Office of the
Comptroller of the Currency
Washington, DC 20219

SMALL BANK

PUBLIC DISCLOSURE

May 1, 2017

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Cendera Bank, National Association
Charter Number 7524

615 E. Bells Boulevard
Bells, Texas 75414

Office of the Comptroller of the Currency
Dallas Field Office
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not 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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Overall CRA Rating

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

Institution's CRA Rating: "Satisfactory"

The Lending Test is rated: Satisfactory.

Major factors that support this satisfactory rating include:

- Cendera Bank, National Association (CBNA or bank) quarterly average loan-to-deposits (LTD) ratio of 73 percent for the 24 quarters since the last CRA examination is **reasonable**. The quarterly LTD ratio ranged from a low of 45.94 percent during December 2011 to a high of 93.15 percent during June 2014.

- A **majority** of loans originated and purchased are within the bank's assessment area (AA). The bank originated 83.50 percent by number and 74.89 percent by dollar amount of its loans during the evaluation period within its AA.

- The distribution of residential and consumer loans to borrowers of different income levels exhibits **reasonable penetration**.

- The geographic distribution of residential and consumer loans to low- and moderate-income (LMI) census tracts (CTs) indicates **reasonable dispersion**.

Definitions and Common Abbreviations

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

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

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

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

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

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

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

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

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

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

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

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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

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

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

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

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

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

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

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

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

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

DESCRIPTION OF INSTITUTION

Cendera Bank, National Association (CBNA or Bank) is an intrastate community bank headquartered in Bells, Texas. The corporate structure has changed from the last Performance Evaluation (PE). Cendera Financial Holdings, Inc. (CFHI), a one-bank holding company owned by Brian Collins (75%) and the Fred M. Allison Trust (25%), acquired control of the bank in July 2013. CBNA is in a small rural town of approximately 1,392 people, according to the 2010 U.S. Census, which is up 17 percent from the 2000 Census population of 1,190. The town of Bells is located approximately 68 miles north of Dallas, Texas off US Highway 75 and 12 miles east of the City of Sherman off US Highway 82.

CBNA has two assessment areas (AA) in which the bank has banking facilities. The Bells AA, that encompasses the main bank headquarters, is located in a middle-income census with a physical address of 615 E. Bells Boulevard in Bells (Grayson County), Texas. Within a couple miles northwest of the headquarters, at 1105 Ole Ambrose Road, the bank has a limited service branch. The nearest moderate-income geography is over 11 miles from both of these banking facilities. There are no low-income geographies in this AA. The Fort Worth AA encompasses the branch opened since the last PE in July 2013. The new branch was located within two-tenths of a mile south of Cendera Funding Inc., an affiliate mortgage company owned by Brian and Gina Collins. The branch is located in a low-income census tract (CT) at 3740 Benbrook Highway, Fort Worth (Tarrant County), Texas and the headquarters of Cendera Funding Inc., has a physical address of 3600 Benbrook Highway. The bank's profile is enhanced by the presence of Cendera Funding Inc. (CFI) in the Dallas-Fort Worth area. CFI has offices and more than 100 mortgage brokers operating in many of the counties representing the Dallas-Fort Worth-Arlington TX MSA, as well as offices in cities throughout the states of Texas, Oklahoma, Louisiana, and Colorado.

CBNA's lobby and drive-thru hours are set by each location to meet the community needs. All three banking locations offer drive-thru banking services. The services offered at the Ole Ambrose branch are limited to deposit and checking cashing. CBNA offers 24-hour customer access to its seven bank-owned Automated Teller Machines (ATMs) throughout the AAs, including one at each branch location. The Fort Worth branch offers the only deposit-taking ATM.

CBNA offers traditional personal and business loan and deposit products and services. Loan products include a standard selection of commercial, and agricultural consumer loans, in addition to residential real estate loans for home purchase, improvement, and refinance. A variety of consumer and business deposit services are offered, including accounts with reduced fees or no monthly service charge for senior citizens and students. Other depository and investment services offered include savings accounts, time deposits, and individual retirement accounts. Alternative banking services include debit cards (personal and business), wire transfers, remote deposit capture, as well as internet and mobile banking with bill pay capabilities. The bank does not engage in a significant level of advertising or marketing.

Branch hours and services do not vary in a way that inconveniences portions of the AA, particularly low- and moderate income individuals and geographies. The CRA Public File can provide more detail of branch hours, services, and ATMs.

Loan Type (as of March 31, 2017)	**Gross Dollar Amount $ (000)**	**% of Gross Loans**
Residential Real Estate (SF 1-4)	$40,574	60.53%
Residential Real Estate (Multifamily 5+)	$1,009	1.51%
Commercial and Industrial	$4,895	7.30%
Consumer	$1,229	1.83%
Commercial RE (Nonfarm Nonresidential)	$6,642	9.91%
Farmland Loans	$78	0.12%
Agricultural Loans	$194	0.29%
Construction & Land Development Loans	$11,970	17.86%
Other	$445	0.66%
Total	***$67,036***	***100%***

Source: Call Report data as of March 31, 2017.

As of March 31, 2017, CBNA's assets total $86.9 million, liabilities total $78.6 million, and capital is $8.4 million. Loans represent approximately 76 percent of assets. The table above reflects the composition of the loan portfolio, by "Loan Type", as of March 31, 2017. Residential Real Estate (1-4) loans total $41 million and represent the largest percentage of total gross loans (61%). Construction and land development, commercial real estate, and commercial and industrial loans account for 18 percent, 10 percent, and 7 percent of gross loans, respectively. Consumer loans account for approximately 2 percent of gross loans, but represented the second most activity behind home loans as reflected below.

Loan Originations (1/01/2015 – 04/30/2017)	**Total Number of Loans Originated**	**% of Total Number Loans Originated**	**Total Dollar Amount of Loans Originated $ (000)**	**% of Total Loans Originated (Dollar Amount)**
Residential RE	**222**	**28%**	$51,549	50%
Construction & Land Development	139	18%	$32,925	32%
Consumer	**289**	**37%**	$2,759	3%
Commercial & Industrial	64	8%	$7,943	8%
Commercial RE	22	3%	$5,504	5%
Other	43	6%	$2,422	2%
Total	***779***	***100%***	***$103,112***	***100%***

Source: Bank-provided data.

CBNA's primary loan products include residential real estate (home loans) and consumer loans as reflected in the preceding table. The bank originated 289 consumer loans totaling $2.8 million during the period from January 1, 2015 through April 30, 2017. This represented the highest percentage of lending activity (37 percent in number) for the period, next to home loans. Commercial & industrial (business loans) accounted for a higher percentage (in dollar amount) but a lower percentage (in total number) of loans originated during the period. Our analysis of HMDA reported data consisted of all 77 home loans for calendar years 2015 and 2016, which totaled $16.1 million. A total of 63 home loans totaling $12.0 million were located inside the AAs for analysis of borrower income and geographic distribution. The analysis for consumer loans consisted of 289 loans originated from January 1, 2015 through April 30, 2017 totaling $2.76 million. A sample of 40 consumer loans (20 for each AA) were randomly selected from 267 consumer loans originated within the AAs totaling $2.75 million for the analysis of borrower income and geographic distribution.

The bank's strategic plan is to build on the lending relationship with its mortgage affiliate, Cendera Funding. The primary business line will be residential mortgages, with the focus on owner-occupied 1-4 family units, interim construction, jumbo mortgages, as well as small business. Opportunities for achieving goals are made possible by an improved banking economy, stable work force, and improved commercial and related business activities. Medical and professional fields reflect good growth with ongoing capital expenditures. The single-family mortgage market is growing with the relocation of many corporate headquarters into the Dallas-Fort Worth metropolitan area (MA).

Considering the financial condition, stable and improving economy, various loan and deposit product and service offerings, and prior CRA performance, CBNA has the ability to service the credit needs of its communities. There are no known legal or financial impediments to the bank's ability to meet the credit needs of its communities.

CBNA received a "Satisfactory" rating in its previous CRA Performance Evaluation dated February 8, 2011.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation (PE) assesses the Community Reinvestment Act (CRA) performance of Cendera Bank, National Association (CBNA or Bank) under the Small Bank performance criteria. This PE starts from the date of the previous CRA examination covering the period from February 8, 2011, to May 1, 2017. CNBA's primary loan products are residential real estate, commercial, and consumer loans. Banks are required to report data in accordance with the Home Mortgage Disclosure Act (HMDA). Our review focused on residential real estate loans as reported for the HMDA in the years 2015 through 2016. Given the bank originates a larger percentage of consumer loans than commercial loans, our evaluation focused on a sample of consumer loans. We selected a sample of 42 loans originated or purchased from January 1, 2015 through April 30, 2017. No apparent anomalies were identified, and there were no affiliate bank activities to consider.

Data Integrity

We utilized the lending test to evaluate the bank's record of meeting the credit needs of its AA. A data integrity review of the loans reported for HMDA, conducted prior to this evaluation, found the data to be reliable.

Selection of Areas for Full-Scope Review

We performed a full-scope review on the lending performance of the bank's two assessment areas. There are no limited-scope reviews. The bank chose for us not to consider its performance in making qualified investments and providing branches and other services and delivery systems that enhance credit availability as part of the Small Bank performance criteria.

Ratings

The bank's overall rating is based on full-scope reviews of the lending performance of both of the bank's assessment areas.

Discriminatory or Other Illegal Credit Practices Review

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

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

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

Conclusions with Respect to Performance Tests

The Lending Test analysis that follows evaluates CBNA's lending activity as described earlier in the scope section. The factors considered are as follows: (1) Loan-to-Deposit Ratio; (2) Lending in the Assessment Area; (3) Lending to Borrowers of Different Income Levels; (4) Geographic Distribution of Loans; and (5) Response to CRA Complaints.

LENDING TEST

Overall, CBNA's performance under the Lending Test is **Satisfactory**. We focused our review on the bank's primary lending products, residential real estate and consumer loans. We considered bank size and branch locations, lending capacity and opportunities, market competition, demographic and economic data, and the bank's strategic plan when considering this conclusion. The bank's quarterly loan-to-deposit ratio during the evaluation period is reasonable. A majority of loans are originated inside the AAs. Borrower distribution represents a **reasonable** penetration of lending to borrowers of different income levels and meets the standard of satisfactory performance. Geographic distribution of lending to LMI geographies indicates **reasonable** dispersion and meets the standard of satisfactory performance. There were no CRA-related complaints during the evaluation period to evaluate the bank's responsiveness, thus this criterion is not applicable to lending performance.

Loan-to-Deposit Ratio

CBNAs **loan-to-deposit ratio is reasonable** given the bank's size, financial condition, and AA credit needs. This determination is based on the quarterly average LTD ratio of 72.68 percent over a 24 quarter period since the last CRA examination. The bank's LTD ratio ranged from a low of 45.94 percent to a high of 93.15 percent. This ratio compares favorably to banks of similar size and offering similar products. The First National Bank of Tom Bean, which management considers to be a close competitor, recorded an average LTD ratio of 60.86 percent. Both institutions are of similar asset size, located within Grayson County, and offer similar traditional products and services. The LTD ratio also compares favorably with two other financial institutions of similar asset size, Fannin Bank and The Community Bank, although their lending focus differs. The average LTD ratio for these two banks for the same period was 60.46 percent.

Lending in Assessment Area

The majority of the residential real estate and consumer lending during the evaluation period was inside the AAs. CBNA meets the standards of satisfactory performance for this criterion. As depicted in Table 1 below, a total of 77 HMDA reportable home loans were originated in the evaluation period. A total of 63 or 81.82 percent in number and $12.0 million or 74.58 percent in dollars was originated inside the AAs. Of a total of 289 consumer loans originated during the period from January 1, 2015 through April 30, 2017, we sampled an initial 20 loans for evaluating lending in the AA. Based on sampled consumer loans, 90 percent in number and 97 percent in dollars was originated inside the AA. Combining residential and consumer loans, 83.50 percent was originated inside the AAs.

Table 1 - Lending in AAs - Bells and Fort Worth										
	Number of Loans					Dollars of Loans				
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
Purchase	40	74.07	14	25.93	54	6,667	61.93	4,098	38.07	10,765
Improvement	2	100.0	0	0.00	2	150	100.0	0	0.00	150
Refinance	21	100.0	0	0.00	21	5,206	100.0	0	0.00	5,206
Consumer	18	90.00	2	10.00	20	215	97.00	6	3.00	221
Total Loans	81	83.50	16	16.50	97	12,238	74.89	4,104	25.11	16,342

Source: Data reported under HMDA; Sampled Consumer Loans.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall, the bank's distribution of residential and consumer loans to borrowers of different income levels reflects **reasonable** penetration when considering the performance context of the AAs, and thus meets the standard for satisfactory performance. This conclusion is based on an analysis of sampled consumer loans (40) and residential real estate loans (63) originated in the AAs. For both residential real estate loans and consumer loans, we compared the income distribution of the bank's borrowers to the income distribution of families or households within the AAs, using the FFIEC median family income levels.

<u>Full Scope Assessment Area Review – Bells AA</u>

Residential Real Estate Loans

Table 2 - Borrower Distribution of Residential Real Estate Loans in Bells AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	19.02	0.00	17.04	40.00	20.33	30.00	43.61	30.00
Improvement	19.02	0.00	17.04	0.00	20.33	0.00	43.61	0.00
Refinance	19.02	14.29	17.04	14.29	20.33	14.29	43.61	57.14

Source: Data reported under HMDA; 2010 U.S. Census data.

For certain loan types reflected in the preceding Table 2, residential real estate loans originated to LMI borrowers is notably lower than the percentage of families in those income levels. The percentage of the number of home purchase loans originated to moderate-income borrowers significantly exceeded the percentage of AA families of moderate-income in the AA, and the percentage of the number of refinance loans originated to moderate-income borrowers was near to the demographic comparator. CBNA did not make any improvement loans to any income category in this AA during the review period, and made only two improvement loans for the entire evaluation period which are attributed to the Fort Worth AA.

The bank did not originate any purchase loans to low-income borrowers, and the percentage of the number of refinance loans to low-income borrowers was near the demographic comparator. As such, the bank's performance for these type loans is **reasonable**, and thus meets the standards of satisfactory performance when considering performance context and safe and sound banking practices. According to 2010 Census data, 11 percent of families and 14 percent of households in the AA live below the poverty level. More than 23 percent of households in moderate-income geographies live below the poverty level. Median family income of $62,500 and median housing value of $99,728 in the AA impact home ownership capacity, especially for LMI individuals given the high median price compared with the high-end for low-income individuals of $28,407 and $45,451 for moderate-income individuals. Within the moderate-income geographies, the median housing value is $65,138 with an average age of housing stock of 52 years. Lower-income borrowers generally have difficulty qualifying for conventional mortgage loan financings.

Consumer Loans

Table 2B - Borrower Distribution of Consumer Loans in Bells AA								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	22.15	20.00	15.47	25.00	17.58	30.00	44.80	25.00

Source: Consumer Loan Sample; 2010 U.S. Census data.

The preceding Table 2B shows the percentage of the number of consumer loans the bank originated to low-income borrowers was slightly lower than the percentage of AA households that fall within that income level, while the percentage of the number of consumer loans originated to moderate-income borrowers significantly exceeded the demographic comparator. The bank's performance for these type loans reflects **excellent** penetration, and thus exceeds the standards of satisfactory performance when considering performance context and safe and sound banking practices.

Full Scope Assessment Area Review – Fort Worth AA

Residential Real Estate Loans

Table 2 - Borrower Distribution of Residential Real Estate Loans in Fort Worth AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	22.48	0.00	16.92	29.17	18.72	8.33	41.88	62.50
Improvement	22.48	0.00	16.92	0.00	18.72	0.00	41.88	100.00
Refinance	22.48	0.00	16.92	18.18	18.72	0.00	41.88	81.82

Source: Data reported under HMDA; 2010 U.S. Census data.

For certain loan types reflected in the preceding Table 2, residential real estate loans originated to LMI borrowers is notably lower than the percentage of families in those income levels. While the percentage of the number of purchase loans and refinance loans originated to moderate-income borrowers exceeded the percentage of AA families of moderate-income levels, CBNA did not originate any residential loans to AA families of low-income levels. While poor penetration is noted with respect to low-income borrowers, performance overall reflects **reasonable** penetration, and thus meets standards of performance when considering performance context and safe and sound banking practices. It is important to note CBNA originated only two improvement loans during the entire evaluation period, and lower-income borrowers typically struggle to meet conventional underwriting standards.

According to the 2010 U.S. Census, close to 12 percent of households in the AA lived below the poverty rate. High median housing values and older housing stock must be considered, which limit lending opportunities. The average median housing value in the AA is more than $163,000, and housing stock in the low- and moderate income geographies of this AA is 43 years. Older housing often has higher maintenance costs and frequently requires significant repairs to meet code requirements, they are often less energy efficient, and result in higher utility costs. Home-ownership costs is also made less affordable due to high property taxes. These and other factors can limit the ability of LMI borrowers to qualify for conventional mortgage loan financings. Additionally, the operation of a single branch with little to no market share in a fiercely competitive AA further support this reasonable lending performance assessment.

Consumer Loans

Table 2B - Borrower Distribution of Consumer Loans in Fort Worth AA								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	23.21	10.00	16.83	25.00	17.95	20.00	42.02	45.00

Source: Consumer Loan Sample; 2010 U.S. Census data.

As depicted in the preceding Table 2B, the distribution of consumer lending reflects **reasonable** penetration of loans to borrowers of different income levels. The percentage of the number of consumer loans to moderate-income borrowers significantly exceeded the percentage of AA moderate-income households, while the percentage of consumer loans originated to low-income borrowers was lower than the demographic comparator.

Lending performance to LMI borrowers reflects **reasonable** penetration when considering the performance context factors including the AA's above average poverty, the bank's new footprint in a highly competitive banking environment and small market share, as well as the increasing competition for consumer loans from credit unions. These factors, in addition to the bank not conducting a significant amount of marketing or advertising to consumers in the area, impact lending opportunities.

Geographic Distribution of Loans

CBNA's geographic distribution of residential and consumer loans in LMI geographies reflects **reasonable** dispersion when considering performance context factors that are addressed earlier in the Description of the Institution and Assessment Areas. This conclusion is based on an analysis of sampled consumer loans (40) and residential real estate loans (63) originated in the AAs. For both residential real estate loans and consumer loans, we compared the income distribution of the bank's borrowers to the income distribution of families within the AAs, using the FFIEC median family income levels. More weight was given to borrower distribution for purposes of our overall lending assessment. Borrower distribution better reflects the bank's lending activities to LMI families and households.

Full Scope Assessment Area Review – Bells AA

Residential Real Estate Loans

Table 3 - Geographic Distribution of Residential Real Estate Loans in Bells AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	0.00	0.00	14.54	0.00	56.59	90.00	28.87	10.00
Improvement	0.00	0.00	14.54	0.00	56.59	0.00	28.87	0.00
Refinance	0.00	0.00	14.54	0.00	56.59	57.14	28.87	42.86

Source: Data reported under HMDA; U.S. Census data.

As reflected in the preceding Table 3, the geographic distribution of residential real estate loans in this AA reflects a **poor** dispersion. In evaluating residential real estate lending, the percentage of the number of loans originated in each geography income level is compared to the percentage of owner-occupied housing units in each CT income level. In part, poor dispersion is explained by the absence of low-income geographies in the AA. Poor dispersion in moderate-income geographies is **reasonable** when considering performance context factors such as the bank's proximity to LMI geographies, above average poverty levels that limit home affordability, and competition from larger institutions that are more accessible to LMI areas and offer special financing programs targeted to LMI borrowers. Median family income of $62,500 and median housing value of $99,728 in the AA impact home ownership capacity, especially for LMI individuals given the high median price compared with the high-end for low-income individuals of $28,407 and $45,451 for moderate-income individuals. Within the moderate-income geographies, the median housing value is $65,138 with an average age of housing stock of 52 years. These and other factors make it difficult for LMI borrowers to qualify for conventional mortgage loan financings which limits the bank's lending opportunities.

Table 3B - Geographic Distribution of Consumer Loans in Bells AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	0.00	16.92	5.00	58.02	90.00	25.07	5.00

Source: Consumer Loan Sample; 2010 U.S. Census data.

As reflected in the preceding Table 3B, the geographic distribution of residential real estate loans in this AA reflects a **poor** dispersion. In evaluating consumer lending, the percentage of the number of loans originated in each geography income level is compared to the percentage distribution of AA households located in those CT income levels. In part, poor dispersion is explained by the absence of low-income geographies in the AA. The poor dispersion in moderate-income geographies is considered **reasonable** given performance context factors such as the bank's location and proximity to LMI geographies, the AA's above average poverty level and increased competition from credit unions. These factors and others, including the bank's limited advertising or marketing, resulted in fewer lending opportunities.

Full Scope Assessment Area Review – Fort Worth AA

Residential Real Estate Loans

Table 3 - Geographic Distribution of Residential Real Estate Loans in Fort Worth AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	4.67	4.17	19.16	25.00	34.12	45.83	42.04	25.00
Improvement	4.67	0.00	19.16	0.00	34.12	0.00	42.04	100.00
Refinance	4.67	9.09	19.16	27.27	34.12	18.18	42.04	45.45

Source: Data reported under HMDA; U.S. Census data.

As depicted in the preceding Table 3, the bank's distribution of residential real estate loans to LMI geographies reflects **excellent** dispersion. With the exception of improvement loans, the percentage of the number of purchase loans and refinance loans to moderate-income geographies, exceeded the percentage of AA owner-occupied housing in that geography. Refinance loans originated to low-income geographies exceeded the percentage of AA owner-occupied housing and the percentage of the number of purchase loans to low-income geographies was near to the percentage of AA owner-occupied housing in low-income geographies. With the exception of improvement loans to upper-income geographies, the poor dispersion of improvement loans is explained by the bank originating only two improvement loans for the entire period out of a total of 63 HMDA reported originated residential real estate loans.

Table 3B - Geographic Distribution of Consumer Loans in Fort Worth AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	9.40	0.00	23.66	35.00	33.56	40.00	25.70	25.00

Source: Consumer Loan Sample; 2010 U.S. Census data.

The preceding Table 3B reflects the percentage of the number of consumer loans the bank originated or purchased in each geography income level compared to the percentage of distribution of households located in those geography income levels. The percentage of the number of consumer loans originated in moderate-income CTs significantly exceeds the percentage of AA households in the moderate-income geographies. The percentage of the number of consumer loans originated in low-income geographies is significantly lower than the percentage of AA households in low-income geographies and reflects **poor** dispersion. However, this lending performance is **reasonable** and generally meets the standard of satisfactory performance when considering performance context such as above average poverty in low-income geographies, the bank's new but small footprint in a highly competitive banking environment, and increased competition from credit unions in close proximity to the bank. It is also important to note, the Fort Worth branch originated only 22 consumer loans for the period reviewed, which represented less than 8 percent of the 267 in total originated by the bank for the review period. Limited advertising and marketing can also contribute to fewer lending opportunities.

Responses to Complaints

CBNA has not received any complaints regarding its CRA performance during the evaluation period and; therefore, this criterion is not applicable to the Lending Test.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): (02/08/2011 to 05/01/2017)	
Financial Institution		**Products Reviewed**
Cendera Bank, National Association (CBNA) Bells, Texas		Residential Real Estate and Consumer
Affiliate(s)	**Affiliate Relationship**	**Products Reviewed**
N/A		
List of Assessment Areas and Type of Examination		
Assessment Area	**Type of Exam**	**Other Information**
Bells Assessment Area Fort Worth Assessment Area	Full-Scope Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Bells Assessment Area

Demographic Information for Full-Scope Area: Bells Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	49	0.00	20.41	59.18	20.41	0.00
Population by Geography	212,948	0.00	18.82	55.68	26.07	0.00
Owner-Occupied Housing by Geography	57,256	0.00	14.54	56.59	28.87	0.00
Family Distribution by Income Level	56,209	0.00	15.70	56.81	27.48	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	79,746	0.00	16.92	58.02	25.07	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below the Poverty Level	= $56,814 = $54,416 = 13.81%	Median Housing Value Unemployment Rate				=$99,728 = 7.9%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census data; Bureau of Labor Statistics; FFIEC Estimated Median Family Income.

CBNA has delineated the Bells Assessment Area (AA) to include whole geographies of the counties, Fannin, Cooke, Montague, and Grayson, which represents the Sherman-Denison Texas Metropolitan Statistical Area. The AA contains 49 census tracts comprised of 10 moderate-income, 29 middle-income, and 10 upper-income tracts. Although there are no low-income CTs in this AA, LMI families do reside in the area. According to the 2016 Federal Financial Institution's Examination Council (FFIEC) Report, none of the middle-income CTs in the AA have been classified as either distressed or under-served. The bank has properly defined its AA in accordance with the technical requirements of the CRA regulation. The AA consists of whole CTs, does not arbitrarily exclude LMI CTs, and includes the CTs where CBNA offices are located. The AA meets requirements of the regulation and does not reflect illegal discrimination.

Grayson County includes the major cities of Sherman (county seat), Denison, Whitesboro, Howe and part of Van Alstyne in Grayson County. Major cities and towns in Fannin County includes Bonham (county seat), Bailey, Ector, and Leonard. In Cooke County, the major cities are Gainesville (county seat), Callisburg, Lindsey, Muenster and Valley View. Major cities within Montague County are Bowie, Nocona, St. Jo and Montague (county seat).

The AA as a whole has recorded modest economic and population growth since 2000. According to 2010 Census data, the AA population of 212,948 represents growth of less than 2000 or 1.0 percent, from a 2000 census population of 210,954. This population growth is below the state average of 21 percent and the national average of 10 percent. In evaluating the geographic distribution of home loans in the AA, it is important to note that, according to 2010 Census data, approximately 61 percent of housing in the AA is owner-occupied, 24 percent is rental occupied, and 15 percent is vacant. There are no low-income CTs and only 14.54 percent of total owner-occupied housing units are located in moderate-income areas. Of a total of 16,572 housing units in moderate-income geographies, rental and vacant units account for a combined 50 percent; another 15 percent are multifamily or mobile homes.

Almost 60 percent of the moderate-income geography is occupied by low- and moderate-income families. Fourteen percent of households in the AA live below the poverty level, and 23 percent of households located in moderate-income geographies live below the poverty level. Median family income of $62,500 and a median housing value of $99,728 impact home ownership capacity, especially for LMI individuals given the high median price compared with the high-end for low-income individuals of $27,208 and $43,532 for moderate-income individuals. The average age of housing stock in the moderate-income geography is 52 years with an average median housing value of $65,000.

Based on these statistics, lending opportunities in the moderate-income geographies are limited. According to the Bureau of Labor Statistics, unemployment of 7.9 percent in 2010 was slightly more favorable to the state average of 8.0 percent and more favorable to the national average of 9.3 percent. However, a more recent AA unemployment rate (as of March 2017) of 4.2 percent compares more favorably to state and national averages of 5.0 percent and 4.6 percent.

In conducting this evaluation, a community contact indicated local banks are meeting the financial needs of the community satisfactorily. Residential and consumer loans remain a need in the community to sustain economic growth and development in the area.

Fort Worth Assessment Area

Demographic Information for Full-Scope Area: Fort Worth Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1304	11.43	25.38	30.29	32.59	0.31
Population by Geography	6,314,374	9.72	24.59	32.05	33.64	0.00
Owner-Occupied Housing by Geography	1,376,420	4.67	19.16	34.12	42.04	0.00
Family Distribution by Income Level	1,518,484	8.41	22.75	32.97	35.87	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,192,310	9.40	23.66	33.56	33.38	0.00
Median Family Income FFIEC Estimated Median Family Income for 2016 Households Below the Poverty Level	= $73,761 = $70,918 = 11.80%	Median Housing Value Unemployment Rate				= $99728 = 7.6%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census data; Bureau of Labor Statistics; FFIEC Estimated Median Family Income.

CBNA with one full service branch in the AA serves a diverse market that includes an array of demographics. The bank delineates much of the Dallas-Fort Worth-Arlington Texas MSA as its other AA, largely due to the presence of Cendera Funding mortgage operations in much of the area. This AA consists of the counties Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall, which make up the Dallas-Plano-Irving Texas Metropolitan Division (MD), in addition to Wise, Tarrant, Parker, Hood, and Johnson counties that make up the Fort Worth-Arlington Texas MD. The bank chose not to include Somervell County in its AA as it comprises only a total of three CTs, all middle-income. Combining both or part of the two MDs within their MSA meets the CRA regulation's technical requirements for an AA.

The AA consists of 1,304 CTs (149 low-income, 331 moderate-income, 395 middle-income, 425 upper-income, and four non-income classified). Moreover, the low-income tracts represent 11.43 percent of the total geographies while the moderate-income CTs total represent 25.38 percent. The bank has properly defined its AA in accordance with the technical requirements of the CRA regulation. The AA consists of whole CTs, does not arbitrarily exclude LMI CTs, and includes the CTs where CBNA offices are located. The AA meets requirements of the regulation and does not reflect illegal discrimination.

The AA includes the major cities of Dallas, Fort Worth, Arlington, Plano, Garland, and Irving. According to 2010 U.S. Census data, the AA has a population of 6.3 million which represents growth of about 1 million since the 2000 U.S. Census. The Dallas-Fort Worth-Arlington MSA is, by population, the largest metropolitan area in Texas, the largest in the South, and the fourth-largest in the United States.

Owner-occupied housing units represent 57 percent of total housing in the AA, but only 4.6 percent of the owner-occupied housing exists within low-income geographies. Low-income and moderate-income households represent 23.21 percent and 16.83 percent of total households in the AA, respectively. While almost 12 percent of households in the AA live below the poverty level, more than 30 percent and 19 percent of those households are located in low-income and moderate-income geographies respectively. The median value of housing in the AA is $163,989 and housing stock is on average 34 years old. In low-income geographies, the average value of housing is $77,904 and an average of 44 years old, compared to $97,248 and 43 years in moderate-income geographies.