level of community development services within the Grand Forks, ND-MN MSA. One bank employee provided two instances of financial expertise or technical assistance to an entity that promotes community services. The level of activity has declined from the two previous

evaluations. Specifically, the bank reported four instances in the 2017 evaluation, and three instances in the 2020 evaluation.

NORTH DAKOTA NONMETROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NORTH DAKOTA NONMETROPOLITAN ASSESSMENT AREA

The North Dakota Nonmetropolitan Assessment Area includes all of Billings, Cavalier, Dickey, Kidder, LaMoure, Pembina, Stark, and Walsh counties, as well as a portion of Stutsman County, excluding the city of Jamestown, in North Dakota. The assessment area boundaries are unchanged from the prior evaluation. According to 2015 ACS data, the assessment area consists of 5 moderate-, 18 middle-, and 7 upper-income census tracts. The bank operates 8 offices and 10 ATMs throughout the assessment area. Of the 8 branches, 3 are in moderate-income geographies, 4 are located in middle-income census tracts, and 1 operates in an upper-income geography. Furthermore, FFIEC data for 2021 shows that 3 of the 4 branches that operate in middle-income census tracts are located in distressed and underserved geographies. Of the ATMs, 3 are located in moderate-income census tracts, 6 are in middle-income geographies, and 1 is in an upper-income census tract.

The bank closed its full-service branch in Medina in July 2021. Medina has a population of approximately 250 people and is located in a rural middle-income geography in Stutsman County. Customers can travel approximately 30 miles to the nearest branch in Steele, which is also located in a middle-income census tract, or conduct transactions through other electronic means, such as Internet or mobile banking.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the North Dakota Nonmetropolitan Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	30	0.0	16.7	60.0	23.3	0.0
Population by Geography	68,347	0.0	12.8	53.0	34.2	0.0
Housing Units by Geography	34,156	0.0	12.9	56.1	30.9	0.0
Owner-Occupied Units by Geography	21,492	0.0	12.2	56.1	31.8	0.0
Occupied Rental Units by Geography	7,358	0.0	17.0	51.6	31.4	0.0
Vacant Units by Geography	5,306	0.0	10.5	62.4	27.1	0.0
Businesses by Geography	8,494	0.0	10.7	50.8	38.5	0.0
Farms by Geography	1,538	0.0	7.3	74.6	18.1	0.0
Family Distribution by Income Level	18,605	17.2	17.6	23.6	41.5	0.0
Household Distribution by Income Level	28,850	22.5	15.1	18.6	43.8	0.0
Median Family Income - Nonmetropolitan ND		\$72,414	Median Housing Value			\$130,778
			Median Gross Rent			\$676
			Families Below Poverty Level			4.7%

Source: 2015 ACS and 2021 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.

D&B data for 2021 indicates that services represent the largest portion of business and farm operations at 29.5 percent; followed by agriculture, forestry and fishing at 15.3 percent; and non-classifiable establishments at 13.4 percent. The same data indicates that area businesses and farms are predominantly small operations with 89.3 percent operating from a single location and 68.8 percent of them employing less than five individuals.

The following table reflects the 2020 FFIEC-estimated median family income levels for the North Dakota Nonmetropolitan Assessment Area, which are utilized in the Borrower Profile analysis.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$82,200)	<\$41,100	\$41,100 to <\$65,760	\$65,760 to <\$98,640	≥\$98,640
<i>Source: FFIEC</i>				

Competition

The North Dakota Nonmetropolitan Assessment Area is fairly competitive for financial services despite its rural nature. According to June 30, 2021 FDIC Deposit Market Share data, 26 FDIC-insured financial institutions operate 65 offices within the 9 counties described earlier. Choice Financial Group ranked 1st with a deposit market share of 17.7 percent. This data does not include competition from non-FDIC insured entities, such as credit unions, which are not included in the report.

There is also a fairly high level of demand and competition for small business loans in the assessment area as evidenced by 2020 aggregate CRA data, which shows that 69 lenders collectively reported 2,424 small business loans within the assessment area. Of these institutions, Choice Financial Group ranked 1st with 24.8 percent of the market share by number. These figures do not include loans originated by smaller institutions that are not required to report small business lending data but that operate within the nonmetropolitan area.

Similarly, the bank faces competition for small farm loans from other lenders and non-bank entities in the assessment area as evidenced by the 2020 aggregate CRA data. This data shows that 24 lenders collectively reported 2,158 small farm loans within the assessment area. Of these institutions, Choice Financial Group ranked 1st with 49.5 percent of the market share by number.

There is also significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. In 2020, 131 HMDA-reporting institutions originated or purchased 2,860 home mortgage loans in the assessment area. Choice Financial Group ranked 7th with a 4.4 percent market share by number. These figures do not include loans originated or purchased by non-HMDA reporters.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that commercial and agricultural lending represent the primary credit needs in the assessment area. Community development needs are related to affordable housing, community services, and economic development. However, this assessment area has several distressed and/or underserved geographies, which provides opportunities that promote revitalization and/or stabilization in the area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NORTH DAKOTA NONMETROPOLITAN ASSESSMENT AREA

LENDING TEST

Choice Financial Group demonstrated high satisfactory performance under the Lending Test in the North Dakota Nonmetropolitan Assessment Area. Lending Activity and Borrower Profile are good, and while Geographic Distribution and Community Development loans are adequate, the lower assessment had little negative impact on conclusions for the assessment area.

Lending Activity

The bank's lending activity reflects good responsiveness to the credit needs of the North Dakota Nonmetropolitan Assessment Area. In 2020, the bank originated or purchased 1,795 small business, small farm, and home mortgage loans totaling \$213.2 million in the assessment area. This accounts for 36.8 percent of the total loans reviewed, by number, in 2020. In comparison, 31.0 percent of the bank's deposits were from the assessment area. Choice Financial Group exhibited strong market performance in its two primary product lines in the North Dakota Nonmetropolitan Assessment Area in which examiners placed the greatest weight for the state. Specifically, the bank ranked first among all small business lenders and first among all small farm lenders according to 2020 aggregate data.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. This is primarily supported by the bank's adequate small farm lending, which was given the greatest weight in drawing conclusions. The institution's adequate small business and good home mortgage lending were also considered, but given less weight in drawing conclusions.

As indicated earlier, this assessment area is comprised of a combination of the bank's nonmetropolitan assessment areas in North Dakota. There are no low-income census tracts within the individual assessment areas; however, there are five moderate-income census tracts, four of which are located in the Grafton Assessment Area and one in the LaMoure Assessment Area. Since there are no moderate-income geographies in the Dickinson Assessment Area, examiners combined only the Grafton and LaMoure Assessment Areas for the geographic distribution analysis.

Small Business Loans

The geographic distribution of small business loans reflects adequate dispersion throughout the assessment area. As noted in the following table, the bank's record of originating small business loans, by number, in moderate-income geographies exceeds both demographic and aggregate data.

Geographic Distribution of Small Business Loans						
Assessment Area: Grafton and LaMoure						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	20.3	26.2	120	29.8	10,232	32.3
Middle	73.2	69.2	279	69.2	21,231	67.0
Upper	6.5	4.6	4	1.0	202	0.6
Totals	100.0	100.0	403	100.0	31,665	100.0

Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Small Farm Loans

The geographic distribution of small farm loans reflects adequate penetration throughout the assessment area. As noted in the table, the bank's performance of lending in the moderate-income census tracts exceeds both demographic and aggregate data.

Geographic Distribution of Small Farm Loans						
Assessment Area: Grafton and LaMoure						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	8.6	10.6	117	12.9	9,807	9.6
Middle	82.5	81.6	763	84.0	89,885	87.7
Upper	9.0	7.8	28	3.1	2,781	2.7
Totals	100.0	100.0	908	100.0	102,473	100.0

Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

As depicted in the following table, the geographic distribution of home mortgage loans reflects good penetration throughout the assessment area when compared to aggregate data.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Grafton and LaMoure						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	19.5	20.4	29	30.9	4,202	25.9
Middle	73.3	63.2	64	68.1	11,766	72.5
Upper	7.1	16.3	1	1.1	255	1.6
Totals	100.0	100.0	94	100.0	16,224	100.0

Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects good penetration among business and farm customers of different sizes and retail customers of different income levels. The bank's good small farm lending performance, which received the greatest weight in the analysis, primarily supports this conclusion. While the

institution's adequate small business lending and good home mortgage lending were also considered, they were given less weight in drawing conclusions.

Small Business Loans

The distribution of borrowers reflects adequate penetration among businesses with gross annual revenues of \$1 million or less when compared to aggregate data, which is depicted in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: North Dakota Nonmetropolitan						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	80.1	36.9	217	36.2	15,668	29.0
>\$1,000,000	5.3	--	107	17.9	23,780	44.0
Revenue Not Available	14.6	--	275	45.9	14,591	27.0
Totals	100.0	100.0	599	100.0	54,039	100.0
<i>Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data; "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

Small Farm Loans

The distribution of borrowers reflects good penetration among farms with gross annual revenues of \$1 million or less when compared to aggregate data, which is depicted in the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Assessment Area: North Dakota Nonmetropolitan						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	97.4	60.8	780	73.0	91,879	75.5
>\$1,000,000	1.9	--	94	8.8	16,763	13.8
Revenue Not Available	0.8	--	195	18.2	13,032	10.7
Totals	100.0	100.0	1,069	100.0	121,674	100.0
<i>Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data; "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

As depicted in the following table, the distribution of borrowers reflects good penetration among individuals of different income levels, including low- and moderate-income borrowers when compared to aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: North Dakota Nonmetropolitan						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	17.2	5.2	15	11.8	1,234	3.3
Moderate	17.6	16.2	26	20.5	3,594	9.6
Middle	23.6	21.3	21	16.5	3,842	10.3
Upper	41.5	36.5	42	33.1	10,479	28.0
Not Available	0.0	20.7	23	18.1	18,306	48.9
Totals	100.0	100.0	127	100.0	37,455	100.0

Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Community Development Loans

Choice Financial Group made an adequate level of community development loans in the North Dakota Nonmetropolitan Assessment Area. The bank originated 4 community development loans totaling approximately \$5.3 million in the assessment area, all of which support economic development or revitalization and stabilization efforts. The level of community development lending decreased significantly since the previous evaluation, at which time the bank originated 58 community development loans totaling approximately \$13.3 million. However, as a large bank, the institution does not have the flexibility to have certain small business, small farm, and home mortgage loans considered community development loans, with the exception of multi-family housing loans. Instead, these loans are reported on the bank's CRA and HMDA LARs and considered under the retail portion of the lending test.

INVESTMENT TEST

Choice Financial Group demonstrated low satisfactory performance under the Investment Test in the North Dakota Nonmetropolitan Assessment Area. This conclusion is primarily based on the adequate level of investment and grant activity described below.

Investment and Grant Activity

Choice Financial Group has an adequate level of qualified community development investments and grants in the North Dakota Nonmetropolitan Assessment Area. The bank made 49 qualified investments totaling approximately \$2.6 million in the assessment area during the evaluation period. The activity consisted of 9 prior period investments totaling approximately \$2.3 million that revitalized or stabilized the area. The remaining were donations that promoted community services, economic development, or revitalization and stabilization. Comparatively, the bank had 65 qualified investments and grants totaling approximately \$1.5 million at the last evaluation, and while the level of qualified investments is lower than the previous evaluation by number, but larger by dollar volume, it is skewed. This is because 8 of the 9 prior period investments totaling \$2.3 million reflect investments that were not provided for consideration at previous evaluations, but remain outstanding. Furthermore, this does not reflect BSRA investments that may have benefited a broader area that included this assessment area.

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits good responsiveness to credit and community economic development needs in the North Dakota Nonmetropolitan Assessment Area. This is reflected through the bank's investments and grants that support community services targeted to low- and moderate-income individuals, activities that promote economic development, and activities that revitalize or stabilize

moderate-income geographies or those that are designated underserved and/or distressed. Of particular mention is 15 donations totaling \$141,000 to child care facilities in the assessment area in conjunction with the Child Care Grant Program described earlier.

Community Development Initiatives

Choice Financial Group occasionally uses innovative and/or complex investments to support community development initiatives in the North Dakota Nonmetropolitan Assessment Area. This is reflected in donations made to child care providers in conjunction with the Child Care Grant Program. While these investments are beneficial to assessment area needs, they are not necessarily considered complex.

SERVICE TEST

Choice Financial Group demonstrated low satisfactory performance under the Service Test in the North Dakota Nonmetropolitan Assessment Area. The combination of factors listed below supports this conclusion.

Accessibility of Delivery Systems

Choice Financial Group's delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank's branches are located in moderate-, middle- and upper-income geographies. Alternate delivery systems, particularly ATMs through the MoneyPass network described earlier, provide further access to bank services and are consistent with those discussed in the overall performance.

Changes in Branch Locations

The institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or to low- and moderate-income individuals. As indicated earlier, the bank closed its full-service branch in Medina in 2021. The branch was located in a rural middle-income geography and primarily served agricultural related customers. Residents continue to have access to the bank's services through electronic means, such as Internet or mobile banking, or by traveling 30 miles to the closest branch in Steele. While the branch had a limited volume of traffic, the closure had some impact, some of which may be to low- or moderate-income individuals.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly moderate-income geographies and/or low- and moderate-income individuals, and are consistent with the bank's overall performance.

Community Development Services

The institution provides an adequate level of community development services within the North Dakota Nonmetropolitan Assessment Area. Bank employees provided 34 instances of financial expertise or technical assistance to 17 different entities. The services were to entities that provide community services as well as those that promote economic development and revitalization and stabilization efforts. The number of instances is slightly less than the prior evaluation, at which time 46 instances were reported.

MINNESOTA

CRA RATING FOR MINNESOTA: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNESOTA

The bank continues to delineate one assessment area in Minnesota that remains unchanged since the previous evaluation. The Minneapolis-St. Paul Assessment Area includes all of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright counties in southeast Minnesota. The counties are contiguous and comprise a portion of the Minneapolis-St. Paul-Bloomington, MN-WI MSA. According to 2015 ACS data, the assessment area consists of 54 low-, 161 moderate-, 332 middle-, 196 upper-income, and 7 non-designated census tracts. The bank operates 4 full-service branches, 3 of which operate in middle-income census tracts, and 1 in an upper-income geography. The bank does not operate any ATMs in this assessment area.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Minneapolis - St. Paul Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	750	7.2	21.5	44.3	26.1	0.9
Population by Geography	3,263,336	5.9	18.6	46.5	28.7	0.3
Housing Units by Geography	1,325,812	5.5	19.3	47.3	27.5	0.3
Owner-Occupied Units by Geography	875,807	2.1	14.6	50.0	33.2	0.1
Occupied Rental Units by Geography	384,053	12.6	29.7	41.2	15.7	0.9
Vacant Units by Geography	65,952	8.8	21.5	48.3	20.7	0.7
Businesses by Geography	356,722	4.9	16.6	45.9	32.3	0.3
Farms by Geography	8,600	1.8	10.8	56.9	30.5	0.0
Family Distribution by Income Level	812,889	20.2	17.4	22.2	40.2	0.0
Household Distribution by Income Level	1,259,860	23.5	16.1	18.5	41.8	0.0
Median Family Income - Minneapolis-St. Paul-Bloomington, MN-WI MSA		\$84,589	Median Housing Value			\$228,726
			Median Gross Rent			\$964
			Families Below Poverty Level			6.9%

*Source: 2015 ACS and 2021 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.*

According to bank management, the economy is still fairly good, although inflation is a big concern, adding that recent interest rate hikes may slow down commercial borrowing. Management added that labor and supply chains continue to be concerns as a result of the pandemic. In regards to affordable housing, bank management stated that non-owner occupied real estate, specifically apartments and hotels, seem to be the most prevalent lending opportunity in the area.

D&B data for 2021 indicates that services represent the largest portion of business and farm operations at 39.0 percent; followed by non-classifiable establishments at 20.4 percent; and finance, insurance, and real estate at 10.4 percent. The same data indicates that area businesses and farms are predominantly small operations with 92.6 percent operating from a single location and 64.1 percent of them employing less than five individuals.

The following table reflects the FFIEC-estimated median family income levels for the Minneapolis-St. Paul-Bloomington, MN-WI MSA for 2020.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$97,300)	<\$48,650	\$48,650 to <\$77,840	\$77,840 to <\$116,760	≥\$116,760
<i>Source: FFIEC</i>				

Competition

The Minneapolis-St. Paul Assessment Area is highly competitive for financial services. According to June 30, 2021 FDIC Deposit Market Share data, 126 FDIC-insured financial institutions operate 690 offices within the assessment area. Of these institutions, Choice Financial Group ranked 18th with a deposit market share of 0.4 percent. The top 2 institutions are national banks that collectively hold 65.8 percent of the deposit market share. This data does not include competition from non-FDIC insured entities, such as credit unions, which are not included in the report.

The institution also faces significant competition for small business loans in the assessment area. Aggregate CRA data for 2020 shows that 228 CRA data reporters collectively reported 73,181 small business loans within the assessment area. Of these institutions, Choice Financial Group ranked 12th with 1.8 percent of the market share by number. The top 3 lenders collectively accounted for almost half (47.7 percent) of the total market share, by number. These figures do not include loans originated by smaller institutions that are not required to report small business lending data but that operate within the assessment area.

There is also extremely high competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. In 2020, 725 HMDA-reporting institutions originated or purchased 255,208 home mortgage loans in the assessment area. Choice Financial Group ranked 141st with a 0.1 percent market share by number. These figures do not include loans originated or purchased by non-HMDA reporters.

Community Contact(s)

Examiners reviewed two previously conducted interviews with representatives of organizations that promote economic development and affordable housing in the assessment area.

Both of the contacts indicated that the overall economy is doing well and that many industries rebounded quickly after the pandemic. The two individuals also noted that manufacturing represents a large segment of area business; however, most entities have significant difficulties finding employees. One of the contacts indicated that changes will be seen in commercial real estate as companies move to a permanent “remote work” environment. Both of the contacts noted a shortage of affordable housing, making it difficult for first-time homebuyers. One contact stated that there are several multifamily units being built; however, the rents are typically market rate. Both individuals indicated the primary credit needs as commercial and home mortgage lending and added that the area is very competitive for financial services.

Credit and Community Development Needs and Opportunities

Based on information from the community contacts, bank management, and demographic and economic data, examiners concluded that commercial and home mortgage lending represent the primary credit needs of the assessment area. The assessment area's community development needs are primarily related to economic development and affordable housing.

SCOPE OF EVALUATION – MINNESOTA

Examiners reviewed small business and home mortgage lending. When analyzing performance, examiners gave greater weight to small business lending followed by home mortgage lending. Small farm lending was not reviewed since it is not a lending focus of the bank in this metropolitan area. Furthermore, the bank originated or purchased only four small farm loans in this assessment area in 2020 and nine in 2021. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MINNESOTA

LENDING TEST

Choice Financial Group's Lending Test performance in the state of Minnesota is low satisfactory. The combination of the bank's performance under Lending activity, Geographic Distribution, and Community Development Loans supports this conclusion. Borrower Profile performance was good, but this performance did not enhance the overall Lending Test rating for Minnesota.

Lending Activity

The institution's lending activity reflects adequate responsiveness to the credit needs of the Minneapolis-St. Paul Assessment Area. In 2020, the bank originated or purchased 1,519 small business, small farm, and home mortgage loans totaling \$357.8 million in this assessment area. This accounts for 31.1 percent of the total loans reviewed, by number, in 2020. In comparison, 36.5 percent of the bank's deposits were from the assessment area.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. This is supported by the bank's adequate small business and home mortgage lending.

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area when compared to aggregate data. As indicated in the following table, the bank's record of originating small business loans, by number, in low-income geographies exceeds demographic and aggregate data. Small business lending in moderate-income geographies generally mirrors aggregate data.

Geographic Distribution of Small Business Loans						
Assessment Area: Minneapolis-St. Paul						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.9	4.7	90	6.7	20,853	7.6
Moderate	16.5	15.7	184	13.8	41,396	15.1
Middle	46.4	45.7	568	42.6	126,622	46.1
Upper	32.0	33.7	488	36.6	85,259	31.1
Not Available	0.3	0.2	4	0.3	441	0.2
Totals	100.0	100.0	1,334	100.0	274,571	100.0

Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

As depicted in the following table, the geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area when compared to aggregate data.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Minneapolis-St. Paul						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.1	1.9	3	1.7	516	0.6
Moderate	14.6	12.2	20	11.1	4,136	5.0
Middle	50.0	49.4	85	47.0	30,408	37.0
Upper	33.2	36.5	73	40.3	47,173	57.4
Not Available	0.1	0.1	0	0.0	0	0.0
2020	100.0	100.0	181	100.0	82,233	100.0

Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects adequate penetration among business customers of different sizes and retail customers of different income levels. The bank's adequate small business and home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of borrowers reflects adequate penetration among businesses with gross annual revenues of \$1 million or less when compared to aggregate data. While the bank's performance significantly lags aggregate data, there were 842 loan in which revenue was not available, which skews all of the gross revenue levels. This category includes PPP loan originations in which the bank was not required to collect revenue information. Examiner review of these 842 loans with no revenue information available reveals that 504 loans, or 60.0 percent, were to borrowers with loan sizes of \$100,000 or less, which indicates the bank's willingness to serve the needs of smaller businesses. Given this information, the bank's performance is considered reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Minneapolis–St. Paul						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	87.9	45.6	173	13.0	35,559	13.0
>\$1,000,000	4.8	--	319	23.9	112,233	40.9
Revenue Not Available	7.2	--	842	63.1	126,779	46.2
Totals	100.0	100.0	1,334	100.0	274,571	100.0

Source: 2020 D&B Data; Bank Data; 2020 CRA Aggregate Data; "--" data not available; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

As shown in the following table, the distribution of borrowers reflects adequate penetration among low- and moderate-income borrowers when compared to aggregate data. The bank’s performance of lending to low- and moderate-income borrowers is less than aggregate data; however, it is noteworthy to consider that the 2015 ACS data reports that 6.9 percent of families in the assessment area live below the poverty level. Furthermore, 26.0 percent of the bank’s reported loans were reported as “Not Available” which, in turn, skews the bank’s performance of lending in all borrower income level categories. These loans reflect HMDA-reportable transactions that are not subject to income reporting requirements, such as multi-family dwellings, loans to non-natural persons, or purchased loans. Finally, home mortgage lending is not a primary focus of the institution.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Minneapolis–St. Paul						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.2	6.6	7	3.9	1,208	1.5
Moderate	17.4	20.2	21	11.6	4,633	5.6
Middle	22.2	22.5	40	22.1	10,604	12.9
Upper	40.2	34.9	66	36.5	22,400	27.2
Not Available	0.0	15.7	47	26.0	43,389	52.8
Totals	100.0	100.0	181	100.0	82,233	100.0

Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%

Community Development Loans

Choice Financial Group made a relatively high level of community development loans in the Minneapolis-St. Paul Assessment Area. The bank originated 33 community development loans totaling approximately \$87.3 million in the assessment area. The majority of the lending promoted revitalization or stabilization, but the bank also originated loans to promote affordable housing, community services, and economic development. The level of community development lending decreased in number, but increased in dollar volume since the previous evaluation at which time the bank made 43 community development loans totaling approximately \$43.7 million. Of the 33 community development loans originated during this evaluation period, 14 were PPP loans that somewhat skews the data since these were provided strictly in conjunction with the pandemic; however, even without these loans, the dollar volume of community development loans originated in this assessment area increased since the previous evaluation.

INVESTMENT TEST

Choice Financial Group's Investment Test performance in the state of Minnesota is low satisfactory. This conclusion is primarily based on the adequate level of investment and grant activity and responsiveness to community development needs.

Investment and Grant Activity

Choice Financial Group has an adequate level of qualified community development investments and grants in the Minneapolis-St. Paul Assessment Area, although rarely in a leadership position, particularly those that are not routinely provided by private investors. The bank made 35 qualified investments totaling \$2.4 million comprised of 4 prior period investments for \$2.3 million that support affordable housing and economic development and 31 donations totaling \$139,000 to organizations that provide affordable housing or community services or helped revitalize and stabilize the assessment area. During the previous evaluation, the bank had 19 qualified investments and donations totaling \$4.4 million. While the current activity is greater in number, the dollar volume decreased by 45.4 percent. As indicated earlier, the comparison to previous investment activity may be slightly distorted due to the different methods of allocating investments between assessment areas. Furthermore, this does not reflect BSRA investments that may have benefited a broader area that included this assessment area.

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits adequate responsiveness to credit and community development needs in the Minneapolis-St. Paul Assessment Area, as demonstrated through qualified investments that support affordable housing, community services, economic development, and revitalization and stabilization efforts.

Community Development Initiatives

Choice Financial Group does not use innovative and/or complex investments to support community development initiatives in the assessment area.

SERVICE TEST

Choice Financial Group demonstrated low satisfactory performance under the Service Test in the state of Minnesota. The level of community development services primarily supports this conclusion.

Accessibility of Delivery Systems

Choice Financial Group's delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank's branches are located in middle- and upper-income geographies; however, they are fairly close to low- and moderate-income geographies. Furthermore, alternate delivery systems, particularly ATMs through the MoneyPass network described earlier, provide further access to bank services and are consistent with those discussed in the overall performance.

Changes in Branch Locations

No changes were made with regard to opening and/or closing branches during the evaluation period. Therefore, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals, and are consistent with the bank's overall performance.

Community Development Services

The institution provides an adequate level of community development services within the Minneapolis-St. Paul Assessment Area. Bank employees provided 22 instances of financial expertise or technical assistance to 13 different entities. The majority (18 of 22) promoted community services, 2 promoted affordable housing, and 2 promoted economic development. The number of instances is slightly more than the prior evaluation, at which time 18 instances were reported. Furthermore, this does not include any services at the BSRA level.

APPENDICES

LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (e.g., RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
Fargo, ND-MN MSA	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
North Dakota	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Minnesota	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 (for example, 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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.