

Competition

The AA has a moderate level of competition for financial services. According to the June 30, 2023, FDIC Deposit Market Share Report, 13 financial institutions operate 35 branch offices in the AA. Of these institutions, FB ranked 6th with a deposit market share of 3.0 percent. Of the institutions operating in the AA, one national and two statewide banks hold a substantial majority of deposits in the AA. These three institutions hold 75.6 percent of all deposits in the AA.

Community Contacts

Examiner conducted a community contact interview with a representative from a business and labor group familiar with the AA. The information obtained from the interview helps determine whether local financial institutions are responsive to the credit needs of the AA. The individual indicated that economic conditions are generally stable. The AA has a strong mix of individuals of different ages and incomes. The representative noted that affordable housing is a credit need in the AA, as many service employees need to commute in from more affordable areas to work in the area and limited stock is available for purchase. The representative noted that increasing interest rates and building costs has slowed down local construction and compounded the need for more affordable housing units. Overall, the number of small businesses in the area has been increasing slowly but there has been small business turnover given the seasonal economy and rising costs to start a new business in the area. The representative noted that banks are working with the community and generally responsive to the credit needs of the community.

Credit Needs

Considering the information obtained from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and small business loans represent the greatest credit needs in the AA.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated October 29, 2018, to the current evaluation date of June 24, 2024. Examiners used the Interagency Small Institution CRA Examination Procedures to evaluate FB's CRA performance.

Activities Reviewed

Examiners determined that FB's major product lines are small business and home mortgage based on the bank's strategy, loan portfolio composition, and lending activity during the evaluation period. Examiners did not evaluate small farms loans as it was not a major product line for the bank. Based on activity by number and dollar volume, small business lending contributes the most weight to overall conclusion. Examiner reviewed and presented two years of home mortgage lending

activity given the bank's limited home mortgage lending activity in 2023. Further, to be consistent with analyzation and presentation of home mortgage lending, two years of small business lending will be presented.

For the Lending Test, examiners reviewed the entire universe of loans originated or renewed in 2022 and 2023 to evaluate AA concentration. This universe included 60 small business loans totaling \$12.3 million in 2022 and 89 small business loans totaling \$20.2 million in 2023. The home mortgage lending universe included 24 home mortgage loans totaling \$10.8 million in 2022 and 7 loans totaling \$2.6 million in 2023.

For Geographic Distribution of small business loans, examiners reviewed all loans originated or renewed within the AA. For Borrower Profile of small business loans, examiners used a sample of loans located within the AA. The sample reviewed 36 loans totaling \$8.9 million in 2022 and 41 loans totaling \$9.7 million in 2023. For Geographic Distribution and Borrower Profile of home mortgage, examiners reviewed all loans originated or renewed within the AA; therefore, no sampling was conducted for home mortgage lending due to the total volume of originations.

Examiners compared the bank's small business and home mortgage performance under Geographic Distribution criterion to the percent of owner-occupied housing units and businesses within the bank's AA. Examiners compared the bank's small business and home mortgage performance under the Borrower Profile criterion to the percent of families that are LMI and businesses that have gross annual revenues (GARs) of \$1 million or less within the AA. The 2020 U.S. Census and 2022 and 2023 D&B data were used for comparisons. While the number and dollar volume of loans are presented, greater weight is given to lending performance by number, because it is a better indicator of the number of businesses and individuals served in the community.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FB's "Satisfactory" rating in Lending Test is supported by a reasonable LTD ratio, a substantial majority of loans originated within the AA, a reasonable dispersion of loans throughout the AA, and a reasonable penetration of loans among individuals of different income levels and business of different sizes.

Loan-to-Deposit Ratio

FB's LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's net LTD ratio, calculated from Call Report data, averaged 88.7 percent over the previous 22 calendar quarters, from December 31, 2018, to March 31, 2023. The ratio ranged from a low of 73.0 percent as of December 31, 2021, to a high of 103.7 percent as of June 30, 2020. The ratio increased slightly since the prior evaluation, when the net LTD ratio averaged 88.1 percent for a period of 24 calendar quarters.

Examiners identified similarly-situated institutions considering asset size, lending focus, and operations in the bank’s AA. The bank’s LTD ratio is above two similarly-situated institutions. The following table details the LTD ratios.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 3/31/2024 (\$000s)	Average Net LTD Ratio (%)
Freedom Bank	124,789	88.7
Similarly-Situated Institution #1	203,123	75.2
Similarly-Situated Institution #2	311,471	79.8
<i>Source: Call Report 12/31/2018 – 3/31/2024</i>		

Assessment Area Concentration

A substantial majority of loans are in the bank’s AA. The following table shows the distribution of small business and home mortgage loans by both number and dollar volume during the evaluation period.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2022	58	96.7	2	3.3	60	11,661	94.6	664	5.4	12,325
2023	76	85.4	13	14.6	89	17,242	85.2	3,000	14.8	20,242
Subtotal	134	89.9	15	10.1	149	28,903	88.7	3,664	11.3	32,567
Home Mortgage										
2022	22	91.7	2	8.3	24	9,207	85.2	1,600	14.8	10,807
2023	6	85.7	1	14.3	7	2,231	85.3	386	14.7	2,617
Subtotal	28	90.3	3	9.7	31	11,438	85.2	1,986	14.8	13,424
Total	162	90.0	18	10.0	180	40,342	87.7	5,650	12.3	45,991
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The distribution of FB’s loans reflects reasonable dispersion throughout the AA. Examiners based performance on the distribution of loans in moderate-income CTs only, as the AA does not contain any low-income CTs.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. Given the percentage of businesses located in LMI CTs, the bank has limited opportunities to lend to businesses located in those areas. As shown in the table below, the bank’s small business

lending in moderate-income CTs exceeded the demographic comparison in 2022 and was slightly below the demographics in 2023.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2022	1.8	5	8.6	774	6.6
2023	4.1	1	1.3	19	0.1
Middle					
2022	82.4	37	63.8	5,266	45.2
2023	81.2	57	75.0	13,035	75.6
Upper					
2022	15.7	16	27.6	5,621	48.2
2023	14.7	18	23.7	4,188	24.3
Total					
2022	100.0	58	100.0	11,661	100.0
2023	100.0	76	100.0	17,242	100.0
<i>Source: 2022, 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. As shown in the table below, the bank’s home mortgage lending in moderate-income CTs was in line with demographic comparisons in 2022. Of note, the bank did not make a loan in a moderate-income CT in 2023; however, the bank only made six home mortgage loans within the AA in 2023. This means the bank would need to make less than one loan in a moderate CT to exceed the demographic comparison.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate					
2022	4.9	1	4.5	54	0.6
2023	4.9	0	0.0	0	0.0
Middle					
2022	71.8	14	63.6	4,057	44.1
2023	71.8	5	83.3	2,203	98.7
Upper					
2022	23.3	7	31.8	5,097	55.4
2023	23.3	1	16.7	29	1.3
Total					
2022	100.0	22	100.0	9,207	100.0
2023	100.0	6	100.0	2,231	100.0
<i>Source: 2020 U.S. Census Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and businesses of different sizes.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different revenue sizes. Although the bank's distribution of small business loans is less than the demographic comparison, considering the performance context, this performance is reasonable. While not used as a direct comparison, the aggregate lending levels indicates the demand is significantly below the demographic level. FB is not required to report small business loans; therefore, examiners did not compare the bank's 2022 and 2023 performance to 2022 aggregate data. However, the data is generally indicative of the relatively lower volume lending activity. In 2022, the aggregate percentage of small businesses indicates only 51.7 percent of small business loans went to businesses with GARs of \$1 million or less in the AA, which is significantly less than the percentage of businesses in the AA with GARs of \$1 million or less. The data suggests a lower volume of credit needs for small businesses in this revenue category. Examiners focused on the percentage of small business loans made to businesses with GARs of \$1 million or less by the number of loans, as detailed in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2022	95.2	23	63.9	4,828	54.4
2023	96.3	21	51.2	3,761	38.8
> \$1,000,000					
2022	1.4	8	22.2	3,092	34.8
2023	1.0	15	36.6	5,046	52.1
Revenue Not Available					
2022	3.3	5	13.9	959	10.8
2023	2.7	5	12.2	878	9.1
Total					
2022	100.0	36	100.0	8,879	100.0
2023	100.0	41	100.0	9,685	100.0
<i>Source: 2022, 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. Although the bank’s lending to low-income individuals was below the demographic comparison in 2022 but increased to above demographic in 2023, considering the performance context, this distribution is reasonable. The AA consists of 6.2 percent of families that are below the AA poverty level, which indicates a reduced capacity to borrowers. Further, the median housing value in the AA is more than four times the median family income, which further constrains opportunities for LMI individuals, and particularly low-income individuals to purchase homes. Additionally, the bank’s 2022 lending in moderate-income CTs exceeded the demographic comparisons, which also represents reasonable performance. Examiners focused on the percentage of home mortgage loans made to LMI individuals by number of loans, as detailed by the following table.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2022	18.3	2	9.1	215	2.3
2023	18.3	3	50.0	305	13.7
Moderate					
2022	18.5	5	22.7	435	4.7
2023	18.5	0	0.0	0	0.0
Middle					
2022	23.5	3	13.6	1,039	11.3
2023	23.5	1	16.7	195	8.8
Upper					
2022	39.7	9	36.4	6,093	66.2
2023	39.7	1	16.7	430	19.3
Income Not Available					
2022	0.0	4	18.2	1,426	15.5
2023	0.0	1	16.7	1,301	58.3
Total					
2022	100.0	22	100.0	9,207	100.0
2023	100.0	6	100.0	2,231	100.0
<i>Source: 2020 U.S. Census Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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