

# **PUBLIC DISCLOSURE**

February 28, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank Forward  
Certificate Number: 8941

5650 37<sup>th</sup> Avenue South  
Fargo, North Dakota 58104

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

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- The bank originated a substantial majority of its small farm, small business, and home mortgage loans in its assessment areas.
- The geographic distribution of loans reflects reasonable dispersion through the assessment areas.
- The distribution of borrowers reflects reasonable penetration among farms and business of different revenue sizes and individuals of different income levels.
- The bank did not receive any Community Reinvestment Act (CRA)-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Satisfactory.**

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

## DESCRIPTION OF INSTITUTION

Bank Forward is wholly-owned by Security State Bank Holding Company, a one-bank holding company, located in Fargo, North Dakota. The institution received a CRA rating of “Satisfactory” at its previous FDIC Performance Evaluation, dated February 11, 2019, based on Interagency Intermediate Small Institution Examination Procedures.

Bank Forward’s main office was relocated from Hannaford, North Dakota, to Fargo in January 2022. The bank also operates 11 branch offices in North Dakota and Minnesota. Since the prior evaluation, the institution opened new branches in Fargo and Grand Forks, North Dakota, and subsequently closed a branch in Fargo and two branches in Grand Forks. No merger or acquisition activities occurred since the previous evaluation.

The institution offers a variety of loan products, including agricultural, commercial, and home mortgage loans. The primary lending focus continues to be agricultural lending followed by commercial and home mortgage lending. The bank participates in various government-sponsored loan programs, such as those through the Farm Service Agency, Small Business Administration (SBA), and Bank of North Dakota. In 2020 and 2021, the bank also originated a significant number of loans through the SBA’s Paycheck Protection Program (PPP), which assisted farm and business operators struggling with the impact of the COVID-19 pandemic. Further, the bank originates and sells home mortgage loans on the secondary market. Specifically, in 2020 and 2021, the bank originated and sold 412 home mortgage loans totaling approximately \$92.5 million and 279 home mortgage loans totaling approximately \$58.1 million, respectively. The institution also provides a variety of deposit services, including checking, savings, and certificates of deposit. Alternative banking services include internet and mobile banking, electronic periodic statements, person-to-person payments, five cash-dispensing ATMs, and four deposit-taking ATMs. Furthermore, the institution operates three wholly owned subsidiaries: Insure Forward, Invest Forward, and Tax Forward.

As of December 31, 2021, Bank Forward reported total assets of \$873,139,000; total loans of \$648,350,000; and total deposits of \$766,246,000. The following table illustrates the bank’s loan portfolio as of that date.

<b>Loan Portfolio Distribution as of 12/31/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	97,619	15.0
Secured by Farmland	116,431	18.0
Secured by 1-4 Family Residential Properties	74,575	11.5
Secured by Multifamily (5 or more) Residential Properties	45,163	7.0
Secured by Nonfarm Nonresidential Properties	114,941	17.7
<b>Total Real Estate Loans</b>	<b>448,729</b>	<b>69.2</b>
Commercial and Industrial Loans	45,817	7.1
Agricultural Production and Other Loans to Farmers	128,325	19.8
Consumer Loans	19,578	3.0
Obligations of State and Political Subdivisions in the U.S.	316	0.0
Other Loans	5,158	0.8
Lease Financing Receivable (net of unearned income)	427	0.1
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>648,350</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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.

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. The bank has designated four assessment areas, three in North Dakota and one in Minnesota. Therefore, the bank will receive State ratings for both North Dakota and Minnesota. The North Dakota assessment areas include the Nonmetropolitan North Dakota, Grand Forks, and Fargo assessment areas. The Nonmetropolitan Minnesota Assessment Area is the sole assessment area in Minnesota. The aforementioned assessment areas are discussed in further detail under the applicable State sections of this evaluation.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated February 11, 2019, to the current evaluation dated February 28, 2022. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Bank Forward's CRA performance. These procedures include the Lending Test and the Community Development Test. Refer to the Appendices for information on the performance criteria for each test. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates; however, community development services conducted on behalf of the bank's subsidiaries were considered as requested.

Examiners used full-scope examination procedures to assess the bank’s performance in all of the assessment areas. To assess overall performance, examiners gave greater weight to the bank’s performance in North Dakota, specifically the Nonmetropolitan North Dakota Assessment Area, since this is where the majority of activity occurs. The following table provides a breakdown of loans, deposits, and branches by assessment area. However, the following loan totals do not include loans that have been paid off, as this data was not readily available.

Assessment Area Breakdown of Loans, Deposits, and Branches								
Assessment Area	Loans				Deposits		Branches	
	#	% by #	\$(000s)	% by \$	\$(000s)	%	#	%
<b>North Dakota</b>	<b>4,620</b>	<b>80.0</b>	<b>581,316</b>	<b>90.3</b>	<b>635,168</b>	<b>86.4</b>	<b>10</b>	<b>83.3</b>
Nonmetropolitan North Dakota	3,591	62.2	317,092	49.2	525,649	71.5	8	66.7
Grand Forks	527	9.1	66,236	10.3	63,351	8.6	1	8.3
Fargo	502	8.7	197,988	30.8	46,168	6.3	1	8.3
<b>Minnesota</b>	<b>1,157</b>	<b>20.0</b>	<b>62,624</b>	<b>9.7</b>	<b>99,945</b>	<b>13.6</b>	<b>2</b>	<b>16.7</b>
Nonmetropolitan Minnesota	1,157	20.0	62,624	9.7	99,945	13.6	2	16.7
<b>Total</b>	<b>5,777</b>	<b>100.0</b>	<b>643,940</b>	<b>100.0</b>	<b>735,113</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>

*Source: Bank Data; FDIC Summary of Deposits (6/30/2021); Due to rounding, totals may not equal 100.0*

### **Activities Reviewed**

As noted earlier, the bank’s primary lending focus is agricultural lending, followed by commercial and home mortgage lending. This conclusion considered the bank’s business strategy, volume of loans originated during the evaluation period, and data from Reports of Condition and Income. Bank records and management indicated that the lending focus and product mix generally remained consistent throughout the evaluation period, with the exception of increased lending due to the PPP and increased demand for home mortgage lending due to low interest rates.

Paid off loan information was not readily available; therefore, examiners analyzed small farm and small business loans originated within the most recent 12-month period ending December 21, 2021, using data from the bank’s loan download. Small farm loans were only reviewed in the Nonmetropolitan North Dakota Assessment Area since agricultural lending is not a major product line in the other assessment areas. Small business loans were reviewed for all four assessment areas. Examiners reviewed all small farm and small business loans to assess the bank’s performance under the Assessment Area Concentration criterion. Specifically, examiners reviewed 598 small farm loans totaling \$89.2 million and 314 small business loans totaling \$59.8 million. For the Geographic Distribution criterion, all small farm and small business loans located within the assessment areas were reviewed. For the Borrower Profile criterion, examiners reviewed a sample of small farm and small business loans made inside the assessment areas, as revenue information to evaluate the entire universe was not readily available. The samples included 63 small farm loans totaling \$8.8 million, and 151 small business loans totaling \$31.8 million. Samples were selected at the assessment area level to ensure the samples were large enough to draw meaningful conclusions. However, due to lower origination numbers, examiners reviewed the full universe of small business loans originated in the Nonmetropolitan Minnesota Assessment Area.

The 2021 D&B data provided a standard of comparison for the bank's small farm and small business lending performance. It should be noted that a number of loans were removed from the Lending Test and considered under the Community Development Test at the bank's request.

Examiners also considered all home mortgage loans reported on the bank's 2019 and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. Home mortgage lending was analyzed for all four assessment areas, which included 332 loans totaling \$79.3 million and 628 loans totaling \$187.9 million reported on the 2019 and 2020 HMDA Loan Application Registers, respectively. Aggregate lending data for 2019 and 2020 and the 2015 American Community Survey (ACS) data were used as comparisons for home mortgage loans. However, examiners placed greater weight on the comparisons to aggregate lending data, since this data is typically a better indicator of market conditions and loan demand in the assessment areas. Examiners did not identify any trends between the 2019 and 2020 HMDA data that materially affected conclusions. Therefore, this evaluation presents information for 2020, the most recent year for which aggregate data is available, for the Geographic Distribution and Borrower Profile criteria.

For the Lending Test, examiners reviewed the number and dollar volume of loans. While both the number and dollar volume of loans are presented, examiner emphasized performance by the number of loans because the number of loans is a better indicator of the number of farms, businesses, and individuals served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior evaluation. Furthermore, pre-existing and outstanding qualified investments were also considered.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Bank Forward demonstrated satisfactory performance under the Lending Test. The loan-to-deposit ratio, assessment area concentration, geographic distribution, and borrower profile performance support this conclusion. Further, the bank's overall performance is consistent with the conclusions for both North Dakota and Minnesota.

#### **Loan-to-Deposit Ratio**

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas. As shown in the following table, the institution's net loan-to-deposit ratio averaged 88.5 over the past 12 calendar quarters, which exceeds one of the comparable institutions and is commensurate with the others. Examiners selected comparable institutions based on their asset size, branching structure, geographic location, and lending focus.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2021 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Bank Forward, Fargo, North Dakota</b>	<b>873,139</b>	<b>88.5</b>
BankNorth, Arthur, North Dakota	489,804	99.8
United Valley Bank, Cavalier, North Dakota	599,110	78.7
American Federal Bank, Fargo, North Dakota	684,318	107.4
Border Bank, Fargo, North Dakota	875,918	89.7
<i>Source: Reports of Condition and Income 3/31/2019 – 12/31/2021</i>		

### **Assessment Area Concentration**

As detailed in the following table, Bank Forward made a substantial majority of its small farm, small business, and home mortgage loans within its assessment areas.

<b>Lending Inside and Outside of the Assessment Areas</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Farm	557	93.1	41	6.9	598	85,469	95.8	3,735	4.2	89,204
Small Business	272	86.6	42	13.4	314	49,916	83.5	9,858	16.5	59,774
Home Mortgage										
2019	273	82.2	59	17.8	332	62,639	79.0	16,672	21.0	79,311
2020	516	82.2	112	17.8	628	145,033	77.2	42,859	22.8	187,891
<b>Subtotal</b>	<b>789</b>	<b>82.2</b>	<b>171</b>	<b>17.8</b>	<b>960</b>	<b>207,672</b>	<b>77.7</b>	<b>59,531</b>	<b>22.3</b>	<b>267,203</b>
<b>Total</b>	<b>1,618</b>	<b>86.4</b>	<b>254</b>	<b>13.6</b>	<b>1,872</b>	<b>343,057</b>	<b>82.4</b>	<b>73,124</b>	<b>17.6</b>	<b>416,181</b>
<i>Source: Bank Data; Due to rounding, totals may not equal 100.0%</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. The bank's reasonable performance in North Dakota and Minnesota supports this conclusion. Examiners focused on the percentage of loans in the low- and moderate-income census tracts, as applicable. Detailed discussion of the bank's performance under this criterion is included in the rated areas and individual assessment areas sections of this evaluation.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. The bank's reasonable performance in North Dakota and Minnesota supports this conclusion. Examiners focused on the percentage of loans to farms and businesses with gross annual revenues of \$1 million or less and home mortgage loans to low- and moderate-income borrowers. Detailed discussion of the bank's performance



under this criterion is included in the rated areas and individual assessment areas sections of this evaluation.

### **Response to Complaints**

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

### **COMMUNITY DEVELOPMENT TEST**

Bank Forward's overall performance under the Community Development Test is Satisfactory. The institution demonstrated adequate responsiveness to the community development needs in its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities.

### **Community Development Loans**

Bank Forward originated 1,728 community development loans totaling \$71.1 million during the evaluation period. This includes 1,691 loans totaling \$51.6 million originated under the PPP related to the COVID-19 pandemic that qualified as community development loans. The volume of community development loans represents 8.2 percent of total assets and 11.1 percent of net loans as of December 31, 2021. When examiners exclude the PPP loans from the bank's analysis, the bank's performance represents 2.2 percent of total assets and 3.1 percent of net loans.

Examiners compared the bank's level of community development lending to three similarly situated institutions, which revealed that the bank's level of community development loans is reasonable in comparison to these institutions. Two of the similarly situated institutions' community development lending does not include PPP loans due to the timing of the data. These two institutions' community development loans ranged from 3.2 percent to 8.1 percent of total assets and 3.1 percent to 10.0 percent of net loans. The other similarly situated institution's community development lending, which included PPP loans, was 7.9 percent of total assets and 12.5 percent of net loans.

Since Bank Forward has been responsive to the community development needs of its assessment areas, the institution received credit for community development loans that benefited a broader statewide area, which are discussed under the applicable State section of the evaluation. The following tables show community development lending activity by assessment area and year.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Nonmetropolitan North Dakota	4	1,301	0	0	658	13,631	674	14,679	1,336	29,611
Grand Forks	1	1,605	0	0	79	7,632	18	2,304	98	11,541
Fargo	3	2,455	0	0	68	5,550	23	2,727	94	10,732
Nonmetropolitan Minnesota	0	0	0	0	77	9,884	20	409	97	10,293
Broader Statewide/Regional	2	414	0	0	101	8,539	0	0	103	8,953
<b>Total</b>	<b>10</b>	<b>5,775</b>	<b>0</b>	<b>0</b>	<b>983</b>	<b>45,236</b>	<b>735</b>	<b>20,119</b>	<b>1,728</b>	<b>71,130</b>

Source: Bank Data

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	1	700	0	0	0	0	7	239	8	939
2020	5	2,954	0	0	147	14,941	139	7,262	291	25,157
2021	3	516	0	0	836	30,295	589	12,618	1,428	43,429
YTD 2022	1	1,605	0	0	0	0	0	0	1	1,605
<b>Total</b>	<b>10</b>	<b>5,775</b>	<b>0</b>	<b>0</b>	<b>983</b>	<b>45,236</b>	<b>735</b>	<b>20,119</b>	<b>1,728</b>	<b>71,130</b>

Source: Bank Data

### **Qualified Investments**

Bank Forward made 104 qualified investments totaling \$5.7 million during the evaluation period. The volume of qualified investments represents 0.7 percent of total assets and 10.3 percent of total securities as of December 31, 2021. Of the 104 qualified investments, 12 investments totaling \$2.2 million were made during a prior evaluation period but were outstanding at the start of this evaluation. In addition, 83 qualified investments were donations totaling \$133,000. Examiners compared the bank's level of qualified investments to three similarly situated institutions. The similarly situated institutions' qualified investments ranged from 0.2 percent to 1.0 percent of total assets and 2.3 to 12.1 percent of total securities.

Since the institution has been responsive to the community development needs of its assessment areas, it received credit for qualified investments that were made in a broader statewide area, which are discussed under the applicable State section of the evaluation. The following tables show the bank's qualified investments by assessment area and year.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Nonmetropolitan North Dakota	1	1	20	10	0	0	36	2,040	57	2,051
Grand Forks	0	0	10	233	1	1	1	304	12	538
Fargo	0	0	8	30	0	0	3	900	11	930
Nonmetropolitan Minnesota	0	0	13	9	1	1	4	255	18	265
Broader Statewide/Regional	6	1,894	0	0	0	0	0	0	6	1,894
<b>Total</b>	<b>7</b>	<b>1,895</b>	<b>51</b>	<b>282</b>	<b>2</b>	<b>2</b>	<b>44</b>	<b>3,499</b>	<b>104</b>	<b>5,678</b>

Source: Bank Data

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	3	490	1	230	0	0	8	1,527	12	2,247
2019	1	150	0	0	0	0	0	0	1	150
2020	1	250	0	0	0	0	2	745	3	995
2021	1	1,004	0	0	0	0	4	1,149	5	2,153
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>6</b>	<b>1,894</b>	<b>1</b>	<b>230</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>3,421</b>	<b>21</b>	<b>5,545</b>
Qualified Grants & Donations	1	1	50	52	2	2	30	78	83	133
<b>Total</b>	<b>7</b>	<b>1,895</b>	<b>51</b>	<b>282</b>	<b>2</b>	<b>2</b>	<b>44</b>	<b>3,499</b>	<b>104</b>	<b>5,678</b>

Source: Bank Data

### **Community Development Services**

During the evaluation period, employees provided 42 instances of financial expertise or technical assistance to various community development-related organizations. This represents a significant decrease from the previous evaluation, at which time the bank provided 84 community development services. However, Bank Forward's activity is in line with two similarly situated institutions that provided 16 and 45 community development services. Management noted that the COVID-19 pandemic limited the level of opportunity for providing community development services. The following tables illustrate the bank's community development services by assessment area and year.

<b>Community Development Services by Assessment Area</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Nonmetropolitan North Dakota	3	14	3	14	<b>34</b>
Grand Forks	0	0	0	0	<b>0</b>
Fargo	0	0	0	1	<b>1</b>
Nonmetropolitan Minnesota	0	6	1	0	<b>7</b>
Broader Statewide/Regional	0	0	0	0	<b>0</b>
<b>Total</b>	<b>3</b>	<b>20</b>	<b>4</b>	<b>15</b>	<b>42</b>
<i>Source: Bank Data</i>					

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2019	1	13	2	4	<b>20</b>
2020	1	3	1	5	<b>10</b>
2021	1	4	1	6	<b>12</b>
YTD 2022	0	0	0	0	<b>0</b>
<b>Total</b>	<b>3</b>	<b>20</b>	<b>4</b>	<b>15</b>	<b>42</b>
<i>Source: Bank Data</i>					

In addition to community development services, the bank offers alternative banking services that are readily accessible throughout all assessment areas, including to low- and moderate-income individuals. These include services such as internet and mobile banking, bill pay, person-to-person payments, and electronic statements, among others. Further, the bank operates two branches and two ATMs in moderate-income census tracts and five branches and three ATMs (including one that accepts deposits) in distressed and underserved census tracts. It should also be noted that the institution operated one branch and one ATM in a low-income census tract until October 2021 and a third branch located in a moderate-income census tract until September 2019.

## **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.

## NORTH DAKOTA

### CRA RATING FOR NORTH DAKOTA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH DAKOTA

Bank Forward maintains three assessment areas in North Dakota: Nonmetropolitan North Dakota, Grand Forks, and Fargo assessment areas. The bank operates ten full-service offices and seven ATMs in North Dakota. Details for the individual assessment areas are provided in subsequent sections.

### SCOPE OF EVALUATION – NORTH DAKOTA

Examiners reviewed small farm lending in the Nonmetropolitan North Dakota Assessment Area and small business and home mortgage lending in all three North Dakota assessment areas. Small farm lending received greater weight when drawing conclusions as agricultural lending is the bank's primary lending focus, followed by small business and home mortgage lending. The Nonmetropolitan North Dakota Assessment Area received the most weight when arriving at the State rating. Refer to the overall Scope of Evaluation section for additional information.

### CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH DAKOTA

#### LENDING TEST

Bank Forward demonstrated satisfactory performance under the Lending Test in North Dakota. The bank's geographic distribution and borrower profile performance support this conclusion. Further, the bank's North Dakota performance is consistent with the conclusions for all three North Dakota assessment areas.

#### Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout North Dakota. Reasonable performance was noted in all three North Dakota assessment areas.

#### Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. Reasonable performance was noted in all three North Dakota assessment areas.

#### COMMUNITY DEVELOPMENT TEST

Bank Forward demonstrated adequate responsiveness to the community development needs in the North Dakota assessment areas through community development loans, qualified investments, and community services.

### **Community Development Loans**

The institution originated 1,590 community development loans totaling \$59.3 million in the North Dakota assessment areas and broader statewide area, which accounts for the majority of the bank's community development lending at 83.3 percent by dollar. This includes 1,560 PPP loans totaling \$44.3 million. The bank originated 62 PPP loans totaling \$7.4 million that benefited the broader statewide area and promoted economic development. Details regarding the level of community development lending activity for each assessment area within North Dakota are provided under the individual assessment area sections.

### **Qualified Investments**

The bank made 85 qualified investments totaling \$4.4 million in North Dakota, which represents 77.7 percent, by dollar, of all qualified investments. This includes 5 qualified investments totaling \$890,000 that promoted affordable housing in the broader statewide area. Of this, three were prior period investments totaling \$490,000 and two were current period investments totaling \$400,000. Details regarding the level of qualified investment activity for each assessment area within North Dakota are provided under the individual assessment area sections.

### **Community Development Services**

Bank representatives provided 35 instances of financial expertise or technical assistance to community development organizations in the North Dakota assessment areas, which is 83.3 percent of all community development services. Details regarding the level of community development services for each assessment area within North Dakota are provided under the individual assessment area sections.

## **NONMETROPOLITAN NORTH DAKOTA ASSESSMENT AREA – Full-Scope Review**

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

The Nonmetropolitan North Dakota Assessment Area is located in east central North Dakota and includes all 19 census tracts in Barnes, Eddy, Foster, Griggs, Lamoure, Sheridan, Steele, Stutsman, and Wells counties. The assessment area has not changed since the prior evaluation. According to 2015 ACS data, the assessment area includes 3 moderate-, 15 middle-, and 1 upper-income census tracts. The following census tracts were designated as distressed and underserved throughout the entire evaluation period: 9592 in Eddy County, 9596 in Foster County, 9686 in Griggs County, 9721 and 9722 in Lamoure County, 9687 in Steele County, and 9600 in Wells County. The bank continues to operate 8 bank locations in the following cities: Bowden, Carrington, Cooperstown, Hannaford, Jamestown, New Rockford, Valley City, and Wimbledon. The Valley City branch is located in a moderate-income census tract, while the other seven branches are located in middle-income census tracts. Lastly, the bank has three cash-dispensing ATMs in Carrington, Cooperstown, and Valley City and two deposit-taking ATMs in New Rockford and Jamestown, which began accepting deposits as of June and August 2020, respectively. The Valley City ATM is located in a moderate-income census tract, while the other four ATMs are located in middle-income census tracts.

**Economic and Demographic Data**

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

Demographic Information of the Assessment Area						
Assessment Area: Nonmetropolitan North Dakota						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	19	0.0	15.8	78.9	5.3	0.0
Population by Geography	51,871	0.0	12.2	82.9	4.9	0.0
Housing Units by Geography	27,140	0.0	12.6	82.5	4.9	0.0
Owner-Occupied Units by Geography	16,448	0.0	11.3	82.9	5.8	0.0
Occupied Rental Units by Geography	6,697	0.0	16.6	81.9	1.5	0.0
Vacant Units by Geography	3,995	0.0	11.0	82.3	6.7	0.0
Businesses by Geography	5,570	0.0	13.3	81.2	5.5	0.0
Farms by Geography	1,256	0.0	8.0	82.8	9.2	0.0
Family Distribution by Income Level	14,141	20.4	20.0	23.2	36.5	0.0
Household Distribution by Income Level	23,145	26.4	17.9	19.7	36.0	0.0
Median Family Income Non-MSAs - ND		\$72,414	Median Housing Value			\$97,527
			Median Gross Rent			\$564
			Families Below Poverty Level			6.3%
<i>Source: 2015 ACS and 2021 D&amp;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>						

Agriculture remains the primary driver of the economy in the Nonmetropolitan North Dakota Assessment Area. Overall, the agricultural economy has been fairly strong in the past few years. Management stated that commodity prices are promising, and due to dry conditions in 2021, farm operations received assistance from government programs and crop insurance payments. Management also noted that several farm operations have off-farm income.

Bank management stated that the overall economy has been stable. In addition to agriculture and agriculture-related businesses, the area is fortunate to have other industries such as manufacturing, healthcare, and education. The population remains steady, and many individuals commute to larger towns such as Jamestown for employment. Management noted expansion projects to facilities such as schools and hospitals in the assessment area, in addition to business expansions. The area has low unemployment rates and struggles with maintaining a sufficient workforce. Management stated it is difficult to recruit large businesses and workforce given the close proximity to larger North Dakota cities such as Fargo and Grand Forks. Furthermore, the limited housing supply, including affordable housing, also affects the area. Management indicated that most businesses in the area were not significantly impacted by the effects of the COVID-19 pandemic, and there were no major layoffs or closures. However, some smaller businesses, especially local restaurants and hotels, were affected, but PPP loans helped those businesses stay open.

The following table presents the FFIEC-estimated median family income levels for nonmetropolitan North Dakota for 2020.

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

### **Competition**

The Nonmetropolitan North Dakota Assessment Area is competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2021, 18 financial institutions operate 38 offices within the assessment area. Of these institutions, Bank Forward ranked 1<sup>st</sup> with a deposit market share of 24.4 percent. Furthermore, there is a high level of competition for home mortgage loans among numerous banks, credit unions, and non-depository mortgage lenders. In 2020, 88 lenders reported 1,645 home mortgage loans in the assessment area, with Bank Forward ranking 4<sup>th</sup> with 8.6 percent of the market share, by number.

Finally, there is a high level of demand and competition for small farm and small business loans in the assessment area as evidenced by the 2020 CRA data, which is the most recent year available. Bank Forward is not required to collect or report its small business loan data, and it has not elected to do so. As such, the analysis of small farm and small business loans does not include comparisons against aggregate data; however, the aggregate data is included to demonstrate the level of demand for small farm and small business loans. In 2020, 20 lenders reported 1,121 small farm loans and 56 lenders reported 1,176 small business loans.

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

Considering information from bank management and demographic and economic data, examiners determined that agricultural lending represents the primary credit need in the assessment area, followed by commercial and home mortgage lending. Furthermore, the assessment area's community development needs are related to economic development, revitalization or stabilization, and affordable housing.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NONMETROPOLITAN NORTH DAKOTA ASSESSMENT AREA**

### **LENDING TEST**

Bank Forward demonstrated reasonable performance under the Lending Test in the Nonmetropolitan North Dakota Assessment Area. The bank's geographic distribution and borrower profile performance supports this conclusion.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable small farm, small business, and home mortgage lending performance supports this conclusion.



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

The geographic distribution of small farms loans reflects reasonable dispersion throughout the assessment area when compared to D&B data.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Assessment Area: Nonmetropolitan North Dakota</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	8.0	14	2.6	2,469	3.0
Middle	82.8	478	88.5	72,245	87.8
Upper	9.2	48	8.9	7,601	9.2
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>540</b>	<b>100.0</b>	<b>82,315</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%*

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

As shown in the following table, the geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area when compared to D&B data.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Nonmetropolitan North Dakota</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	13.3	17	12.7	5,179	26.8
Middle	81.2	109	81.3	13,456	69.7
Upper	5.5	8	6.0	670	3.5
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>134</b>	<b>100.0</b>	<b>19,305</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%*

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area when compared to aggregate data.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Nonmetropolitan North Dakota</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0.0	0	0.0	0	0.0
Moderate	11.3	6.8	10	7.1	1,293	5.5
Middle	82.9	84.6	120	85.1	19,160	81.0
Upper	5.8	8.5	11	7.8	3,211	13.6
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>141</b>	<b>100.0</b>	<b>23,664</b>	<b>100.0</b>

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

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenues sizes and individuals of different income levels. The bank’s reasonable small farm, small business, and home mortgage lending performance supports this conclusion.

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

The distribution of borrowers reflects reasonable penetration among farms with gross annual revenues of \$1 million or less. Although lending to farms with gross annual revenues of \$1 million or less lags the comparable D&B data, there are several mitigating factors explaining the shortfall. Specifically, the 2017 Agriculture Census revealed that 41.7 percent of producers in the assessment area do not list farming as their primary occupation. Further, the Agriculture Census revealed that 46.4 percent of the farm operations did not report any interest expense. Consequently, many assessment area farmers have off-farm income and do not rely on credit to support their farm operations. Given this additional context information, the bank’s performance is reasonable.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Nonmetropolitan North Dakota</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	98.1	54	85.7	7,149	81.3
>\$1,000,000	1.5	9	14.3	1,644	18.7
Revenue Not Available	0.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>8,793</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%*

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

As shown in the following table, the distribution of borrowers reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less when compared to D&B data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Nonmetropolitan North Dakota</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	79.4	36	76.6	4,024	53.9
>\$1,000,000	4.7	11	23.4	3,443	46.1
Revenue Not Available	15.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>7,467</b>	<b>100.0</b>
<i>Source: 2021 D&amp;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, including low- and moderate-income borrowers, when compared to aggregate data.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Nonmetropolitan North Dakota</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	20.4	9.6	15	10.6	1,043	4.4
Moderate	20.0	21.4	22	15.6	2,907	12.3
Middle	23.2	24.8	18	12.8	3,008	12.7
Upper	36.5	31.3	53	37.6	11,373	48.1
Not Available	0.0	12.8	33	23.4	5,332	22.5
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>141</b>	<b>100.0</b>	<b>23,664</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2020 Bank Data; 2020 HMDA Aggregate Data; Due to rounding, totals may not equal 100.0%</i>						

### **COMMUNITY DEVELOPMENT TEST**

Bank Forward demonstrated adequate responsiveness to the community development needs of the Nonmetropolitan North Dakota Assessment Area through community development loans, qualified investments, and community development services.

### **Community Development Loans**

The bank originated 1,336 community development loans totaling \$29.6 million in the assessment area, which accounts for 41.6 percent of the bank's community development lending by dollar. Of these loans, 1,314 totaling \$26.8 million were PPP loans, which promoted economic development and provided revitalization or stabilization of the assessment area. Of the remaining 22 loans, 4 loans totaling \$1.3 million promoted affordable housing, 2 loans totaling \$189,000 promoted economic development, and 16 loans totaling \$1.3 million revitalized or stabilized a distressed and underserved geography.

### **Qualified Investments**

The bank made 57 qualified investments totaling \$2.0 million in the assessment area, including 6 prior period investments totaling \$1.1 million; 3 current period investments totaling \$845,000, and 48 donations totaling \$79,300. Of the 57 investments, 1 totaling \$1,000 was to an organization that promote affordable housing; 20 totaling \$9,900 were to organizations that provide community services to low- and moderate-income individuals; and 36 totaling \$2.0 million were to organizations that provided revitalization or stabilization of the assessment area. The level of qualified investments in the Nonmetropolitan North Dakota Assessment Area represents 36.1 percent, by dollar, of all qualified investments.

### **Community Development Services**

Bank representatives provided 34 instances of financial expertise or technical assistance to community development organizations in the assessment area. Of these services, 3 were to organizations that provide affordable housing, 14 were to organizations that provide community services to low- and moderate-income individuals, 3 were to organizations that promote economic development, and 14 were to organizations that assist in revitalizing or stabilizing the area. In addition, the bank operates 1 branch in a moderate-income census tract and 5 branches in distressed and underserved census tracts in the assessment area.

## **GRAND FORKS ASSESSMENT AREA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN GRAND FORKS ASSESSMENT AREA**

The Grand Forks Assessment Area includes a portion of the Grand Forks, ND-MN Metropolitan Statistical Area (MSA). This assessment area includes all 18 census tracts in Grand Forks County in North Dakota and tracts 201-207 in the western portion of Polk County in Minnesota. The Grand Forks Assessment Area includes 25 census tracts, comprised of the following: 1 low-, 4 moderate-, 16 middle-, and 4 upper-income geographies. The bank currently operates one branch in Grand Forks, located in a middle-income census tract; however, for most of the evaluation period, the bank operated two locations in Grand Forks, located in low- and upper-income tracts. In October 2021, the bank closed the two existing offices and opened its new office location. Also in October 2021, the bank closed its two cash-dispensing ATMs located in the low- and upper-income census tracts in Grand Forks and opened a new deposit-taking ATM located in a middle-income census tract in Grand Forks. The new branch and ATM are approximately 4 miles from the branches and ATMs that closed, and there were no changes to the assessment area.

### **Economic and Demographic Data**

Bank management stated that the agriculture economy affects the overall economy of the assessment area. In addition to agriculture and agri-business companies, education and healthcare are primary industries. Management indicated that the area’s economy felt minimal impact from the COVID-19 pandemic, which mainly affected hospitality businesses and restaurants. Many businesses struggle to find employees, and unemployment is low. Management stated that there has been a significant decrease in Canadian tourists in recent years, which has adversely affected hotels and retailers in the assessment area. Furthermore, the area has struggled to have an adequate supply

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

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Grand Forks</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	25	4.0	16.0	64.0	16.0	0.0
Population by Geography	90,791	6.1	18.4	55.7	19.9	0.0
Housing Units by Geography	39,855	3.3	19.5	59.3	17.9	0.0
Owner-Occupied Units by Geography	20,233	0.4	11.7	61.6	26.3	0.0
Occupied Rental Units by Geography	16,918	6.2	28.7	56.8	8.3	0.0
Vacant Units by Geography	2,704	6.9	19.9	58.0	15.3	0.0
Businesses by Geography	7,448	2.3	12.9	56.6	28.1	0.0
Farms by Geography	608	0.0	2.6	76.6	20.7	0.0
Family Distribution by Income Level	21,381	19.6	18.7	20.8	40.9	0.0
Household Distribution by Income Level	37,151	25.9	13.6	18.1	42.4	0.0
Median Family Income MSA - 24220 Grand Forks, ND-MN MSA		\$70,827	Median Housing Value			\$154,032
			Median Gross Rent			\$748
			Families Below Poverty Level			8.6%
<i>Source: 2015 ACS and 2021 D&amp;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 following table presents the FFIEC-estimated median family income levels for the Grand Forks, ND-MN Metropolitan Statistical Area for 2020.

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

### **Competition**

The Grand Forks Assessment Area is highly competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2021, 19 financial institutions operate 40 offices within the Grand Forks, ND-MN MSA. Of these institutions, Bank Forward ranked 13<sup>th</sup> with a deposit market share of 1.7 percent. Furthermore, there is a high level of competition for home mortgage loans among numerous banks, credit unions, and non-depository mortgage lenders. In 2020, 149 lenders reported 3,991 home mortgage loans in the assessment area, with Bank Forward ranking 18<sup>th</sup> with 1.9 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 2020 CRA data, which is the most recent year available. Bank Forward is not required to collect or report its small business loan data, and it has not elected to do so. As such, the analysis of small business loans does not include comparisons against aggregate data; however, the aggregate data is included to demonstrate the level of demand for small business loans. In 2020, 53 lenders reported 2,424 small business loans.

### **Community Contact**

Examiners reviewed a community contact interview previously conducted with an individual familiar with commercial activity in the assessment area. The community contact provided comments on the local economy, indicating that manufacturing, agriculture, and healthcare are the primary industries in the area. The contact stated that the COVID-19 pandemic affected many local businesses due to the labor shortage and supply chain issues. Moreover, some residents commute to Grand Forks for employment while others commute from Grand Forks to work in Crookston or Thief River Falls, Minnesota. The contact also discussed the housing shortage in the area and mentioned that real estate prices have recently increased and construction has been difficult due to increased building costs and supply chain issues.

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

Considering information from bank management and demographic and economic data, examiners determined that commercial lending represents the primary credit need in the assessment area, followed by home mortgage lending. Community development needs include affordable housing and economic development.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN GRAND FORKS ASSESSMENT AREA**

### **LENDING TEST**

Bank Forward demonstrated reasonable performance under the Lending Test in the Grand Forks Assessment Area. The bank's geographic distribution and borrower profile performance supports this conclusion.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable small business and excellent home mortgage lending performance supports this conclusion.

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

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area when compared to D&B data.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Grand Forks</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	2.3	0	0.0	0	0.0
Moderate	12.9	9	17.3	453	4.6
Middle	56.6	19	36.5	5,295	53.9
Upper	28.1	24	46.2	4,069	41.4
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>9,817</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%*

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

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area when compared to aggregate data.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Grand Forks</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.4	0.2	0	0.0	0	0.0
Moderate	11.7	9.4	12	16.2	1,901	11.1
Middle	61.6	52.9	34	45.9	6,987	40.7
Upper	26.3	37.5	28	37.8	8,276	48.2
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>74</b>	<b>100.0</b>	<b>17,163</b>	<b>100.0</b>

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

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels. The bank's reasonable small business and home mortgage lending performance supports this conclusion.

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

The distribution of borrowers reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less. As shown in the following table, the bank's performance lags the comparable D&B data. However, aggregate data also provides an indicator of loan demand in the assessment area. Specifically, 2020 aggregate data shows that 42.7 percent of small business loans

were to businesses with gross annual revenues of \$1 million or less. Given this additional context information, the bank’s performance is reasonable.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Grand Forks</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	79.6	23	63.9	3,071	37.8
>\$1,000,000	5.6	13	36.1	5,046	62.2
Revenue Not Available	14.8	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>8,117</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%*

### **Home Mortgage Loans**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, when compared to aggregate data. As shown in the following table, the bank’s performance of lending to low-income borrowers is similar to aggregate data. However, lending performance to moderate-income borrowers is lower than aggregate data. Management stated that affordable housing is limited and many homes are priced out of range for many borrowers. In addition, examiners noted that the bank reported approximately 28.4 percent of home mortgage loans with income as “Not Available.” This category includes loans originated to businesses for single-family or multi-family rental properties or loans to employees. Since a significant portion of the bank’s loans did not have a classified income available, the data is somewhat skewed. Given this information and considering the level of competition within the assessment area, the bank’s performance is reasonable.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Grand Forks</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	19.6	8.2	4	5.4	431	2.5
Moderate	18.7	22.3	8	10.8	1,494	8.7
Middle	20.8	24.5	15	20.3	2,683	15.6
Upper	40.9	30.8	26	35.1	7,790	45.4
Not Available	0.0	14.1	21	28.4	4,766	27.8
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>74</b>	<b>100.0</b>	<b>17,163</b>	<b>100.0</b>

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

### **COMMUNITY DEVELOPMENT TEST**

Bank Forward demonstrated adequate responsiveness to the community development needs of the Grand Forks Assessment Area through community development loans, qualified investments, and community development services.



### **Community Development Loans**

The bank originated 98 community development loans totaling \$11.5 million in the Grand Forks Assessment Area, which accounts for 16.2 percent of the bank's community development lending by dollar. Of these loans, 95 totaling \$5.2 million were PPP loans, which promoted economic development and provided revitalization or stabilization of the assessment area. Of the remaining 3 loans, 1 loan totaling \$1.6 million promoted affordable housing, 1 loan totaling \$3.1 million promoted economic development and 1 loan totaling \$1.6 million revitalized or stabilized a moderate-income census tract.

### **Qualified Investments**

The bank made 12 qualified investments totaling \$538,000 in the Grand Forks Assessment Area, including 1 prior period investment totaling \$230,000; 1 current period investment totaling \$304,000, and 10 donations totaling \$4,000. Of the 12 investments, 10 totaling \$233,000 were to organizations that provide community services to low- and moderate-income individuals; 1 totaling \$303,900 was to an organization that provided revitalization or stabilization of the assessment area; and 1 totaling \$1,000 was for economic development. The level of qualified investments in the Grand Forks Assessment Area represents 9.5 percent, by dollar, of all qualified investments.

### **Community Development Services**

Bank representatives did not provide any instances of financial expertise or technical assistance to community development organizations in the Grand Forks Assessment Area. The bank operated a branch and ATM in a low-income census tract until October 2021. The assessment area had very limited community development services at the prior evaluation when it reported two services; however, the performance has further declined.

## **FARGO ASSESSMENT AREA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN FARGO ASSESSMENT AREA**

The Fargo Assessment Area is comprised of Cass County in North Dakota, which is part of the Fargo, ND-MN MSA. The Fargo Assessment Area includes a total of 33 census tracts, comprised of the following: 9 moderate-, 15 middle-, and 8 upper-income geographies, as well as 1 geography that does not have an income designation. The bank currently operates one office in Fargo, which as of January 2022 is the main office location. In September 2019, the bank closed a branch in Fargo, that was in a moderate-income census tract and opened the new office in an upper-income census tract. However, the previous branch offered few traditional banking services as it operated similar to an administrative office, and the change in locations did not affect the bank's designated assessment area. Additionally in September 2019, the bank opened a deposit-taking ATM at its new Fargo location located in an upper-income census tract.

### **Economic and Demographic Data**

The Fargo Assessment Area benefits from a diverse economy, which has been stable. Bank management stated that many large employers bring jobs to the area, and there is a widespread workforce shortage for entry-level jobs. Management estimates that 60.0 percent of the population rents and the 1-4 family rental market has been strong, with some homebuilders focusing on rental

properties. The area’s economy has not been severely impacted by the COVID-19 pandemic. Management stated there were no significant layoffs and affected businesses benefited from assistance offered by the government and financial institutions. The following table illustrates select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Fargo</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	33	0.0	27.3	45.5	24.2	3.0
Population by Geography	162,500	0.0	23.7	34.8	39.6	1.9
Housing Units by Geography	73,190	0.0	26.8	36.4	34.5	2.2
Owner-Occupied Units by Geography	35,858	0.0	16.6	40.1	42.5	0.8
Occupied Rental Units by Geography	32,918	0.0	38.7	31.8	26.3	3.1
Vacant Units by Geography	4,414	0.0	21.4	41.1	31.4	6.0
Businesses by Geography	19,101	0.0	31.9	27.3	40.2	0.6
Farms by Geography	694	0.0	12.0	55.0	32.9	0.1
Family Distribution by Income Level	38,056	18.4	19.5	21.9	40.2	0.0
Household Distribution by Income Level	68,776	23.1	18.2	17.3	41.4	0.0
Median Family Income MSA - 2020 Fargo, ND-MN MSA		\$75,010	Median Housing Value			\$167,249
			Median Gross Rent			\$708
			Families Below Poverty Level			6.5%

*Source: 2015 ACS and 2021 D&B Data; Due to rounding, totals may not equal 100.0%; (\*) The NA category consists of geographies that have not been assigned an income classification.*

The following table presents the FFIEC-estimated median family income levels for the Fargo, ND-MN Metropolitan Statistical Area for 2020.

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

*Source: FFIEC*

### **Competition**

The Fargo Assessment Area is highly competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2021, 25 financial institutions operate 71 offices within the assessment area. Of these institutions, Bank Forward ranked 18<sup>th</sup> with a deposit market share of 0.4 percent. Furthermore, there is a high level of competition for home mortgage loans among numerous banks, credit unions, and non-depository mortgage lenders. In 2020, 188 lenders reported 10,867 home mortgage loans in the assessment area, with Bank Forward ranking 25<sup>th</sup> with 0.6 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 2020 CRA data, which is the most recent year available. Bank Forward is not required to collect or report its small business loan data, and it has not elected to do so. As such, the analysis of small business loans does not include comparisons against aggregate data; however, the aggregate data is included to demonstrate the level of demand for small business loans. In 2020, 80 lenders reported 6,211 small business loans.

### **Community Contact**

Examiners reviewed presentation materials and notes from a previously conducted meeting held with various individuals familiar with community development opportunities and needs within the Fargo Assessment Area. This also provided various comments regarding the local economy. The individuals indicated that the COVID-19 pandemic had less of an impact on the community than many other parts of the country, and the region did very well in getting PPP loans. It was noted that the number of households looking for financial counseling and education has decreased. Nonprofits working in financial stability have noted that there is a need to build credit for families with limited or no credit history, which makes it difficult for them to obtain home mortgage financing. Overall, financial institutions are responsive to proposals for affordable housing projects, and typically 7 or 8 banks respond with financing proposals. Smaller banks may have challenges participating in financing affordable housing projects given the complexities of some projects. Furthermore, there is a need for a workforce development strategy in the region given a significant number of open jobs that are not filled due to a lack of qualified applicants.

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

Considering information from bank management and demographic and economic data, examiners determined that commercial and home mortgage lending are primary credit needs in the Fargo Assessment Area. The assessment area's community development needs primarily involve affordable housing, economic development, and community services.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN FARGO ASSESSMENT AREA**

### **LENDING TEST**

Bank Forward demonstrated satisfactory performance under the Lending Test in the Fargo Assessment Area. The bank's geographic distribution and borrower profile performance supports this conclusion.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable small business and home mortgage lending performance supports this conclusion.

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

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area when compared to D&B data.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Fargo</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	31.9	18	33.3	4,272	27.1
Middle	27.3	12	22.2	3,465	22.0
Upper	40.2	23	42.6	7,923	50.3
Not Available	0.6	1	1.9	100	0.6
<b>Totals</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>15,760</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%*

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area when compared to aggregate data.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Fargo</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0.0	0	0.0	0	0.0
Moderate	16.6	11.2	7	10.6	10,933	20.0
Middle	40.1	26.3	14	21.2	2,561	4.7
Upper	42.5	61.9	32	48.5	37,663	68.8
Not Available	0.8	0.6	13	19.7	3,585	6.5
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>54,742</b>	<b>100.0</b>

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

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels. The bank's reasonable small business and home mortgage lending performance supports this conclusion.

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

The distribution of borrowers reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Fargo					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.3	28	77.8	8,041	72.2
>\$1,000,000	5.5	8	22.2	3,103	27.8
Revenue Not Available	10.1	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>11,144</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%*

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

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, when compared to aggregate data. As shown in the following table, the bank’s performance of lending to low-income borrowers is commensurate with aggregate data; however, lending performance to moderate-income borrowers is lower than aggregate data. A significant portion of the bank’s home mortgage lending is for commercial purposes, such a rental properties. The bank reported approximately 68.2 percent of home mortgage loans with incomes as “Not Available,” which is substantially more than aggregate data, and likely skews the bank’s performance of lending to low- and moderate-income borrowers. Given this information and considering the level of competition within the assessment area, the bank’s performance is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Fargo						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	18.4	6.3	2	3.0	187	0.3
Moderate	19.5	20.2	3	4.5	622	1.1
Middle	21.9	23.2	2	3.0	496	0.9
Upper	40.2	36.9	14	21.2	3,607	6.6
Not Available	0.0	13.4	45	68.2	49,830	91.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>54,742</b>	<b>100.0</b>

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

### **COMMUNITY DEVELOPMENT TEST**

Bank Forward demonstrated adequate responsiveness to the community development needs of the Fargo Assessment Area through community development loans, qualified investments, and community development services.

### **Community Development Loans**

The bank originated 94 community development loans totaling \$10.7 million in the Fargo Assessment Area, which accounts for 15.1 percent of the bank’s community development lending by dollar. Of these loans, 91 loans totaling \$8.2 million were PPP loans, which promoted economic

development and provided revitalization or stabilization of the assessment area. The remaining 3 loans totaling \$2.5 million promoted affordable housing.

### **Qualified Investments**

The bank made 11 qualified investments totaling \$930,000 in the Fargo Assessment Area, including 2 prior period investments totaling \$400,300; 1 current period investment totaling \$500,000, and 8 donations totaling \$30,500. Of the 11 investments, 8 totaling \$30,500 were to organizations that provide community services to low- and moderate-income individuals and 3 totaling \$900,300 were to organizations that provided revitalization or stabilization of the assessment area. The level of qualified investments in the Fargo Assessment Area represents 16.4 percent, by dollar, of all qualified investments.

### **Community Development Services**

Bank representatives provided 1 instance of financial expertise or technical assistance to a community development organization that promotes revitalization and stabilization in the Fargo Assessment Area. In addition, the bank operated a branch in a moderate-income census tract until September 2019. The number of community development services decreased from the prior evaluation, which reported two community development services. At the prior evaluation, the Fargo branch was not open the entire evaluation period. Furthermore, the bank increased staffing when it opened the new Fargo office in 2019, which would allow for more opportunities.

## **MINNESOTA – Full-Scope Review**

**CRA RATING FOR MINNESOTA: SATISFACTORY**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN MINNESOTA**

Bank Forward has designated one assessment area in Minnesota, the Nonmetropolitan Minnesota Assessment Area that includes the southern portion of Beltrami County, the northwestern portion of Cass County, and the northern portion of Hubbard County. The assessment area is comprised of 19 census tracts: 8 census tracts in Beltrami County (4501-4504, 4506, 4507.01, 4507.02, and 9400.02); 7 census tracts in Cass County (9400.01, 9400.02, 9602, 9603.01, 9603.02, 9606, and 9607); and 4 census tracts in Hubbard County (701-704). The assessment area includes 5 moderate- and 14 middle-income geographies. None of the census tracts were designated as distressed or underserved during the evaluation period. The bank continues to operate two branches and two cash-dispensing ATMs in this assessment area. The Bemidji office and ATM are located in a moderate-income census tract, and the Walker office and ATM are located in a middle-income census tract.

### **Economic and Demographic Data**

Tourism is the main industry in the Nonmetropolitan Minnesota Assessment Area. Bank management stated that the area economy has been strong. Resorts and restaurants are doing very well; however, many businesses, such as restaurants, are impacted by a staffing shortage.

Management indicated that the area has noticed increased population, as more people have been occupying secondary residences since the COVID-19 pandemic began in 2020. In addition, there is very limited inventory of housing for sale, building costs have increased, and there is minimal land available for building. Furthermore, a portion of the Leech Lake Indian Reservation is located in the assessment area. Management stated that land within the reservation is commonly held by the Tribe, which limits the bank's ability to make mortgage loans in this area. The following table illustrates select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Nonmetropolitan Minnesota</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	19	0.0	26.3	73.7	0.0	0.0
Population by Geography	68,266	0.0	27.7	72.3	0.0	0.0
Housing Units by Geography	44,048	0.0	28.6	71.4	0.0	0.0
Owner-Occupied Units by Geography	21,223	0.0	22.1	77.9	0.0	0.0
Occupied Rental Units by Geography	6,694	0.0	46.1	53.9	0.0	0.0
Vacant Units by Geography	16,131	0.0	29.8	70.2	0.0	0.0
Businesses by Geography	6,139	0.0	33.5	66.5	0.0	0.0
Farms by Geography	303	0.0	17.5	82.5	0.0	0.0
Family Distribution by Income Level	18,635	23.4	20.7	22.1	33.8	0.0
Household Distribution by Income Level	27,917	25.4	17.5	19.6	37.5	0.0
Median Family Income Non-MSAs - MN		\$63,045	Median Housing Value			\$177,743
			Median Gross Rent			\$676
			Families Below Poverty Level			11.0%

*Source: 2015 ACS and 2021 D&B Data; Due to rounding, totals may not equal 100.0%; (\*) The NA category consists of geographies that have not been assigned an income classification.*

The following table presents the FFIEC-estimated median family income levels for nonmetropolitan Minnesota for 2020.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2020 (\$70,900)	<\$35,450	\$35,450 to <\$56,720	\$56,720 to <\$85,080	≥\$85,080

*Source: FFIEC*

### **Competition**

The Nonmetropolitan Minnesota Assessment Area is highly competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2021, 17 financial institutions operate 32 offices within Beltrami, Cass, and Hubbard counties. Of these institutions, Bank Forward ranked 8<sup>th</sup> with a deposit market share of 3.9 percent. Furthermore, there is a high level of competition for home mortgage loans among numerous banks, credit unions, and non-depository

mortgage lenders. In 2020, 260 lenders reported 3,092 home mortgage loans in the assessment area, with Bank Forward ranking 2<sup>nd</sup> with 7.6 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 2020 CRA data, which is the most recent year available. Bank Forward is not required to collect or report its small business loan data, and it has not elected to do so. As such, the analysis of small business loans does not include comparisons against aggregate data; however, the aggregate data is included to demonstrate the level of demand for small business loans. In 2020, 47 lenders reported 864 small business loans.

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

Considering information from bank management and demographic and economic data, examiners determined that home mortgage lending represents the primary credit need in the assessment area, followed by commercial lending. Community development needs are primarily related to affordable housing, revitalization and stabilization, and community services targeted to low- and moderate-income individuals.

## **SCOPE OF EVALUATION – MINNESOTA**

Examiners reviewed the bank’s small business and home mortgage lending performance in the Nonmetropolitan Minnesota Assessment Area, as these products are lending focuses in this assessment area. When drawing overall conclusions, home mortgage lending received the most weight, followed by small business lending. Refer to the overall Scope of Evaluation section for additional information.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MINNESOTA**

### **LENDING TEST**

Bank Forward demonstrated reasonable performance under the Lending Test in the Nonmetropolitan Minnesota Assessment Area. The bank’s geographic distribution and borrower profile performance supports this conclusion.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Nonmetropolitan Minnesota Assessment Area. The bank’s reasonable small business and home mortgage lending performance supports this conclusion.

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

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank originated one loan in the moderate-income census tracts, which lags D&B data. There is a significant level of competition in this area for small business loans, especially in the two moderate-income census tracts in Bemidji. In addition, businesses located in the three moderate-income tracts in Cass County may be more likely to obtain banking services in Grand Rapids, which serves as an economic hub, or other towns in closer proximity. Furthermore, D&B data indicates that 50.9 percent of businesses located in the moderate-income census tracts have gross



annual revenue less than \$100,000. These businesses may have less need for loans to operate. Given these factors, the bank's performance is reasonable.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Nonmetropolitan Minnesota</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	33.5	1	3.1	150	3.0
Middle	66.5	31	96.9	4,884	97.0
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>5,034</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%*

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

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's performance of lending to moderate-income census tracts is lower than aggregate performance. As previously noted, the Leach Lake Indian Reservation is partially located in two moderate-income census tracts, which limits the bank's ability to make mortgage loans in this area. Given this information and considering the level of competition for home mortgage loans, the bank's performance is reasonable.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Nonmetropolitan Minnesota</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0.0	0	0.0	0	0.0
Moderate	22.1	21.6	28	11.9	5,940	12.0
Middle	77.9	78.4	207	88.1	43,525	88.0
Upper	0.0	0.0	0	0.0	0	0.0
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>235</b>	<b>100.0</b>	<b>49,464</b>	<b>100.0</b>

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

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels throughout the Nonmetropolitan Minnesota Assessment Area. The bank's reasonable small business and home mortgage lending performance supports this conclusion.

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

The distribution of borrowers reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less. As shown in the following table, the bank’s performance lags the comparable D&B data. However, aggregate data also provided an indicator of loan demand in the assessment area. Specifically, 2020 aggregate data shows that 50.9 percent of small business loans were to businesses with gross annual revenues of \$1 million or less. Given this additional context information, the bank’s performance is reasonable.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Nonmetropolitan Minnesota</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	86.9	25	78.1	3,083	61.2
>\$1,000,000	4.0	7	21.9	1,951	38.8
Revenue Not Available	9.1	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>5,034</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%*

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

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, when compared to aggregate data.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Nonmetropolitan Minnesota</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	23.4	5.6	9	3.8	1,065	2.2
Moderate	20.7	14.8	49	20.9	7,162	14.5
Middle	22.1	19.7	42	17.9	7,115	14.4
Upper	33.8	51.6	122	51.9	31,596	63.9
Not Available	0.0	8.3	13	5.5	2,527	5.1
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>235</b>	<b>100.0</b>	<b>49,464</b>	<b>100.0</b>

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

## **COMMUNITY DEVELOPMENT TEST**

Bank Forward demonstrated adequate responsiveness to the community development needs in the Nonmetropolitan Minnesota Assessment Area through community development loans, qualified investments, and community services.

### **Community Development Loans**

The institution originated 97 community development loans totaling approximately \$10.3 million in the Nonmetropolitan Minnesota Assessment Area, which accounts for 14.5 percent of the bank’s community development lending by dollar. This includes 92 PPP loans totaling \$6.2 million, which

provided revitalization or stabilization or economic development in the assessment area. The remaining 5 loans totaling \$4.1 million also supported economic development in the Nonmetropolitan Minnesota Assessment Area. The bank also originated 41 community development loans totaling \$1.5 million that benefited the broader statewide area in Minnesota. Of these, 2 loans totaling \$414,000 supported affordable housing and 39 were PPP loans totaling \$1.1 million, which promoted economic development.

### **Qualified Investments**

The bank made 18 qualified investments totaling approximately \$265,000 in the Nonmetropolitan Minnesota Assessment Area, including 1 current period investment for \$245,000 and 17 donations totaling \$19,600. Of these qualified investments, 4 totaling \$254,500 were to revitalize or stabilize the area, 13 totaling \$9,100 supported community services targeted to low- and moderate-income individuals, and 1 for \$1,000 promoted economic development. The level of qualified investments in the Nonmetropolitan Minnesota Assessment Area represents 4.7 percent, by dollar, of all qualified investments. The bank also made 1 qualified investment for \$1.0 million that supported affordable housing in the broader statewide area in Minnesota.

### **Community Development Services**

Bank Forward representatives provided 7 instances of financial expertise or technical assistance to community development organizations in the Nonmetropolitan Minnesota Assessment Area. Of these services, 6 supported community services targeted to low- and moderate-income individuals and 1 supported economic development. In addition, the Bemidji branch and ATM are located in a moderate-income census tract.

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## SUMMARY OF RATINGS FOR RATED AREAS

<b>Rated Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>	<b>Rating</b>
North Dakota	Satisfactory	Satisfactory	Satisfactory
Minnesota	Satisfactory	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 (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.



Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.