

PUBLIC DISCLOSURE

December 2, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Choice Financial Group
Certificate Number: 9423

4501 23rd Avenue S
Fargo, North Dakota 58104

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

1100 Walnut St, 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 areas, 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	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated High Satisfactory.

- Lending levels reflect good responsiveness to the assessment areas’ credit needs.
- An adequate percentage of loans are made in the institution’s assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among business 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 a relatively high level of community development loans.
- The institution uses innovative and/or flexible lending practices to serve the assessment areas’ credit needs.

The Investment Test is rated High Satisfactory.

- The institution has a significant 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 High Satisfactory.

- Delivery systems are 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 certain portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals.
- The institution provides a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

Choice Financial Holdings, Inc., a one-bank holding company located in Fargo, North Dakota, wholly owns Choice Financial Group. Choice Financial Group received a Satisfactory rating at its previous FDIC Performance Evaluation dated September 14, 2022, based on Interagency Large Institution Examination Procedures. The bank demonstrated satisfactory performance under the Lending, Investment, and Services tests.

The bank continues to operate from its main office in Fargo, as well as from 17 full-service branches in North Dakota and Minnesota. In addition, the bank operates a loan production office in Mesa, Arizona. Since the prior evaluation, Choice Financial Group closed a branch and relocated its remaining branch in Bismarck, North Dakota.

Choice Financial Group offers a variety of credit products, including commercial, home mortgage, agricultural, and consumer loans. In addition, the bank offers loan products through various government-sponsored programs and sells home mortgage loans to secondary market investors. Commercial lending continues to be the institution's primary business focus, followed by agricultural and home mortgage lending. Choice Financial Group also offers a full line of traditional deposit services, including checking, savings, and certificates of deposit accounts.

As of September 30, 2024, Choice Financial Group reported total assets of \$5.3 billion, total loans of \$3.2 billion, and total deposits of \$4.6 billion; the following table illustrates the loan portfolio. Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of its assessment areas.

Loan Portfolio Distribution as of 9/30/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	320,397	10.1
Secured by Farmland	345,274	10.9
Secured by 1-4 Family Residential Properties	388,333	12.2
Secured by Multifamily (5 or more) Residential Properties	166,984	5.3
Secured by Nonfarm Nonresidential Properties	969,231	30.5
Total Real Estate Loans	2,190,219	69.0
Commercial and Industrial Loans	516,067	16.2
Agricultural Production and Other Loans to Farmers	357,063	11.2
Consumer Loans	32,636	1.0
Obligations of State and Political Subdivisions in the U.S.	47,906	1.5
Other Loans	9,093	0.3
Lease Financing Receivable (net of unearned income)	28,856	0.9
Less: Unearned Income	3,492	0.1
Total Loans	3,178,348	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREAS

Choice Financial Group operates in eight assessment areas in North Dakota and Minnesota: the Fargo, ND-MN Metropolitan Statistical Area (MSA); the Minneapolis-St. Paul Assessment Area in Minnesota; and six assessment areas in North Dakota. The North Dakota assessment areas include the Bismarck; Dickinson; Grafton; Grand Forks, ND-MN MSA; LaMoure; and Steele assessment areas. Examiners analyzed all assessment areas separately, but the data for the nonmetropolitan North Dakota assessment areas (Dickinson, Grafton, LaMoure, and Steele) was combined and presented as one for the evaluation despite not being contiguous since there were no anomalies in performance. Finally, ratings are assigned for the states of North Dakota and Minnesota, as well as for the Fargo, ND-MN MSA. Additional information regarding the assessment areas and rated areas is presented later in the evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 14, 2022, to the current evaluation dated December 2, 2024. Examiners used Interagency Large Institution Examination Procedures to evaluate Choice Financial Group's CRA performance, which include the Lending, Investment, and Service Tests. These tests are used to determine the bank's overall rating, as well as its ratings in North Dakota, Minnesota, and the Fargo, ND-MN MSA. Banks must achieve at least a Low Satisfactory rating under the Lending Test to obtain an overall Satisfactory rating. Refer to the Appendices for information on each test.

Examiners used full-scope examination procedures to assess the bank's performance in each assessment area. To assess the bank's overall performance, examiners gave greater weight to the bank's performance in North Dakota since this is where most of its lending and branch activity

occurs as depicted in the table below, whereas Minnesota and the Fargo, ND-MN MSA received less but equal weight. While the FDIC Summary of Deposits revealed a majority of the bank’s deposits are within the Minneapolis-St. Paul Assessment Area, this information is skewed due to how the bank is reporting certain deposits. The bank offers nation-wide deposit accounts through third parties, and these deposits are reported as being in this assessment area regardless of where the account holder actually resides.

Assessment Area Breakdown of Loans, Deposits, and Branches			
Assessment Area	% Reported Loans (by #)	% Deposits (by \$)	% Branches (by #)
Fargo, ND-MN MSA	16.3	7.6	16.7
Bismarck	10.1	3.7	5.6
Grand Forks, ND-MN MSA	9.8	5.4	11.1
North Dakota Nonmetropolitan	50.4	14.7	44.4
North Dakota Subtotal	70.3	23.8	61.1
Minneapolis-St. Paul	13.4	68.6	22.2
Minnesota Subtotal	13.4	68.6	22.2
Total	100.0	100.0	100.0
<i>Source: 2023 CRA and HMDA Data; FDIC Summary of Deposits (6/30/2024)</i>			

Activities Reviewed

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. As noted earlier, the bank’s primary lending focus is commercial lending, followed by agricultural and home mortgage lending.

This evaluation considered all small business and small farm loans reported under CRA data collection requirements for 2022 and 2023. For small business lending, the bank reported 1,282 loans totaling \$276.7 million in 2022 and 981 loans totaling \$198.7 million in 2023. For small farm lending, the bank reported 1,234 loans totaling \$192.0 million in 2022 and 1,503 loans totaling \$226.5 million in 2023. In addition, examiners reviewed home mortgage loans reported on the bank’s 2022 and 2023 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. For home mortgage lending, the bank reported 411 loans totaling \$243.4 million in 2022 and 329 loans totaling \$197.6 million in 2023.

CRA aggregate lending data for 2022, as well as 2022 and 2023 D&B data provided a standard of comparison for the small business and small farm loans reviewed. In addition, 2022 and 2023 HMDA aggregate lending data and 2020 U.S. Census data provided a standard of comparison for the home mortgage loans reviewed. Examiners placed more weight on the comparisons to aggregate lending data since it is typically a better indicator of market conditions and loan demand. Examiners did not identify any trends between the 2022 and 2023 CRA and HMDA data that materially affected conclusions. Therefore, only the small business and small farm data for 2022 and the home mortgage data for 2023 is presented in this evaluation for the Geographic Distribution and Borrower Profile criteria as these are the most recent years with available aggregate data.

For the Lending Test, the weighting of small business, small farm, and home mortgage loans varied by assessment area depending on the product mix and credit focus. Refer to the rated area sections for additional information about the weighting of products. Further, home mortgage loans were not analyzed in the LaMoure and Steele assessment areas since it is not a lending focus in these areas. Similarly, small farm loans were not analyzed in the Minneapolis-St. Paul Assessment Area. While both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses, farms, and individuals served.

Community development lending, qualified investments, and community development services were considered from the prior evaluation dated September 14, 2022, through the current evaluation dated December 2, 2024. Furthermore, investments that were made before the prior evaluation and 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 good performance under the Lending Test, which is consistent with its performance in North Dakota and the Fargo, ND-MN MSA. While the bank's performance in Minnesota was adequate, it received less weight in the analysis.

Lending Activity

Lending levels reflect good responsiveness to the credit needs of the assessment areas. The bank is an active lender by originating or purchasing a significant volume of small business, small farm, and home mortgage loans. Based on 2022 CRA aggregate data, Choice Financial Group ranked 11th, by number, out of 179 lenders for originating small business loans in its assessment areas. For small farm lending, the bank ranked 1st out of 43 lenders. Finally, the 2023 HMDA aggregate data revealed that Choice Financial Group ranked 84th out of 754 lenders for originated home mortgage loans in its assessment areas.

Choice Financial Group's net loan-to-deposit ratio averaged 71.4 percent over the past nine calendar quarters; however, this does not include all lending activity as home mortgage loans sold on the secondary market are not reflected on the bank's balance sheet. Since the prior evaluation, the bank sold 192 loans totaling \$48.6 million. Secondary market lending is responsive to the credit needs of the assessment areas because it provides long-term home mortgage financing.

Assessment Area Concentration

Choice Financial Group made an adequate percentage of loans within its assessment areas as detailed in the following table. However, a majority of small farm loans for 2023, by both number and dollar volume, were made outside the assessment areas. Per bank management, the demand for agricultural operating lines of credit is steadily decreasing due to clients using supplier provided credit arrangements. To help offset this decline, the bank developed a direct lending platform where it is the capital source for local and regional agronomy centers, elevators, seed dealers, and other agricultural suppliers. The bank also began purchasing more agricultural participation loans, most of which are located outside of its assessment areas. The bank's 2024 Loan Self-Assessment included an analysis of its Assessment Area Concentration that excluded all purchased small farm loans, which revealed that the majority of the bank's core small farm lending is occurring within the assessment areas.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2022	319	77.6	92	22.4	411	172,841	71.0	70,578	29.0	243,419
2023	220	66.9	109	33.1	329	99,844	50.5	97,746	49.5	197,590
Subtotal	539	72.8	201	27.2	740	272,685	61.8	168,324	38.2	441,009
Small Business										
2022	1,019	79.5	263	20.5	1,282	223,628	80.8	53,055	19.2	276,683
2023	831	84.7	150	15.3	981	164,731	82.9	33,926	17.1	198,657
Subtotal	1,850	81.7	413	18.3	2,263	388,359	81.7	86,981	18.3	475,340
Small Farm										
2022	709	57.5	525	42.5	1,234	103,718	54.0	88,234	46.0	191,952
2023	728	48.4	775	51.6	1,503	100,794	44.5	125,725	55.5	226,519
Subtotal	1,437	52.5	1,300	47.5	2,737	204,512	48.9	213,959	51.1	418,471
Total	3,826	66.7	1,914	33.3	5,740	865,556	64.8	469,264	35.2	1,334,820
<i>Source: Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment areas, which is consistent with the bank's North Dakota, Minnesota, and Fargo, ND-MN MSA performance. Examiners focused on the percentage of loans in low- and moderate-income census tracts as applicable. Detailed discussion of the bank's performance under this criterion is included in the applicable rated area and assessment area sections of the evaluation.

Borrower Profile

The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes, which is consistent with the bank’s North Dakota and Fargo, ND-MN MSA performance. While the bank’s performance in Minnesota was adequate, it received less weight in the analysis. Examiners focused on the percentage of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less and the percentage of home mortgage loans to low- and moderate-income borrowers. Detailed discussion of the bank’s performance under this criterion is included in the applicable rated area and assessment area sections of the evaluation.

Innovative or Flexible Lending Practices

Choice Financial Group uses innovative and/or flexible lending practices to serve the assessment areas’ credit needs. The bank used flexible lending programs offered through various government-sponsored agencies, which are outlined in the table below. Most of these programs, except for a few state-specific programs, are offered in all of the assessment areas and are designed to assist borrowers who might not otherwise qualify for credit. These programs require extra effort and expertise by bank personnel and meet a defined need compared to conventional loans. Finally, the bank developed its innovative direct lending platform to help meet its assessment areas’ agricultural credit needs as discussed earlier.

Innovative or Flexible Lending Programs								
Type of Program	2022		2023		2024		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Bank of North Dakota	8	105,567	53	141,924	10	39,592	71	287,083
Community Planning & Economic Development	1	63	3	160	2	146	6	369
Fannie Mae	0	0	7	1,929	2	439	9	2,368
Farm Service Agency	0	0	3	1,104	1	100	4	1,204
Federal Housing Administration	0	0	2	488	1	319	3	807
Freddie Mac	1	124	0	0	1	233	2	357
Group Home Loans	0	0	6	1,597	1	257	7	1,854
Lewis & Clark Development Group	1	166	2	252	0	0	3	418
North Dakota Housing Finance Agency	11	2,594	34	8,510	7	1,825	52	12,929
Small Business Administration	22	12,158	44	28,461	34	12,150	100	52,769
U.S. Department of Agriculture	0	0	1	170	0	0	1	170
U.S. Department of Veterans Affairs	3	986	3	986	0	0	6	1,972
Totals	47	121,658	158	185,581	59	55,061	264	362,300

Source: Bank Data

Community Development Loans

Choice Financial Group has made a relatively high level of community development loans, which is consistent with its North Dakota and Minnesota performance. While the bank’s performance in the Fargo, ND-MN MSA was adequate, it received less weight in the analysis. The bank originated 75 community development loans totaling \$179.1 million during the evaluation period, which represents 3.4 percent of total assets and 5.7 percent of net loans. These ratios are similar to the previous evaluation when community development loans represented 4.4 percent of total assets and

5.3 percent of net loans. Further, the level of community development lending increased from the prior evaluation, which reported 59 loans totaling \$136.7 million. Examiners compared the institution’s level of community development lending to four similarly situated institutions, which revealed comparable performance. Specifically, the similarly situated institutions’ community development loans ranged from 2.7 to 12.4 percent of their total assets and 3.9 to 20.0 percent of their net loans; however, these institutions’ ratios included loans related to the Coronavirus pandemic. Finally, Choice Financial Group was responsive to the community development lending opportunities available in its assessment areas. The tables below illustrate the institution’s community development lending activity by rated area and by year.

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Fargo, ND-MN MSA	5	3,438	0	0	6	13,820	0	0	11	17,258
North Dakota	7	10,799	0	0	13	31,084	6	8,599	26	50,482
Minnesota	4	19,032	4	5,421	23	61,594	3	7,991	34	94,038
Regional Activities	1	3,209	0	0	1	2,600	2	11,500	4	17,309
Total	17	36,478	4	5,421	43	109,098	11	28,090	75	179,087

Source: Bank Data

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2022	0	0	2	2,063	5	17,831	0	0	7	19,894
2023	5	4,008	0	0	16	44,844	7	20,349	28	69,201
YTD 2024	12	32,470	2	3,358	22	46,423	4	7,741	40	89,992
Total	17	36,478	4	5,421	43	109,098	11	28,090	75	179,087

Source: Bank Data

INVESTMENT TEST

Choice Financial Group demonstrated good performance under the Investment Test, which is consistent with its performance in both Minnesota and the Fargo, ND-MN MSA. While North Dakota reflected adequate performance and received the most weight, examiners determined that it did not warrant an overall low satisfactory Investment Test rating.

Investment and Grant Activity

Choice Financial Group has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The bank purchased, retained, or donated 221 qualified investments totaling \$56.5 million during the evaluation period, which represents 1.1 percent of total assets and 4.6 percent of total securities. These ratios are similar to the prior evaluation when qualified investments represented 0.5 percent of total assets and 4.9 percent of total securities.

The level of qualified investments increased from the prior evaluation, which reported 158 qualified investments totaling \$14.5 million. In addition, all regional investments benefit at least one of the bank’s assessment areas. Finally, a review of the similarly situated institutions revealed that qualified investments ranged from 0.1 to 1.1 percent of their total assets and 1.4 to 6.6 percent of their total securities. The following tables illustrate the institution’s qualified investment activity by rated area and by year.

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Fargo, ND-MN MSA	4	7,646	24	182	7	1,101	5	2,575	40	11,504
North Dakota	7	2,119	43	169	5	32	71	2,435	126	4,755
Minnesota	5	6,699	26	399	8	6,181	1	3	40	13,282
Regional Activities	10	16,459	1	3	3	10,500	1	1	15	26,963
Total	26	32,923	94	753	23	17,814	78	5,014	221	56,504

Source: Bank Data

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	8	6,033	0	0	4	11,150	13	4,632	25	21,815
2022	0	0	0	0	1	1,065	0	0	1	1,065
2023	6	9,912	0	0	1	5,000	0	0	7	14,912
YTD 2024	4	15,397	1	250	1	500	0	0	6	16,147
Subtotal	18	31,342	1	250	7	17,715	13	4,632	39	53,939
Qualified Grants & Donations	8	1,581	93	503	16	99	65	382	182	2,565
Total	26	32,923	94	753	23	17,814	78	5,014	221	56,504

Source: Bank Data

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits good responsiveness to credit and community economic development needs. Further details are located in the separate assessment area sections of the evaluation.

Community Development Initiatives

Choice Financial Group occasionally uses innovative and/or complex investments to support community development initiatives. For instance, childcare has been identified as a critical need throughout North Dakota, so the bank created its innovative Childcare Grant program. This program provides financial assistance to new and existing childcare centers throughout North Dakota and the Fargo, ND-MN MSA.

SERVICE TEST

Choice Financial Group demonstrated good performance under the Service Test, which is consistent with its performance in North Dakota and the Fargo, ND-MN MSA. While the bank's performance in Minnesota was adequate, it received less weight in the analysis.

Accessibility of Delivery Systems

Choice Financial Group's delivery systems are accessible to essentially all portions of its assessment areas. The bank's service delivery systems include 18 offices and 11 ATMs located within its assessment areas; the table below illustrates the overall distribution of branches, ATMs, and population by census tract income level based on 2020 U.S. Census data. Choice Financial Group also offers alternative delivery systems that enhance accessibility to financial services that are readily accessible throughout the assessment areas, including to low- and moderate-income individuals. These systems include internet, mobile, and text banking; the ability to open deposit accounts or apply for loans online; bill pay; mobile check deposit; and electronic periodic statements, among others. Finally, the bank is a member of the MoneyPass network, which gives customers access to more than 40,000 fee-free ATMs nationwide.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	55	5.5	201,913	5.0	0	0.0	0	0.0
Moderate	206	20.7	778,617	19.2	6	33.3	3	27.3
Middle	465	46.7	1,927,651	47.6	10	55.6	7	63.6
Upper	258	25.9	1,106,839	27.4	2	11.1	1	9.1
NA	12	1.2	30,626	0.8	0	0.0	0	0.0
Total	996	100.0	4,045,646	100.0	18	100.0	11	100.0

Source: 2020 U.S. Census Data; Bank Data

Changes in Branch Locations

Choice Financial Group'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. Refer to the North Dakota section of the evaluation for additional information.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. 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 a relatively high level of community development services. Bank employees provided 189 instances of financial expertise or technical assistance to community development organizations in the rated areas, the majority of which benefited North Dakota. Further, all but one of the regional community development services benefitted at least one of the bank’s assessment areas. The number of community development services increased since the prior evaluation, which reported 94 community development services. While the community development services are not particularly innovative, they demonstrate the bank’s responsiveness to community development needs considering its resources, business strategy, competition, and available opportunities. Finally, a review of the similarly situated institutions revealed that those institutions’ employees provided between 58 and 185 community development services. The following tables illustrate the bank’s community development services by rated area and by year.

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Fargo, ND-MN MSA	5	30	11	0	46
North Dakota	11	43	20	22	96
Minnesota	1	17	11	0	29
Regional Activities	1	2	12	3	18
Total	18	92	54	25	189

Source: Bank Data

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2022	4	11	10	2	27
2023	5	27	22	9	63
YTD 2024	9	54	22	14	99
Total	18	92	54	25	189

Source: Bank Data

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

FARGO, ND-MN MSA

CRA RATING FOR FARGO, ND-MN MSA: Satisfactory

The Lending Test is rated: High Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

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

This assessment area includes all of Cass County in North Dakota and Clay County in Minnesota, which comprise the Fargo, ND-MN MSA. There were no changes to the assessment area since the previous evaluation. Per 2020 U.S. Census data, the MSA consists of 5 low-, 12 moderate-, 28 middle-, and 15 upper-income census tracts. The bank operates its Fargo and West Fargo, North Dakota, offices and its Moorhead, Minnesota, office within this assessment area.

Economic and Demographic Data

The table below illustrates select demographic characteristics of the MSA.

Demographic Information of the Fargo, ND-MN MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	60	8.3	20.0	46.7	25.0	0.0
Population by Geography	249,843	7.0	18.3	48.7	26.0	0.0
Housing Units by Geography	110,404	8.6	22.7	48.7	20.0	0.0
Owner-Occupied Units by Geography	56,879	2.2	14.5	55.2	28.1	0.0
Occupied Rental Units by Geography	44,843	14.8	32.0	41.4	11.9	0.0
Vacant Units by Geography	8,682	18.3	28.1	44.1	9.5	0.0
Businesses by Geography	31,160	10.2	23.5	41.8	24.4	0.0
Farms by Geography	1,257	3.0	9.1	67.1	20.8	0.0
Family Distribution by Income Level	58,291	18.8	18.4	23.4	39.4	0.0
Household Distribution by Income Level	101,722	23.6	15.9	18.9	41.6	0.0
Median Family Income MSA - 22020 Fargo, ND-MN MSA	\$90,450	Median Housing Value				\$224,364
		Median Gross Rent				\$838
		Families Below Poverty Level				6.2%

*Source: 2020 U.S. Census and 2023 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.*

The Federal Financial Institutions Examination Council (FFIEC)-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The table below illustrates the 2023 median family income ranges for the Fargo, ND-MN MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2023 (\$104,100)	<\$52,050	\$52,050 to <\$83,280	\$83,280 to <\$124,920	≥\$124,920
<i>Source: FFIEC</i>				

Competition

The Fargo, ND-MN MSA is highly competitive for financial services. Per 2024 FDIC Deposit Market Share data, 33 financial institutions operate 96 offices within the MSA. Of these institutions, Choice Financial Group ranked 10th with 2.6 percent of the deposit market share. Further, there is a high level of demand and competition for home mortgage loans as 211 lenders reported 7,203 home mortgage loans in the MSA in 2023, with Choice Financial Group ranking 22nd with 1.0 percent of the market share by number. Finally, there is a high level of demand and competition for small business and small farm loans in the MSA as evidenced by the 2022 aggregate data, which revealed that 66 lenders reported 6,397 small business loans and 18 lenders reported 564 small farm loans. Of these institutions, Choice Financial Group ranked 8th with 3.3 percent of the small business loan market share and 5th with 8.5 percent of the small farm loan market share by number.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that commercial, agricultural, and home mortgage lending are all credit needs within the MSA. The MSA’s community development needs primarily relate to economic development, affordable housing, and community services; however, there is a high level of competition for the available opportunities.

SCOPE OF EVALUATION – FARGO, ND-MN MSA

Small business lending received the most weight in the analysis, whereas small farm and home mortgage lending received less but equal weight. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN FARGO, ND-MN MSA

LENDING TEST

Choice Financial Group demonstrated good performance under the Lending Test in the Fargo, ND-MN MSA. The bank’s combined performance in all criteria supports this conclusion.

Lending Activity

Choice Financial Group’s lending activity reflects good responsiveness to the credit needs of the MSA. Specifically, the bank originated or purchased 290 small business, small farm, and home mortgage loans totaling \$67.6 million in 2023. This accounts for 16.3 percent of the loans reviewed, by number, in 2023. In comparison, 7.6 percent of the bank’s deposits were from the MSA, while 16.7 percent of

the offices operate in the MSA. Further, Choice Financial Group ranked 8th and 5th in market share for the MSA’s small business and small farm loans, respectively.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the MSA, which is consistent with the bank’s small business and home mortgage lending performance. While the bank’s small farm lending performance was adequate, it received less weight in the analysis.

Small Business Loans

As illustrated in the table below, the geographic distribution of small business loans reflects good penetration throughout the MSA when compared to aggregate data.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	10.5	9.7	13	6.2	2,585	6.1
Moderate	24.1	25.7	51	24.2	11,753	27.8
Middle	42.2	37.7	83	39.3	16,181	38.2
Upper	23.2	26.9	64	30.3	11,793	27.9
Totals	100.0	100.0	211	100.0	42,312	100.0
<i>Source: 2022 D&B Data; Bank Data; 2022 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 MSA. While none of the bank’s 48 small farm loans were originated in low- and moderate-income census tracts in 2022, these census tracts are primarily commercial areas within city limits. Further, the bank’s performance is comparable to aggregate data, which illustrates that 0.9 percent and 2.7 percent of small farm loans were to farms located in low- and moderate-income census tracts, respectively.

Home Mortgage Loans

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

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.2	3.2	1	1.7	5,900	24.4
Moderate	14.5	11.3	6	10.3	1,057	4.4
Middle	55.2	47.9	24	41.4	6,623	27.4
Upper	28.1	37.6	27	46.6	10,577	43.8
Totals	100.0	100.0	58	100.0	24,158	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2023 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 retail customers of different income levels and business customers of different sizes, which is consistent with the bank's small business lending performance. While the bank's home mortgage lending performance was adequate and small farm lending performance was excellent, these received less weight in the analysis.

Small Business Loans

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

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	87.0	48.8	101	47.9	13,200	31.2
>\$1,000,000	4.2	--	85	40.3	25,603	60.5
Revenue Not Available	8.8	--	25	11.8	3,509	8.3
Totals	100.0	100.0	211	100.0	42,312	100.0
<i>Source: 2022 D&B Data; Bank Data; 2022 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, which is depicted in the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	97.0	53.7	32	66.7	6,279	62.3
>\$1,000,000	2.2	--	13	27.1	3,212	31.9
Revenue Not Available	0.8	--	3	6.3	588	5.8
Totals	100.0	100.0	48	100.0	10,079	100.0

Source: 2022 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

As shown in the table below, the distribution of borrowers reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers, when compared to aggregate data. While the bank’s lending performance to moderate-income borrowers is less than aggregate data, bank management noted that the MSA’s housing costs are steadily appreciating, with the average home price increasing by 18 percent between 2021 and 2022. Per the July 2023 Fargo-Moorhead Regional Housing Needs Analysis and Strategies Report, the average home value in the MSA was \$274,000 in 2022, whereas the average home price was \$425,000. The report further noted that there are limited affordable new construction products available to the average resident. Finally, borrower incomes were not available for 27.6 percent of the home mortgage loans originated, which somewhat skews the data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	18.8	7.8	4	6.9	484	2.0
Moderate	18.4	20.0	4	6.9	906	3.8
Middle	23.5	23.2	15	25.9	3,511	14.5
Upper	39.4	30.3	19	32.8	9,381	38.8
Not Available	0.0	18.7	16	27.6	9,876	40.9
Totals	100.0	100.0	58	100.0	24,158	100.0

Source: 2020 U.S. Census; Bank Data, 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Community Development Loans

Choice Financial Group has made an adequate level of community development loans in the MSA. Specifically, the bank originated 11 community development loans totaling \$17.3 million during the evaluation period that promoted affordable housing and economic development. The level of community development lending is similar to the prior evaluation, which reported 10 loans totaling \$18.3 million.

INVESTMENT TEST

Choice Financial Group demonstrated good performance under the Investment Test in the Fargo, ND-MN MSA, which is primarily supported by its Investment and Grant Activity performance.

Investment and Grant Activity

Choice Financial Group has a significant level of qualified community development investments and grants in the MSA. Specifically, the bank made 40 qualified investments totaling \$11.5 million, of which 5 were prior period investments totaling \$2.6 million, 3 were newly purchased investments totaling \$8.7 million, and 32 were donations totaling \$240,000; these amounts do not include regional investments that benefitted the MSA. Most of the qualified investments promoted affordable housing. Finally, the level of qualified investments increased from the prior evaluation, which included 33 qualified investments totaling \$2.6 million.

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits good responsiveness to credit and community economic development needs in the MSA, which is reflected through its investments that support affordable housing, community services, and economic development.

Community Development Initiatives

Choice Financial Group occasionally uses innovative and/or complex investments to support community development initiatives in the MSA.

SERVICE TEST

Choice Financial Group demonstrated good performance under the Service Test in the Fargo, ND-MN MSA. The bank's combined performance in all criteria supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of the MSA and are consistent with its overall performance. The Fargo branch and ATM and the Moorhead branch are located in moderate-income census tracts, whereas the West Fargo branch and ATM are located in a middle-income census tract. Alternative delivery systems provide further access to banking services and are consistent with those discussed in the bank's 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 low- and moderate-income geographies and/or individuals.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the MSA, 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 a relatively high level of community development services in the MSA. Specifically, bank employees provided 46 instances of financial expertise or technical assistance to community development organizations, most of which promoted community services; this does not include regional activities that benefitted the MSA. Finally, the number of community development services increased from the prior evaluation, which included 16 community development services.

MINNESOTA

CRA RATING FOR MINNESOTA: Satisfactory

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MINNESOTA

The Minneapolis-St. Paul Assessment Area includes all of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright counties in Minnesota, which comprise a portion of the Minneapolis-St. Paul-Bloomington, MN-WI MSA. There were no changes to the assessment area since the previous evaluation. Per 2020 U.S. Census data, the assessment area consists of 49 low-, 181 moderate-, 378 middle-, and 233 upper-income census tracts, as well as 11 census tracts without income designations. Finally, the bank operates its Bloomington, Eagan, Golden Valley, and Roseville offices in this assessment area.

Economic and Demographic Data

The table below 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)	852	5.8	21.2	44.4	27.3	1.3
Population by Geography	3,499,380	5.2	19.9	45.7	28.4	0.8
Housing Units by Geography	1,377,850	4.9	20.3	46.2	27.9	0.6
Owner-Occupied Units by Geography	924,215	2.3	16.2	49.6	31.8	0.1
Occupied Rental Units by Geography	393,968	10.7	29.8	38.6	19.0	1.8
Vacant Units by Geography	59,667	7.3	20.8	44.5	26.5	1.0
Businesses by Geography	400,288	3.9	17.4	43.4	34.5	0.8
Farms by Geography	9,815	1.7	13.2	53.4	31.6	0.2
Family Distribution by Income Level	839,697	19.5	18.0	22.9	39.6	0.0
Household Distribution by Income Level	1,318,183	22.9	16.8	19.0	41.3	0.0
Median Family Income MSA - 33460 Minneapolis-St. Paul-Bloomington, MN-WI MSA	\$103,977		Median Housing Value			\$286,982
			Median Gross Rent			\$1,160
			Families Below Poverty Level			5.1%

*Source: 2020 U.S. Census and 2023 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.*

The table below illustrates the 2023 FFIEC-estimated median family income levels for the Minneapolis-St. Paul-Bloomington, MN-WI MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2023 (\$124,300)	<\$62,150	\$62,150 to <\$99,440	\$99,440 to <\$149,160	≥\$149,160
<i>Source: FFIEC</i>				

Competition

The Minneapolis-St. Paul Assessment Area is highly competitive for financial services. Per 2024 FDIC Deposit Market Share data, 121 financial institutions operate 687 offices within the assessment area. Of these institutions, Choice Financial Group ranked 11th with 1.2 percent of the deposit market share. Further, there is a high level of demand and competition for home mortgage loans as 713 lenders reported 114,455 home mortgage loans in the assessment area in 2023, with Choice Financial Group ranking 199th with less than 0.1 percent of the market share by number. Finally, there is a high level of demand and competition for small business loans in the assessment area as evidenced by the 2022 aggregate data, which revealed that 171 lenders reported 78,783 small business loans. Of these institutions, Choice Financial Group ranked 24th with 0.4 percent of the market share by number.

Community Contacts

Examiners reviewed two community contacts previously conducted with a member of local government and a representative of an organization that promotes economic development. Per the contacts, many individuals commute to Minneapolis and St. Paul (a.k.a. the Twin Cities) or the outlying suburbs for employment as there are more opportunities and higher wages. One of the contacts noted that the current high-interest rate and inflation environment is negatively affecting businesses, individuals, and developers as these increased costs have extended development timeframes and reduced some lending demand. Further, increased labor costs have impacted business operations. The contacts stated that homes tend to be more affordable in smaller communities, whereas the cost of living is higher in larger communities. One of the contacts stated that commercial and home mortgage lending are the primary credit needs in the assessment area, whereas the other contact noted that affordable housing is a community development need. Finally, both contacts stated that financial institutions are overall meeting the area’s credit needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that commercial and home mortgage lending represent the primary credit needs in the assessment area. The assessment area’s community development needs primarily relate to economic development, affordable housing, and community services; however, there is a high level of competition for the available opportunities.

SCOPE OF EVALUATION – MINNESOTA

Small business lending received the most weight in the analysis. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MINNESOTA

LENDING TEST

Choice Financial Group demonstrated adequate performance under the Lending Test in Minnesota. The bank’s combined performance in all criteria supports this conclusion.

Lending Activity

Choice Financial Group’s lending activity reflects adequate responsiveness to the credit needs of the Minneapolis-St. Paul Assessment Area. Specifically, the bank originated or purchased 238 small business and home mortgage loans totaling \$84.2 million in 2023. This accounts for 13.4 percent of the loans reviewed, by number, in 2023. In comparison, 68.6 percent of the bank’s deposits were from the assessment area, while 22.2 percent of the offices operate in the assessment area. While its 2023 lending activity was significantly lower than its deposits, a significant majority of these deposits are nation-wide deposit accounts through third parties and are not actual deposits from residents/businesses in the assessment area. After excluding these deposits, examiners determined that 37.6 percent of the bank’s core deposits were from the assessment area.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment area, which is consistent with the bank’s small business lending performance. While the bank’s home mortgage lending performance was adequate, it received less weight in the analysis.

Small Business Loans

As illustrated in the table below, the geographic distribution of small business loans reflects good penetration throughout the assessment area when compared to aggregate data.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.1	3.4	13	4.3	5,190	5.3
Moderate	17.7	16.5	49	16.2	13,614	13.9
Middle	43.4	44.6	116	38.4	42,271	43.1
Upper	34.0	34.8	122	40.4	36,138	36.9
Not Available	0.8	0.7	2	0.7	794	0.8
Totals	100.0	100.0	302	100.0	98,007	100.0
Source: 2022 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Home Mortgage Loans

As depicted in the table below, the geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area when compared to aggregate data. While the bank’s lending performance in moderate-income census tracts lags aggregate data, bank management noted that the bank only has one mortgage lender for the assessment area and that the market is very competitive. Management added that home mortgage lending is not a credit focus in the assessment area; rather, it is provided as a service to the bank’s existing customers. Further, home sales in the assessment area decreased in 2023 due to high interest rates and housing prices and a housing supply shortage. As a result, management noted that it was difficult for banks with a smaller presence to compete. Finally, the bank’s 2022 performance was comparable to aggregate data. Specifically, of the 57 home mortgage loans originated in the assessment area in 2022, 1 (1.8 percent) was in a low-income census tract and 10 (17.5 percent) were in moderate-income census tracts. The 2022 aggregate data revealed that 2.9 percent and 16.8 percent of home mortgage loans were in low- and moderate-income census tracts, respectively.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.3	2.9	1	2.7	50	0.2
Moderate	16.2	16.7	2	5.4	894	4.4
Middle	49.6	49.1	15	40.5	9,273	46.0
Upper	31.8	31.1	19	51.4	9,949	49.3
Not Available	0.1	0.2	0	0.0	0	0.0
Totals	100.0	100.0	37	100.0	20,167	100.0

*Source: 2020 U.S. Census; Bank Data, 2023 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 retail customers of different income levels and business customers of different sizes, which is consistent with the bank’s small business and home mortgage lending performance.

Small Business Loans

As illustrated in the following table, 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 lending performance lags aggregate data, bank management stated that it was primarily due to small businesses still recovering from the Coronavirus pandemic. Management added that three commercial lenders left the bank after the last evaluation, which affected loan production. However, the bank has since hired a new lender with the goal of expanding its small business portfolio. Management also noted that the assessment area is highly competitive for financial services. Finally, borrower revenues were not available for 13.9 percent of the small business loans originated, which somewhat skews the data. Of the 42 loans without revenues, 64 percent were loans below \$250,000 and 36 percent were below \$100,000. In addition, D&B data shows that 88 percent of the businesses with revenues of \$1 million or less have revenues

of less than \$500,000. Smaller businesses generally require smaller loans, and these factors indicate the bank’s willingness to serve the needs of smaller businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	89.7	50.0	93	30.8	19,184	19.6
>\$1,000,000	3.6	--	167	55.3	69,646	71.1
Revenue Not Available	6.7	--	42	13.9	9,177	9.4
Totals	100.0	100.0	302	100.0	98,007	100.0
<i>Source: 2022 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

As shown in the table below, the distribution of borrowers reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers, when compared to aggregate data. While the bank’s lending performance to low- and moderate-income borrowers lags aggregate data, 5.1 percent of families in the assessment area are below the poverty level and likely would not qualify for a home mortgage loan, especially considering that the median home sale price is \$368,000. Further, borrower incomes were not available for 24.3 percent of the home mortgage loans originated, which somewhat skews the data. A review of these loans revealed that 67 percent were for less than \$300,000.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.5	11.0	2	5.4	290	1.4
Moderate	18.0	25.8	5	13.5	1,321	6.6
Middle	22.9	23.1	3	8.1	786	3.9
Upper	39.6	26.9	18	48.6	13,699	67.9
Not Available	0.0	13.1	9	24.3	4,071	20.2
Totals	100.0	100.0	37	100.0	20,167	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Community Development Loans

Choice Financial Group has made a relatively high level of community development loans in the assessment area. The bank originated 30 community development loans totaling \$89.7 million in the assessment area, as well as four loans totaling \$4.3 million that benefited the broader statewide area. Most of the community development loans promoted economic development. Finally, the level of community development lending is similar to the prior evaluation when the bank made 33 loans totaling \$87.3 million.

INVESTMENT TEST

Choice Financial Group demonstrated good performance under the Investment Test in Minnesota, which is primarily supported by its Investment and Grant Activity performance.

Investment and Grant Activity

Choice Financial Group has a significant level of qualified community development investments and grants in the assessment area. Specifically, the bank made 35 qualified investments totaling \$13.3 million in the assessment area, as well as 5 investments totaling \$10,000 that benefited the broader statewide area. Five investments were prior period investments totaling \$7.0 million, 3 were newly purchased investments totaling \$4.6 million, and 32 were donations totaling \$1.7 million; these amounts do not include regional investments that benefitted the assessment area. Most of the qualified investments promoted affordable housing and economic development. Finally, the level of qualified investments increased from the prior evaluation, which included 35 qualified investments totaling \$2.4 million.

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits good responsiveness to credit and community economic development needs in the assessment area, which is reflected through its investments that support affordable housing, community services, and economic development.

Community Development Initiatives

Choice Financial Group occasionally uses innovative and/or complex investments to support community development initiatives in the Minnesota.

SERVICE TEST

Choice Financial Group demonstrated adequate performance under the Service Test in Minnesota. This is supported by the bank's performance in all areas.

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of the assessment area and are consistent with its overall performance. The Eagan and Roseville branches are located in moderate-income census tracts, the Bloomington branch is located in a middle-income census tract, and the Golden Valley branch is located in an upper-income census tract. Alternative delivery systems provide further access to banking services and are consistent with those discussed in the bank's 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 low- and moderate-income geographies and/or individuals.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, 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 the assessment area. Specifically, bank employees provided 25 instances of financial expertise or technical assistance to community development organizations in the assessment area, as well as 4 instances that benefitted the broader statewide area; this does not include regional activities that benefitted the assessment area. Further, all statewide activities benefitted the assessment area. Most of the community development services promoted community services and economic development. Finally, the number of community development services is similar to the prior evaluation, which included 22 community development services.

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: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH DAKOTA

Choice Financial Group maintains six assessment areas in North Dakota: Bismarck; Dickinson; Grafton; Grand Forks, ND-MN MSA; LaMoure; and Steel. As noted earlier, examiners analyzed the nonmetropolitan assessment areas (Dickinson, Grafton, LaMoure, and Steele) separately but combined and presented them as one due to similar performance. Finally, the bank operates 11 full-service offices in North Dakota. Details regarding the individual assessment areas are provided in subsequent sections.

SCOPE OF EVALUATION – NORTH DAKOTA

Small business lending received the most weight in the Bismarck Assessment Area and Grand Forks, ND-MN MSA, whereas small farm lending received the most weight in the North Dakota Nonmetropolitan Assessment Area. Home mortgage lending was given the least weight in all assessment areas. Further, the North Dakota Nonmetropolitan Assessment Area received the most weight when arriving at the State rating, whereas the Bismarck Assessment Area and Grand Forks, ND-MN MSA received less but equal weight. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH DAKOTA

LENDING TEST

Choice Financial Group demonstrated good performance under the Lending Test, which is consistent with its performance in all North Dakota assessment areas.

Lending Activity

Choice Financial Group's lending activity reflects excellent responsiveness to the credit needs in North Dakota. In 2023, the bank originated or purchased 1,251 small business, small farm, and home mortgage loans totaling \$213.6 million in this rated area. This accounts for 70.3 percent of the loans reviewed, by number, in 2023. In comparison, 23.8 percent of the bank's deposits were from the rated area, while 61.1 percent of the offices operate in North Dakota. Finally, Choice Financial Group is a key player in its North Dakota assessment areas.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment areas, which is consistent with the bank’s performance in most of the North Dakota assessment areas. While the Bismarck Assessment Area performance was excellent, this assessment area received less weight.

Borrower Profile

The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes, which is consistent with the bank’s performance in all North Dakota assessment areas.

Community Development Loans

Choice Financial Group has made a relatively high level of community development loans in North Dakota, which is consistent with its performance in the North Dakota Nonmetropolitan Assessment Area. While the bank’s performance in the Bismarck Assessment Area and Grand Forks, ND-MN MSA were adequate, these received less weight in the analysis. The bank originated 26 community development loans totaling \$50.5 million during the evaluation period, most of which promoted economic development. The level of community development lending significantly increased since the prior evaluation when the bank made 8 loans totaling \$10.6 million. The table below illustrates the bank’s community development lending activity by assessment area.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Bismarck	1	6,000	0	0	5	6,550	0	0	6	12,550
Grand Forks, ND-MN MSA	4	2,654	0	0	4	10,033	0	0	8	12,687
North Dakota Nonmetropolitan	1	500	0	0	4	14,501	6	8,599	11	23,600
Statewide Activities	1	1,645	0	0	0	0	0	0	1	1,645
Total	7	10,799	0	0	13	31,084	6	8,599	26	50,482

Source: Bank Data

INVESTMENT TEST

Choice Financial Group demonstrated adequate performance under the Investment Test in North Dakota, which is consistent with its performance in all 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. Specifically, the bank made 126 qualified investments totaling \$4.8 million, which does not include regional investments that benefitted the North Dakota assessment areas. The level of qualified investments increased from the prior evaluation, which included 74 qualified investments totaling \$3.3 million. The following table illustrates the bank’s qualified investment activity by assessment area.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Bismarck	4	621	3	82	1	2	0	0	8	705
Grand Forks, ND-MN MSA	1	1,492	13	40	0	0	3	18	17	1,550
North Dakota Nonmetropolitan	0	0	23	34	1	10	63	2,367	87	2,411
Statewide Activities	2	6	4	13	3	20	5	50	14	89
Total	7	2,119	43	169	5	32	71	2,435	126	4,755
<i>Source: Bank Data</i>										

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits good responsiveness to credit and community economic development needs in North Dakota.

Community Development Initiatives

Choice Financial Group occasionally uses innovative and/or complex investments to support community development initiatives in North Dakota.

SERVICE TEST

Choice Financial Group demonstrated good performance under the Service Test in North Dakota, which is primarily supported by the performance in the Nonmetropolitan North Dakota Assessment Area. While performance in the Bismarck Assessment Area and Grand Forks, ND-MN MSA was adequate, these areas received less weight when forming conclusions.

Accessibility of Delivery Systems

Choice Financial Group’s delivery systems are accessible to essentially all portions of the assessment areas in North Dakota, which is consistent with its overall performance. Furthermore, alternative delivery systems are consistent with those discussed in the bank’s overall performance.

Changes in Branch Locations

Choice Financial Group’s opening and closing of branches has 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 Bismarck Assessment Area portion of the evaluation for additional information.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain 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 a relatively high level of community development services in North Dakota. Specifically, bank employees provided 96 instances of financial expertise or technical assistance to community development organizations, which increased from 39 community development services at the prior evaluation; this does not include regional activities that benefitted the North Dakota assessment areas. Further, all statewide activities benefitted at least one of the North Dakota assessment areas. The table below illustrates the institution’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	4	4	3	0	11
Grand Forks, ND-MN MSA	0	11	0	0	11
North Dakota Nonmetropolitan	3	26	8	22	59
Statewide Activities	4	2	9	0	15
Total	11	43	20	22	96
<i>Source: Bank Data</i>					

BISMARCK ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN BISMARCK ASSESSMENT AREA

The Bismarck Assessment Area includes all of Burleigh County and the eastern portion of Morton County in North Dakota, which comprise a portion of the Bismarck, ND MSA. There were no changes to the assessment area since the previous evaluation. Per 2020 U.S. Census data, the assessment area consists of 3 moderate-, 19 middle-, and 2 upper-income census tracts. Finally, the bank operates its Bismarck office in this assessment area.

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)	24	0.0	12.5	79.2	8.3	0.0
Population by Geography	124,873	0.0	8.7	80.3	11.1	0.0
Housing Units by Geography	54,701	0.0	10.9	79.8	9.3	0.0
Owner-Occupied Units by Geography	34,870	0.0	8.2	78.7	13.1	0.0
Occupied Rental Units by Geography	15,448	0.0	15.2	82.5	2.3	0.0
Vacant Units by Geography	4,383	0.0	16.8	79.1	4.0	0.0
Businesses by Geography	16,655	0.0	10.7	77.9	11.3	0.0
Farms by Geography	701	0.0	6.4	80.2	13.4	0.0
Family Distribution by Income Level	31,924	17.8	18.0	25.4	38.7	0.0
Household Distribution by Income Level	50,318	22.8	16.3	19.5	41.4	0.0
Median Family Income MSA - 13900 Bismarck, ND MSA	\$93,359	Median Housing Value				\$257,478
		Median Gross Rent				\$906
		Families Below Poverty Level				4.3%
<i>Source: 2020 U.S. Census and 2023 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The table below illustrates the 2023 FFIEC-estimated median family income levels for the Bismarck, ND MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2023 (\$109,000)	<\$54,500	\$54,500 to <\$87,200	\$87,200 to <\$130,800	≥\$130,800
<i>Source: FFIEC</i>				

Competition

The Bismarck Assessment Area is highly competitive for financial services. Per 2024 FDIC Deposit Market Share data, 18 financial institutions operate 54 offices within Burleigh and Morton counties. Of these institutions, Choice Financial Group ranked 13th with 2.8 percent of the deposit market share. Further, there is a high level of demand and competition for home mortgage loans as 147 lenders reported 3,409 home mortgage loans in the assessment area in 2023, with Choice Financial Group ranking 20th with 1.4 percent of the market share by number. Finally, there is a high level of demand and competition for small business and small farm loans in the assessment

area as evidenced by the 2022 aggregate data, which revealed that 61 lenders reported 2,908 small business loans and 16 lenders reported 360 small farm loans. Of these institutions, Choice Financial Group ranked 6th with 4.4 percent of the small business loan market share and 2nd with 19.7 percent of the small farm loan market share by number.

Community Contact

Examiners reviewed a community contact previously conducted with a representative of an organization that promotes economic development in the assessment area. The contact stated that the area's economy is stable, but high interest rates have resulted in a decline in building permits. The contact added that businesses appear to be holding off on new projects until interest rates decrease. Per the contact, many industries are still affected by the labor shortage and supply chain issues. The contact noted that there is a very high level of competition between area financial institutions and that the financial institutions are meeting the area's credit needs. Lastly, the contact is not aware of any discriminatory practices by area financial institutions.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that commercial, agricultural, and home mortgage lending are all credit needs within the assessment area. The assessment area's community development needs primarily relate to economic development, affordable housing, and community services; however, there is a high level of competition for the available opportunities.

CONCLUSIONS ON PERFORMANCE CRITERIA IN BISMARCK ASSESSMENT AREA

LENDING TEST

Choice Financial Group demonstrated good performance under the Lending Test in the Bismarck Assessment Area. The bank's combined performance in all criteria supports this conclusion.

Lending Activity

Choice Financial Group's lending activity reflects good responsiveness to the credit needs of the assessment area. Specifically, the bank originated or purchased 180 small business, small farm, and home mortgage loans totaling \$44.9 million in 2023. This accounts for 10.1 percent of the loans reviewed, by number, in 2023. In comparison, 3.7 percent of the bank's deposits were from the assessment area, while 5.6 percent of the offices operate in the assessment area. Further, Choice Financial Group ranked 6th and 2nd in market share for small business and small farm loans in the assessment area, respectively.

Geographic Distribution

The geographic distribution of loans reflects excellent penetration throughout the assessment area, which is consistent with the bank's small business performance. While the bank's home mortgage lending performance was good and small farm lending performance was adequate, these products received less weight in the analysis.

Small Business Loans

As illustrated in the following table, the geographic distribution of small business loans reflects excellent penetration throughout the assessment area when compared to aggregate data.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	10.9	13.8	24	19.0	4,714	17.6
Middle	78.3	74.4	86	68.3	20,843	77.8
Upper	10.7	11.9	16	12.7	1,231	4.6
Totals	100.0	100.0	126	100.0	26,788	100.0
<i>Source: 2022 D&B Data; Bank Data; 2022 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. While none of the bank’s 53 small farm loans were originated in moderate-income census tracts in 2022, these census tracts are primarily commercial areas within city limits. Further, the bank’s performance is comparable to aggregate data, which illustrates that 1.9 percent of small farm loans were to farms located in moderate-income census tracts.

Home Mortgage Loans

As depicted in the table below, 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						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	8.2	7.2	2	5.3	364	1.7
Middle	78.7	79.8	35	92.1	20,792	96.6
Upper	13.1	13.0	1	2.6	366	1.7
Totals	100.0	100.0	38	100.0	21,522	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2023 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 retail customers of different income levels and business customers of different sizes, which is consistent with the bank’s small business and home mortgage lending performance. While the bank’s small farm lending performance was excellent, it received less weight in the analysis.

Small Business Loans

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

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	86.4	54.5	68	54.0	11,909	44.5
>\$1,000,000	3.7	--	36	28.6	11,648	43.5
Revenue Not Available	9.9	--	22	17.5	3,231	12.1
Totals	100.0	100.0	126	100.0	26,788	100.0

*Source: 2022 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

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, which is depicted in the table below.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	97.9	75.4	46	86.8	5,040	87.3
>\$1,000,000	1.1	--	1	1.9	215	3.7
Revenue Not Available	1.0	--	6	11.3	516	8.9
Totals	100.0	100.0	53	100.0	5,771	100.0

*Source: 2022 D&B Data; Bank Data; 2022 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 good penetration among individuals of different income levels, including low- and moderate-income borrowers, when compared to aggregate data. While the bank's performance slightly lags aggregate data, income information was not available for 18.4 percent of the institution's home mortgage loans, which somewhat skews the data. Further, the bank's 2022 performance was comparable to aggregate data. Specifically, of the 60 home mortgage loans originated in the assessment area in 2022, 8 (13.3 percent) were to low-income borrowers and 14 (23.3 percent) were to moderate-income borrowers. The 2022 aggregate data revealed that 9.6 percent and 21.7 percent of home mortgage loans were to low- and moderate-income borrowers, respectively.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	17.8	9.2	2	5.3	260	1.2
Moderate	18.0	21.2	6	15.8	1,516	7.0
Middle	25.4	24.4	6	15.8	2,030	9.4
Upper	38.7	31.1	17	44.7	5,843	27.1
Not Available	0.0	14.2	7	18.4	11,873	55.2
Totals	100.0	100.0	38	100.0	21,522	100.0

*Source: 2020 U.S. Census; Bank Data, 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Community Development Loans

Choice Financial Group has made an adequate level of community development loans in the assessment area. Specifically, the bank originated six community development loans totaling \$12.6 million during the evaluation period that promoted affordable housing and economic development. The level of community development lending increased as the bank did not originate any loans at the prior evaluation.

INVESTMENT TEST

Choice Financial Group demonstrated adequate performance under the Investment Test in the Bismarck Assessment Area, which is primarily supported by its Investment and Grant Activity performance.

Investment and Grant Activity

Choice Financial Group has an adequate level of qualified community development investments and grants in the assessment area. Specifically, the bank made 8 qualified investments totaling \$705,000, of which 2 were prior period investments totaling \$618,000 and 6 were donations totaling \$87,000. Most of the qualified investments promoted affordable housing. Finally, the level of qualified investments is similar to the prior evaluation, which included 13 qualified investments totaling \$695,000.

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits good responsiveness to credit and community economic development needs in the assessment area, which is reflected through its investments that support affordable housing and community services.

Community Development Initiatives

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

SERVICE TEST

Choice Financial Group demonstrated adequate performance under the Service Test in the Bismarck Assessment Area. The bank's combined performance in all criteria supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of the assessment area and are consistent with its overall performance. The sole branch and ATM are located in a middle-income census tract but in close proximity to the moderate-income census tracts. Alternative delivery systems provide further access to banking services and are consistent with those discussed in the bank's overall performance.

Changes in Branch Locations

Choice Financial Group'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. The bank closed a Bismarck branch located in a middle-income census tract in December 2022. The bank also relocated its remaining Bismarck branch from a middle-income census tract to another middle-income census tract in January 2024.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, 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 the assessment area. Specifically, bank employees provided 11 instances of financial expertise or technical assistance to community development organizations, which promoted community services, affordable housing, and economic development. Finally, the number of community development services slightly increased from the prior evaluation, which included 3 community development services.

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

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

This assessment area includes Grand Forks County in North Dakota and Polk County in Minnesota, which comprise the Grand Forks, ND-MN MSA. There were no changes to the assessment area since the previous evaluation. Per 2020 U.S. Census data, the MSA consists of 1 low-, 7 moderate-, 17 middle-, and 6 upper-income census tracts, as well as 1 census tract without an income designation. The bank operates its two Grand Forks offices in the MSA.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the MSA.

Demographic Information of the Grand Forks, ND-MN MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	32	3.1	21.9	53.1	18.8	3.1
Population by Geography	104,362	2.3	18.3	53.1	24.0	2.3
Housing Units by Geography	48,287	1.5	19.0	56.4	20.2	2.9
Owner-Occupied Units by Geography	23,975	0.0	11.2	58.6	27.8	2.4
Occupied Rental Units by Geography	19,423	2.9	30.1	48.8	14.2	4.0
Vacant Units by Geography	4,889	3.3	12.6	75.9	7.2	0.9
Businesses by Geography	10,288	0.4	19.9	51.3	26.6	1.7
Farms by Geography	962	0.0	4.3	76.9	18.4	0.4
Family Distribution by Income Level	23,352	22.1	15.7	22.9	39.3	0.0
Household Distribution by Income Level	43,398	25.0	15.0	16.9	43.0	0.0
Median Family Income MSA - 24220 Grand Forks, ND-MN MSA		\$82,257	Median Housing Value			\$187,351
			Median Gross Rent			\$815
			Families Below Poverty Level			7.5%

*Source: 2020 U.S. Census and 2023 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.*

The table below illustrates the 2023 FFIEC-estimated median family income levels for the Grand Forks, ND-MN MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2023 (\$94,200)	<\$47,100	\$47,100 to <\$75,360	\$75,360 to <\$113,040	≥\$113,040

Source: FFIEC

Competition

The Grand Forks, ND-MN MSA is highly competitive for financial services. Per 2024 FDIC Deposit Market Share data, 20 financial institutions operate 38 offices within the MSA. Of these institutions, Choice Financial Group ranked 6th with 6.0 percent of the deposit market share. Further, there is a high level of demand and competition for home mortgage loans as 151 lenders reported 2,288 home mortgage loans in the MSA in 2023, with Choice Financial Group ranking 20th with 1.3 percent of the market share by number.

Finally, there is a high level of demand and competition for small business and small farm loans in the MSA as evidenced by the 2022 aggregate data, which revealed that 54 lenders reported 2,169 small business loans and 18 lenders reported 606 small farm loans. Of these institutions, Choice Financial Group ranked 7th with 4.4 percent of the small business loan market share and 4th with 8.4 percent of the small farm loan market share by number.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that commercial, agricultural, and home mortgage lending are all credit needs within the MSA. The MSA's community development needs primarily relate to economic development, affordable housing, and community services; however, there is a high level of competition for the available opportunities.

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

LENDING TEST

Choice Financial Group demonstrated good performance under the Lending Test in the Grand Forks, ND-MN MSA. The bank's combined performance in all criteria supports this conclusion.

Lending Activity

Choice Financial Group's lending activity reflects good responsiveness to the credit needs of the MSA. Specifically, the bank originated or purchased 174 small business, small farm, and home mortgage loans totaling \$41.5 million in 2023. This accounts for 9.8 percent of the loans reviewed, by number, in 2023. In comparison, 5.4 percent of the bank's deposits were from the MSA, while 11.1 percent of the offices operate in the MSA. Further, Choice Financial Group ranked 7th and 4th in market share for small business loans and small farm loans in the MSA, respectively.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the MSA, which is consistent with the bank's small business and home mortgage lending performance. While the bank's small farm lending performance was adequate, it received less weight in the analysis.

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the MSA when compared to aggregate data, which is depicted in the following table. While the bank did not originate any small business loans in the sole low-income census tract, there are limited businesses operating in this census tract. Further, the bank's performance is comparable to aggregate data.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.4	0.1	0	0.0	0	0.0
Moderate	19.3	17.3	16	16.7	2,536	14.0
Middle	53.0	51.0	40	41.7	6,397	35.3
Upper	25.6	29.7	37	38.5	8,971	49.6
Not Available	1.7	1.9	3	3.1	199	1.1
Totals	100.0	100.0	96	100.0	18,103	100.0

*Source: 2022 D&B Data; Bank Data; 2022 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 MSA. While none of the bank's 51 small farm loans were originated in low- and moderate-income census tracts in 2022, these census tracts are primarily commercial areas within city limits and/or comprise the Grand Forks Air Force Base. Further, the bank's performance is comparable to aggregate data, which illustrates that 0.0 percent and 1.9 percent of small farm loans were to farms located in low- and moderate-income census tracts, respectively.

Home Mortgage Loans

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

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	11.2	12.5	4	14.8	11,393	58.5
Middle	58.6	53.8	14	51.9	3,918	20.1
Upper	27.8	31.9	7	25.9	2,081	10.7
Not Available	2.4	1.7	2	7.4	2,089	10.7
Totals	100.0	100.0	27	100.0	19,480	100.0

*Source: 2020 U.S. Census; Bank Data, 2023 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 retail customers of different income levels and business customers of different sizes, which is consistent with the bank's small business lending performance. While the bank's home mortgage lending performance was adequate and small farm lending performance was excellent, these received less weight in the analysis.

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, which is depicted in the table below.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	82.4	49.9	47	49.0	4,905	27.1
>\$1,000,000	4.7	--	33	34.4	9,665	53.4
Revenue Not Available	12.9	--	16	16.7	3,533	19.5
Totals	100.0	100.0	96	100.0	18,103	100.0
<i>Source: 2022 D&B Data; Bank Data; 2022 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, which is depicted in the table below.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	96.7	51.2	34	66.7	3,894	53.1
>\$1,000,000	2.6	--	16	31.4	3,401	46.3
Revenue Not Available	0.7	--	1	2.0	43	0.6
Totals	100.0	100.0	51	100.0	7,338	100.0
<i>Source: 2022 D&B Data; Bank Data; 2022 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 individuals of different income levels, including low- and moderate-income borrowers, when compared to aggregate data. While the bank's lending performance to moderate-income borrowers is less than aggregate data, borrower incomes were not available for 51.9 percent of the home mortgage loans originated, which significantly skews the data. A substantial majority of these loans were for investment purposes. Further, home mortgage lending is not a credit focus in the MSA, and the bank has not had a mortgage lender in the MSA since August 2023. Bank management also noted that high interest rates and housing prices resulted in decreased home mortgage lending opportunities, which intensified the already competitive market.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.1	7.4	2	7.4	186	1.0
Moderate	15.7	21.0	1	3.7	60	0.3
Middle	22.9	22.5	4	14.8	976	5.0
Upper	39.3	32.5	6	22.2	1,555	8.0
Not Available	0.0	16.7	14	51.9	16,703	85.7
Low	100.0	100.0	27	100.0	19,480	100.0

*Source: 2020 U.S. Census; Bank Data, 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Community Development Loans

Choice Financial Group has made an adequate level of community development loans in the MSA. Specifically, the bank originated eight community development loans totaling \$12.7 million during the evaluation period that promoted affordable housing and economic development. The level of community development lending increased since the prior evaluation, which reported four loans totaling \$5.3 million.

INVESTMENT TEST

Choice Financial Group demonstrated adequate performance under the Investment Test in the Grand Forks, ND-MN MSA, which is primarily supported by its Investment and Grant Activity performance.

Investment and Grant Activity

Choice Financial Group has an adequate level of qualified community development investments and grants in the MSA. Specifically, the bank made 17 qualified investments totaling \$1.6 million, of which one was a newly purchased investment totaling \$1.5 million and 16 were donations totaling \$87,000. Most of the qualified investments promoted affordable housing and community services. Finally, the level of qualified investments increased from the prior evaluation, which included 12 qualified investments totaling \$58,000.

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits good responsiveness to credit and community economic development needs in the MSA, which is reflected through its investments that support affordable housing and community services.

Community Development Initiatives

Choice Financial Group occasionally uses innovative and/or complex investments to support community development initiatives in the MSA.

SERVICE TEST

Choice Financial Group demonstrated adequate performance under the Service Test in the Grand Forks, ND-MN MSA. The bank's combined performance in all criteria supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of the MSA and are consistent with its overall performance. One of the branches and ATMs are located in a middle-income census tract, whereas the other branch and ATM are in an upper-income census tract. However, both branches are near low- and moderate-income census tracts. Alternative delivery systems provide further access to banking services and are consistent with those discussed in the bank's 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 low- and moderate-income geographies and/or individuals.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the MSA, 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 the MSA. Specifically, bank employees provided 11 instances of financial expertise or technical assistance to community development organizations, all of which promoted community services. The number of community development services slightly increased from the prior evaluation, which included 2 community development services.

NORTH DAKOTA NONMETROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH DAKOTA NONMETROPOLITAN ASSESSMENT AREA

The North Dakota Nonmetropolitan Assessment Area includes all of Billings, Cavalier, Dickey, Kidder, LaMoure, Pembina, Stark, and Walsh counties in North Dakota. A portion of Stutsman County was previously part of the assessment area; however, management removed it after the last evaluation due to declining activity. Per 2020 U.S. Census data, the assessment area consists of 3 moderate-, 23 middle-, and 2 upper-income census tracts. Further, 16 of the middle-income census tracts were designated as distressed and/or underserved throughout the evaluation period. Finally, the bank operates its Belfield, Dickinson, Ellendale, Grafton, LaMoure, Langdon, Steele, and Walhalla offices in this assessment area.

Economic and Demographic Data

The table below 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)	28	0.0	10.7	82.1	7.1	0.0
Population by Geography	67,188	0.0	9.7	76.6	13.7	0.0
Housing Units by Geography	33,800	0.0	10.8	78.5	10.7	0.0
Owner-Occupied Units by Geography	19,657	0.0	10.4	78.7	10.9	0.0
Occupied Rental Units by Geography	8,230	0.0	10.9	74.7	14.4	0.0
Vacant Units by Geography	5,913	0.0	12.1	83.2	4.7	0.0
Businesses by Geography	10,267	0.0	8.7	78.6	12.7	0.0
Farms by Geography	1,493	0.0	11.0	86.4	2.6	0.0
Family Distribution by Income Level	16,919	18.7	18.2	21.5	41.6	0.0
Household Distribution by Income Level	27,887	24.2	15.1	19.8	40.9	0.0
Median Family Income Non-MSAs - ND	\$82,366	Median Housing Value		\$166,912		
		Median Gross Rent		\$805		
		Families Below Poverty Level		6.4%		
<i>Source: 2020 U.S. Census and 2023 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.</i>						

The table below illustrates the 2023 FFIEC-estimated median family income levels for nonmetropolitan North Dakota.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2023 (\$95,700)	<\$47,850	\$47,850 to <\$76,560	\$76,560 to <\$114,840	≥\$114,840
<i>Source: FFIEC</i>				

Competition

The North Dakota Nonmetropolitan Assessment Area is relatively competitive for financial services, especially considering its rural nature. Per 2024 FDIC Deposit Market Share data, 23 financial institutions operate 56 offices within the assessment area. Of these institutions, Choice Financial Group ranked 1st with 17.2 percent of the deposit market share. Further, there is a high level of demand and competition for home mortgage loans as 128 lenders reported 1,408 home mortgage loans in the assessment area in 2023, with Choice Financial Group ranking 3rd with 5.5 percent of the market share by number.

Finally, there is a high level of demand and competition for small business and small farm loans in the assessment area as evidenced by the 2022 aggregate data, which revealed that 62 lenders reported 1,809 small business loans and 21 lenders reported 1,400 small farm loans. Of these institutions, Choice Financial Group ranked 1st with 15.7 percent and 39.8 percent of the small business and small farm loan market share by number, respectively.

Community Contact

Examiners reviewed a community contact previously conducted with a representative of an organization that is familiar with the assessment area's agricultural sector. The contact stated that the agricultural economy remains strong, and that agricultural lending is the area's primary credit need. The contact added that the drought conditions experienced in 2023 decreased crop yields in some areas, but the overall yields were still adequate. Per the contact, the strong agricultural economy has resulted in decreased loan demand; however, loan requests will likely increase during the operating season due to high input costs. The contact noted that local financial institutions are meeting the area's credit needs and that Choice Financial Group is an excellent institution to work with. Lastly, the contact is not aware of any discriminatory practices by area financial institutions.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that agricultural and commercial lending represent the primary credit needs in the assessment area. The assessment area's community development needs primarily relate to economic development, community services, and revitalization or stabilization.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH DAKOTA NONMETROPOLITAN ASSESSMENT AREA

LENDING TEST

Choice Financial Group demonstrated good performance under the Lending Test in the North Dakota Nonmetropolitan Assessment Area. The bank's combined performance in all criteria supports this conclusion.

Lending Activity

Choice Financial Group's lending activity reflects excellent responsiveness to the credit needs of the assessment area. Specifically, the bank originated or purchased 897 small business, small farm, and home mortgage loans totaling \$127.2 million in 2023. This accounts for 50.4 percent of the loans reviewed, by number, in 2023. In comparison, 14.7 percent of the bank's deposits were from the assessment area, while 44.4 percent of the offices operate in the assessment area. Further, Choice Financial Group ranked 1st in market share for both small business and small farm loans in the assessment area and 3rd in market share for home mortgage loans.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the Grafton Assessment Area, which is consistent with the bank's small business and small farm lending performance. While the bank's home mortgage lending performance was adequate, it received less weight in the analysis.

This criterion was not evaluated for the Dickinson and LaMoure assessment areas since these do not have any low- or moderate-income census tracts, nor was it evaluated for the Steele Assessment Area as it is comprised solely of a moderate-income census tract.

Small Business Loans

As illustrated in the table below, the geographic distribution of small business loans reflects good penetration throughout the Grafton Assessment Area when compared to aggregate data.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	15.7	15.2	19	11.4	2,689	13.4
Middle	84.3	84.8	148	88.6	17,435	86.6
Totals	100.0	100.0	167	100.0	20,124	100.0
<i>Source: 2022D&B Data; Bank Data; 2022 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 Grafton Assessment Area when compared to aggregate data, which is depicted in the table below.

Geographic Distribution of Small Farm Loans						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	5.8	7.3	14	6.4	2,852	7.1
Middle	94.2	92.7	206	93.6	37,168	92.9
Totals	100.0	100.0	220	100.0	40,020	100.0
<i>Source: 2022 D&B Data; Bank Data; 2022 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 geographic distribution of home mortgage loans reflects adequate penetration throughout the Grafton Assessment Area when compared to aggregate data. While the bank’s lending performance in moderate-income census tracts lags aggregate data, it is comparable to census data. Further, the bank’s 2022 performance was comparable to aggregate data. Specifically, of the 65 home mortgage loans originated in the Grafton Assessment Area in 2022, 7 (20.0 percent) were in moderate-income census tracts. The 2022 aggregate data revealed that 25.5 percent of home mortgage loans were in moderate-income census tracts. Finally, home mortgage lending is not a credit focus in the Grafton Assessment Area, nor does the bank have a mortgage lender in this market.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	16.2	24.3	4	12.5	512	10.6
Middle	83.8	75.7	28	87.5	4,333	89.4
Totals	100.0	100.0	32	100.0	4,845	100.0

*Source: 2020 U.S. Census; Bank Data, 2023 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 retail customers of different income levels and business customers of different sizes, which is consistent with the bank's small business and home mortgage lending performance. While the bank's small farm lending performance was excellent and received the most weight in the analysis, it did not warrant overall excellent performance.

Small Business Loans

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

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	84.5	51.9	145	51.1	13,836	36.0
>\$1,000,000	3.9	--	83	29.2	21,461	55.9
Revenue Not Available	11.6	--	56	19.7	3,121	8.1
Totals	100.0	100.0	284	100.0	38,418	100.0

*Source: 2022 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

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, which is depicted in the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	98.0	63.3	434	77.9	61,139	75.9
>\$1,000,000	1.4	--	67	12.0	14,449	17.9
Revenue Not Available	0.6	--	56	10.1	4,942	6.1
Totals	100.0	100.0	557	100.0	80,530	100.0

Source: 2022 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

As depicted in the table below, the distribution of borrowers reflects good penetration among individuals of different income levels, including low- and moderate-income borrowers, when compared to aggregate data. As noted earlier, examiners did not analyze home mortgage loans in the LaMoure and Steele assessment areas since it is not a lending focus and there is limited demand for this product in these areas. Therefore, the table only includes loans originated in the Dickinson and Grafton assessment areas.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	18.3	7.5	5	9.1	298	2.4
Moderate	18.2	20.4	10	18.2	1,289	10.6
Middle	20.8	22.4	6	10.9	965	7.9
Upper	42.6	30.5	27	49.1	7,542	61.9
Not Available	0.0	19.2	7	12.7	2,091	17.2
Totals	100.0	100.0	55	100.0	12,185	100.0

Source: 2020 U.S. Census; Bank Data, 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Community Development Loans

Choice Financial Group has made a relatively high level of community development loans in the assessment area. Specifically, the bank originated 11 community development loans totaling \$23.6 million during the evaluation period that promoted affordable housing, revitalization or stabilization, and economic development. The level of community development lending significantly increased since the prior evaluation, which reported 4 loans totaling \$5.3 million.

INVESTMENT TEST

Choice Financial Group demonstrated adequate performance under the Investment Test in the North Dakota Nonmetropolitan Assessment Area, which is primarily supported by its Investment and Grant Activity performance.

Investment and Grant Activity

Choice Financial Group has an adequate level of qualified community development investments and grants in the assessment area. Specifically, the bank made 87 qualified investments totaling \$2.4 million, of which 8 were prior period investments totaling \$2.1 million and 79 were donations totaling \$355,000. Most of the qualified investments promoted revitalization or stabilization. Finally, the level of qualified investments is similar to the prior evaluation, which included 49 qualified investments totaling \$2.6 million.

Responsiveness to Credit and Community Development Needs

Choice Financial Group exhibits good responsiveness to credit and community economic development needs in the assessment area, which is reflected through its investments that support economic development, community services, and revitalization or stabilization.

Community Development Initiatives

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

SERVICE TEST

Choice Financial Group demonstrated good performance under the Service Test in the North Dakota Nonmetropolitan Assessment Area. The bank's combined performance in all criteria supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of the assessment area and are consistent with its overall performance. The Grafton and Steele branches and ATMs are located in moderate-income census tracts, whereas the Belfield branch, Dickinson branch and ATM, Ellendale branch and ATM, LaMoure branch and ATM, Langdon branch and ATM, and Walhalla branch are located in middle-income census tracts. Further, the Ellendale, LaMoure, Langon, and Walhalla branches and ATMs are located in distressed and/or underserved census tracts. Finally, alternative delivery systems provide further access to banking services and are consistent with those discussed in the bank's 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 low- and moderate-income geographies and/or individuals.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, 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 a relatively high level of community development services in the assessment area. Specifically, bank employees provided 59 instances of financial expertise or technical assistance to community development organizations, most of which promoted community services and revitalization or stabilization. Finally, the number of community development services increased from the prior evaluation, which included 34 community development services.

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	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
MINNESOTA	Low Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
NORTH DAKOTA	High Satisfactory	Low Satisfactory	High 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.