

# **PUBLIC DISCLOSURE**

March 11, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

International Bank of Commerce  
Certificate Number: 25679

1600 F.M. 802  
Brownsville, Texas 78521

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

1601 Bryan Street, Suite 1410  
Dallas, Texas 75201

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 **Outstanding**.

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

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

**The Lending Test is rated Outstanding.**

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- An adequate percentage of loans are made in the institution’s assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different size.
- The institution exhibits an excellent record of serving the credit needs of the most economically disadvantaged areas of its assessment area, low-income individuals, and/or very small businesses.
- The institution makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The institution is a leader in making community development (CD) loans.

**The Investment Test is rated Outstanding.**

- The institution has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits excellent responsiveness to credit and community development needs.
- The institution makes extensive use of innovative and/or complex investments to support community development initiatives.

**The Service Test is rated Outstanding.**

- Delivery systems are accessible to essentially all portions of the institution's assessment area.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services (including where appropriate, business hours) are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The institution is a leader in providing CD services.

**DESCRIPTION OF INSTITUTION**

International Bank of Commerce (IBC Brownsville) began operations in 1984 in Brownsville, Texas. The bank received a Satisfactory rating at its previous September 11, 2017, Federal Deposit Insurance Corporation (FDIC) CRA Performance Evaluation based on Federal Financial Institutions Examination Council (FFIEC) Intermediate Small Institution CRA Examination Procedures.

International Bancshares Corporation, Laredo, Texas, wholly owns IBC Subsidiary Corporation, Laredo, Texas. In turn, IBC Subsidiary Corporation wholly owns IBC Brownsville as well as Commerce Bank, Laredo, Texas; International Bank of Commerce, Laredo, Texas; International Bank of Commerce, Oklahoma City, Oklahoma; and International Bank of Commerce, Zapata, Texas. This evaluation does not consider any affiliate or subsidiary lending or community development activities.

IBC Brownsville functions as a retail bank operating 12 full-service offices in Cameron County, Texas. Since the previous evaluation, the bank has not opened or closed any branches or participated in any merger or acquisition activity.

The bank focuses on commercial and residential lending, but also offers a variety of loan products including construction, consumer, and agricultural loans. IBC Brownsville’s various deposit offerings consist of consumer and commercial checking and savings accounts, debit and gift cards, and merchant processing for commercial customers. Alternative delivery systems include remote deposit capture, online and mobile banking with bill pay capabilities, telephone banking, drive-thru facilities, and automated teller machines (ATMs). Additionally, due to IBC Brownsville’s affiliation with its holding company, its customers also receive free access to all branch locations and ATMs that make up the International Bancshares Corporation network.

Since the previous evaluation, total assets, net loans, and total deposits reflected increases of 11.1, 12.0, and 12.1 percent, respectively. As of the December 31, 2020, Consolidated Reports of Condition and Income, the bank reported total assets of \$1.3 billion, total loans of \$699.1 million, total deposits of \$1.1 billion, and total securities of \$289.4 million. As of December 31, 2020, the bank also reported a Return on Average Assets of 1.9 percent and a Tier 1 Leverage Capital Ratio of 14.6 percent.

As seen in the following table, the mix of outstanding loans as of December 31, 2020, shows that commercial loans (secured by commercial real estate and commercial and industrial) represents the largest loan category at 58.9 percent. Construction and land development loans and home mortgage loans (secured by 1-4 family residential and multi-family residential) represent the next largest loan categories at 23.0 percent and 16.1 percent, respectively.

<b>Loan Portfolio Distribution as of 12/31/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	161,057	23.0
Secured by Farmland	7,339	1.0
Secured by 1-4 Family Residential Properties	40,757	5.8
Secured by Multifamily (5 or more) Residential Properties	72,151	10.3
Secured by Nonfarm Nonresidential Properties	210,298	30.2
<b>Total Real Estate Loans</b>	<b>491,602</b>	<b>70.3</b>
Commercial and Industrial Loans	200,968	28.7
Agricultural Production and Other Loans to Farmers	930	0.1
Consumer Loans	4,471	0.6
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	1,079	0.2
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>699,050</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income Due to rounding, totals may not equal 100.0</i>		

For the 14 quarters since the previous evaluation, the bank recorded an average, net loan-to-deposit ratio of 66.5 percent, thereby reflecting some capacity to respond to future assessment area credit needs. Based on the information discussed in this section, as well as other regulatory data, the

institution’s financial condition, size, product offerings, prior performance, and status of any legal impediments did not affect its ability to meet the assessment area’s credit needs.

## DESCRIPTION OF ASSESSMENT AREA

IBC Brownsville designated one assessment area consisting of Cameron County in Texas, which alone makes up the Brownsville-Harlingen, TX Metropolitan Statistical Area (MSA) (Brownsville MSA AA). The assessment area conforms to CRA regulatory requirements. The following table shows that IBC Brownsville operates 12 offices in this assessment area along with 25 ATMs.

Office Locations				
County/City/Office	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation
<b><i>Cameron County:</i></b>				
Brownsville – 14 <sup>th</sup> St	Branch	0133.03	Middle	No
Brownsville – Central Blvd	Branch	0129.00	Upper	No
Brownsville – E Alton Gloor Blvd	Branch	0144.00	Upper	No
Brownsville – Elizabeth St	Branch	0140.01	Moderate	No
Brownsville – N Expressway	Branch	0126.13	Upper	No
Brownsville – F.M. 802	Main Office	0126.13	Upper	No
Brownsville – W Alton Gloor Blvd	Branch	0125.04	Upper	No
Harlingen – 77 <sup>th</sup> Sunshine Strip	Branch	0108.00	Middle	No
Harlingen – Dixieland Rd	Branch	0120.01	Upper	No
Harlingen – Lincoln	Branch	0120.01	Upper	No
Port Isabel – Hwy 100	Branch	0123.04	Middle	No
South Padre Island – Padre Blvd	Branch	0123.05	Upper	No
<i>Source: Bank Data; 2015 American Community Survey (ACS) Data</i>				

### **Economic and Demographic Data**

Based on 2015 ACS data, the assessment area’s 87 census tracts reflect the following income designations: 35 moderate-, 25 middle-, 24 upper-income, and 3 census tracts with no income designation. FEMA issued a disaster declaration for Cameron County due to severe winter storms on February 19, 2021, and a disaster declaration for the entire state due to the COVID-19 pandemic on March 25, 2020. The following table provides select demographic characteristics for the Brownsville MSA AA.

<b>Demographic Information of the Brownsville MSA AA</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)	87	0.0	40.2	28.7	27.6	3.4
Population by Geography	417,947	0.0	34.5	30.9	34.7	0.0
Housing Units by Geography	145,194	0.0	30.1	30.2	39.7	0.0
Owner-Occupied Units by Geography	80,885	0.0	29.1	29.9	40.9	0.0
Occupied Rental Units by Geography	40,212	0.0	38.0	34.0	28.0	0.0
Vacant Units by Geography	24,097	0.0	20.2	24.6	55.2	0.0
Businesses by Geography	19,802	0.0	30.9	27.5	41.3	0.3
Farms by Geography	423	0.0	22.5	33.1	44.2	0.2
Family Distribution by Income Level	95,991	24.6	16.6	15.7	43.0	0.0
Household Distribution by Income Level	121,097	26.0	15.3	15.4	43.2	0.0
Median Family Income MSA - 29700 Brownsville-Harlingen, TX MSA	\$36,941	Median Housing Value Median Gross Rent Families Below Poverty Level				\$88,468 \$659 29.6%
<i>Source: 2015 ACS Data; 2019 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>						

Brownsville’s economy continues to be primarily driven by international trade with Mexico through the North American Free Trade Agreement, and is home to one of the fastest growing manufacturing sectors in the nation. Port of Brownsville, a deep-water seaport, remains an important pillar of the city’s economy and provides a link between the road networks of nearby Mexico and the Gulf Intracoastal Waterway of Texas. The Brownsville Economic Development Council notes that the city now hosts five methods of international trade: air, sea, road, rail, and space. The city is also known for being a fast-growing manufacturing hub with solid infrastructure and logistics, valuable resources, a young and skilled workforce on both sides of the border, and low labor costs.

Major employers include the Brownsville Independent School District, Cameron County, the University of Texas Rio Grande Valley, Keppel amFELS, and Wal-Mart. According to business demographics, service industries represent the largest portion of the area’s businesses at 38.2 percent, followed by retail trade at 15.7 percent, and non-classifiable establishments at 15.1 percent.

Examiners use the applicable FFIEC-updated median family income levels to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income ranges based on the 2019 FFIEC-updated median family income of \$44,000.

<b>Brownsville-Harlingen, TX MSA 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>
2019 (\$44,000)	<\$22,000	\$22,000 to <\$35,200	\$35,200 to <\$52,800	≥\$52,800
<i>Source: FFIEC</i>				

The Texas Labor Market in conjunction with the U.S. Bureau Labor of Statistics recorded an unemployment rate of 9.5 percent as of December 2020 for Cameron County. Such rate is above both the State of Texas' rate and the national rate of 7.1 and 6.5, respectively, for the same time period. This above average rate directly correlates to the COVID-19 pandemic. As of December 2019, the unemployment rate for Cameron County was 5.5 percent.

### **Competition**

According to the FDIC Deposit Market Share report as of June 30, 2020, 17 financial institutions operated 70 offices within the bank's assessment area, reflecting a competitive market for financial services. Of these institutions, IBC Brownsville ranked 1<sup>st</sup> with a 20.2 percent deposit market share. Additionally, a strong level of competition exists for home mortgage and small business loans in the assessment area. According to 2019 aggregate Home Mortgage Disclosure Act (HMDA) and CRA data, 321 lenders reported 8,544 home mortgage loans and 87 lenders reported 7,076 small business loans.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community needs. This information helps determine financial institutions' responsiveness to these needs and shows available credit opportunities.

A community contact conducted during the evaluation and knowledgeable of the area's economic, demographic, and business environments noted that the area's economic conditions are slowly recovering to pre-pandemic conditions and local institutions continue to meet credit needs. The community contact stated that leisure/hospitality employment and retail sales suffered due to the pandemic and the United States' ban on nonessential travel. However, the contact noted stabilizing unemployment rates as well as increasing trade activity passing through the Rio Grande Valley. According to the contact, the border's trade sector remains an integral component of the local economy.

The contact noted that the paycheck protection program (PPP) offered by local banks and the StartUp Texas Program by the Brownsville Community Improvement Corporation actively help a number of area businesses. Overall, the contact felt that financial institutions have been responsive to the credit and community development needs of the area, but concluded with the ongoing support needs for low- and moderate-income area residents.

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

The assessment area created varied loan demand for various loan types, including commercial, residential real estate, construction, and consumer loans. The area's economy also supports credit growth and opportunities for various loan types. Considering information from the community contact, bank management, and demographic and economic data, examiners determined that the area's primary credit needs include commercial, residential real estate, and consumer loans.



With respect to the area's community development needs, the information discussed herein, including the number of moderate-income geographies, low- and moderate-income families, and poverty levels, indicates needs for community services activities, revitalizing and stabilizing low- and moderate-income areas, and affordable housing.

## **SCOPE OF EVALUATION**

### **General Information**

IBC Brownsville opted to be evaluated using the Interagency Large Institution CRA Examination Procedures; therefore, examiners used such procedures to evaluate the bank's performance since the previous evaluation dated September 11, 2017, to the current evaluation date of March 11, 2021. The procedures consist of the Lending, Investment, and Service Tests. The Appendices include the performance criteria for each test. Examiners used full-scope procedures to assess IBC Brownsville's performance in its sole assessment area, the Brownsville MSA AA, and applied all weighting to such area as it accounts for all of the bank's lending, deposits, and offices.

### **Activities Reviewed**

For the Lending Test, CRA Large Institution procedures require examiners to consider a bank's reported home mortgage, small business, and small farm loans, as well as all reported CD loans originated since the prior evaluation. Consequently, this evaluation considers the following loans, based on readily available information, reported either according to the HMDA or CRA data collection reporting requirements:

#### **Home Mortgage Loans**

- 2018: 45 loans totaling \$29.2 million
- 2019: 35 loans totaling \$51.0 million

#### **Small Business Loans**

- 2018: 404 loans totaling \$64.7 million
- 2019: 355 loans totaling \$54.8 million

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

- 2018: 15 loans totaling \$4.1 million
- 2019: 13 loans totaling \$3.3 million

#### **Community Development Loans:**

September 11, 2017 – March 11, 2021: 121 loans totaling \$811.2 million

Based on the data above, small farm loans only account for 3.6 percent of the dollar volume and 3.2 percent of the number of the total loans for the first three loan categories. Therefore, examiners did not analyze small farm loans since conclusions regarding them would not materially affect any conclusions or ratings, and given the very limited data for small farm loans in the assessment area, this evaluation does not present that loan data. Additionally, since consumer loans do not represent a substantial majority of the bank’s loans by dollar volume, representing only 1.1 percent of the dollar volume of loans originated during 2020, examiners did not consider them.

Since no trends exist between the different years’ data that materially affect applicable conclusions or ratings, unless otherwise noted, this evaluation only presents 2019 data, the most recent year for which aggregate data exists as of this evaluation date. This evaluation presents demographic data based on 2015 ACS data as well as 2019 D&B data while aggregate data served as the primary source of comparable data.

Examiners considered the universes of loans reviewed by number and dollar volume, as well as management’s stated business strategy, to determine the weighting applied to the loan categories reviewed. As seen in the following table, small business loans represent a majority of the loan categories reviewed. Therefore, small business loans received more weight when arriving at overall conclusions.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Home Mortgage	35	51,012	35	51,012
Small Business	355	54,834	355	54,834

*Source: HMDA Reported Data (2019); CRA Reported Data (2019)*

The CRA evaluation also reviewed the bank’s qualified investments and CD services for the period since the previous CRA evaluation. Qualified investments included new investments and donations, as well as outstanding qualified investments from the prior evaluation.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

IBC Brownsville demonstrated an outstanding record for the Lending Test. Excellent lending activity, excellent borrower profile lending distribution, its leadership in community development lending, and extensive use of innovative or flexible lending practices lifted the adequate percentage of loans made in the bank’s assessment area and adequate geographic loan distribution to support this conclusion.

## **Lending Activity**

Lending levels reflect excellent responsiveness to assessment area credit needs. Excellent small business lending performance sufficiently lifted good home mortgage lending performance to support this conclusion. Examiners considered the bank's size, business strategy, and capacity relative to the assessment area's credit needs when arriving at this conclusion.

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

The level of small business lending activity reflects excellent responsiveness to assessment area credit needs. Excellent overall market ranking primarily supports this conclusion. IBC Brownsville captured a 4.6 percent market share of the total number of small business loans and a 19.9 percent market share of the total dollar volume of loans. According to 2019 aggregate CRA data, IBC Brownsville ranked 6<sup>th</sup> out of 87 reporting lenders inside its assessment area, reflecting excellent performance. This ranking, which considers the total number and dollar volume of loans made by each institution, lands the bank in the top 6.9 percent of lenders reporting such loans in the assessment area.

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

The level of home mortgage lending activity reflects good responsiveness to assessment area credit needs. Good overall market ranking primarily supports this conclusion. IBC Brownsville captured a 0.4 percent market share of the total number of home mortgage loans and a 0.8 percent market share of the total dollar volume of loans. According to 2019 aggregate HMDA data, IBC Brownsville ranked 60<sup>th</sup> out of 321 reporting lenders inside its assessment area, reflecting good performance. This ranking, which considers the total number and dollar volume of loans made by each institution, lands the bank in the top 18.7 percent of lenders reporting such loans in the assessment area.

## **Assessment Area Concentration**

An adequate percentage of loans are made in the institution's assessment area. A high percentage of small business loans originated inside the bank's assessment area hampered by an adequate percentage of home mortgage loans originated inside the bank's assessment area supports this conclusion. Examiners considered the bank's asset size and office structure, as well as the loan categories reviewed relative to the area's combined size and economy when arriving at this conclusion.

The following table shows that the bank originated a high percentage of its small business loans, by number and dollar, within its assessment area. The table also shows that the bank originated an adequate percentage of its home mortgage loans by number and a small percentage by dollar inside its assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2018	363	89.9	41	10.1	404	55,000	85.0	9,698	15.0	64,698
2019	313	88.2	42	11.8	355	42,727	77.9	12,107	22.1	54,834
<b>Subtotal</b>	<b>676</b>	<b>89.1</b>	<b>83</b>	<b>10.9</b>	<b>759</b>	<b>97,727</b>	<b>81.8</b>	<b>21,805</b>	<b>18.2</b>	<b>119,532</b>
Home Mortgage										
2018	35	77.8	10	22.2	45	13,101	44.9	16,068	55.1	29,169
2019	27	77.1	8	22.9	35	9,613	18.8	41,399	81.2	51,012
<b>Subtotal</b>	<b>62</b>	<b>77.5</b>	<b>18</b>	<b>22.5</b>	<b>80</b>	<b>22,714</b>	<b>28.3</b>	<b>57,467</b>	<b>71.7</b>	<b>80,181</b>
<b>Total</b>	<b>738</b>	<b>88.0</b>	<b>101</b>	<b>12.0</b>	<b>839</b>	<b>120,441</b>	<b>60.3</b>	<b>79,272</b>	<b>39.7</b>	<b>199,713</b>
<i>Source: HMDA Reported Data (2018 and 2019); CRA Reported Data (2018 and 2019)            Due to rounding, totals may not equal 100.0</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the assessment area. Adequate performance regarding small business lending insufficiently lifted by good performance regarding home mortgage lending in the bank’s sole assessment area supports this conclusion. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. Examiners focused on the percentage by number of loans originated when arriving at conclusions. This factor only considered loans originated inside the bank’s assessment area.

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

The geographic distribution of small business loans reflects adequate penetration throughout the Brownsville MSA AA. Adequate performance in moderate-income census tracts supports this conclusion. According to the following table, the bank’s performance in moderate-income census tracts lands 2.0 percentage points above aggregate data, reflecting adequate performance. Further, the table shows that in moderate-income geographies, the bank’s level falls slightly below, but within an adequate range of available D&B data.

Geographic Distribution of Small Business Loans Brownsville MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	30.9	28.0	94	30.0	12,764	29.9
Middle	27.5	28.9	98	31.3	13,878	32.5
Upper	41.3	42.8	119	38.0	15,909	37.2
Not Available	0.3	0.2	2	0.6	176	0.4
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>313</b>	<b>100.0</b>	<b>42,727</b>	<b>100.0</b>

*Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data  
Due to rounding, totals may not equal 100.0*

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

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. Good performance in moderate-income census tracts supports this conclusion. According to the following table, the bank’s performance in moderate-income census tracts lands 8.6 percentage points above aggregate data, reflecting good performance.

Geographic Distribution of Home Mortgage Loans Brownsville MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0	0	0	0.0	0	0.0
Moderate	29.1	13.6	6	22.2	944	9.8
Middle	29.9	26.0	3	11.1	3,680	38.3
Upper	40.9	60.4	18	66.7	4,989	51.9
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>9,613</b>	<b>100.0</b>

*Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data  
Due to rounding, totals may not equal 100.0*

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different size. Excellent performance regarding small business loans lifted the adequate performance regarding home mortgage loans in the bank’s sole assessment area to support this conclusion. Examiners placed even greater weight on the bank’s small business lending performance given performance context considerations noted regarding the home mortgage loans reviewed. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. Examiners focused on the percentage

by number of loans originated when arriving at conclusions. This factor only considered loans originated inside the bank’s assessment area.

***Small Business Loans***

The distribution of borrowers reflects excellent penetration of small business loans among businesses of different sizes. An excellent record of lending to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion. As shown in the following table, the bank’s level of lending to businesses with gross annual revenues of \$1 million or less is lower than business demographic data but exceeds aggregate performance by 24.9 percent, reflecting excellent performance.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Brownsville MSA AA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	83.2	37.1	194	62.0	23,899	55.9
>1,000,000	4.3	--	119	38.0	18,828	44.1
Revenue Not Available	12.5	--	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>313</b>	<b>100.0</b>	<b>42,727</b>	<b>100.0</b>
<i>Source: 2019 D&amp;B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data; "--" data not available Due to rounding, totals may not equal 100.0</i>						

***Home Mortgage Loans***

The bank’s distribution of home mortgage loans reflects adequate penetration among borrowers of different income levels. Adequate performances to low- and moderate-income borrowers, and consideration of performance context issues, primary support this conclusion. While the following table shows that the bank originated no home mortgage loans to low- or moderate-income borrowers, these records reflect adequate performance considering the ratios’ overall levels and the nominal aggregate levels. Specifically, the bank’s level to low-income borrowers falls only 1.0 percentage point below the aggregate figure while the bank’s level to moderate-income borrowers lands 7.3 percentage points below. Further, the large percentage of the bank’s loans reflecting income not available is consistent with the bank’s commercial lending focus; many of the institution’s home mortgage loans reflect business-related purposes, thus negating the need to report income levels. The large disparity in the Not Available income category between aggregate data and bank data makes any comparison between the two less meaningful.

<b>Distribution of Home Mortgage Loans by Borrower Income Level Brownsville MSA AA</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	24.6	1.0	0	0.0	0	0.0
Moderate	16.6	7.3	0	0.0	0	0.0
Middle	15.7	14.5	0	0.0	0	0.0
Upper	43.0	56.3	5	18.5	677	7.0
Not Available	0.0	20.9	22	81.5	8,936	93.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>9,613</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0</i>						

### **Innovative or Flexible Lending Practices**

The institution makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs. These practices' excellent success, as primarily measured by the number and dollar volume of such loans, primarily supports this conclusion.

The following table shows that since the previous evaluation, the bank originated 2,809 innovative or flexible loans totaling \$55.6 million. This dollar figure equates to 5.1 percent of average total assets of \$1.1 billion since the last performance evaluation and 9.6 percent of average net loans of \$576.9 million for the same period. The bank's current levels reflect excellent success based on the number and dollar volume of innovative or flexible loans.

Besides their level of success, the bank's innovative or flexible lending practices reflect a good degree of serving low- and moderate-income borrowers. They benefit bank customers through the bank's Fresh Start loans, designed to clear customers' overdraft balances through interest-free loans. Additionally, in response to the COVID-19 pandemic, the bank originated 724 Small Business Administration PPP loans totaling nearly \$37.8 million, considered small business loans with loan amounts of \$1 million or less during the review period, and 7 PPP loans exceeding \$1 million in loan amount, totaling more than \$16.4 million. The bank originated 223 PPP loans with loan amounts of \$1 million or less, totaling \$10.5 million in low- and moderate-income geographies. PPP loans were designed to help businesses retain workers and staff during the economic hardship resulting from the pandemic. The volume of PPP loans demonstrates the bank's responsiveness in helping to serve the credit needs, including those of small businesses, of its assessment area in response to the COVID-19 pandemic.

Innovative or Flexible Lending Programs												
Type of Program	2017		2018		2019		2020		YTD 2021		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Fresh Start	509	333	522	347	543	362	448	298	56	36	2,078	1,376
PPP	0	0	0	0	0	0	729	50,827	2	3,408	731	54,235
<b>Totals</b>	<b>509</b>	<b>333</b>	<b>522</b>	<b>347</b>	<b>543</b>	<b>362</b>	<b>1,177</b>	<b>51,125</b>	<b>58</b>	<b>3,444</b>	<b>2,809</b>	<b>55,611</b>

Source: Bank Data

### Community Development Loans

The institution is a leader in making CD loans. Its leadership regarding the dollar volume of CD loans and the CD loans' responsiveness support this conclusion.

During the evaluation period, IBC Brownsville originated or renewed 121 CD loans totaling more than \$811.1 million. This level of activity represents 75.2 percent of average total assets of \$1.1 billion and 140.6 percent of average net loans of \$576.9 million. This activity reflects a significant increase in both number and dollar from the previous evaluation when the bank originated 77 loans totaling \$346.1 million, which represented 34.1 percent of average total assets and 80.8 percent of average net loans.

In addition to reflecting leadership based on their level, the CD loans reflect excellent responsiveness to the assessment area's community development needs. The following table shows that 49.8 percent of the dollar volume benefits affordable housing for low- and moderate-income individuals while another 35.3 percent of the dollar volume benefit activities that revitalize or stabilize qualifying geographies. The Description of Assessment Area specifically notes these two types of activities as community development needs in the assessment area. The following tables display community development lending by area, year, and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	8	69,540	0	0	2	2,748	1	2,136	11	74,424
2018	22	142,922	1	1,500	1	2,165	12	56,325	36	202,912
2019	14	120,135	0	0	7	94,395	18	74,264	39	288,794
2020	10	56,920	0	0	2	20,144	21	153,964	33	231,028
YTD 2021	2	14,002	0	0	0	0	0	0	2	14,002
<b>Total</b>	<b>56</b>	<b>403,519</b>	<b>1</b>	<b>1,500</b>	<b>12</b>	<b>119,452</b>	<b>52</b>	<b>286,689</b>	<b>121</b>	<b>811,160</b>

Source: Bank Data



Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Brownsville MSA AA	5	22,565	1	1,500	3	5,368	15	67,821	24	97,254
Statewide/Regional	51	380,954	0	0	9	114,084	37	218,868	97	713,906
<b>Total</b>	<b>56</b>	<b>403,519</b>	<b>1</b>	<b>1,500</b>	<b>12</b>	<b>119,452</b>	<b>52</b>	<b>286,689</b>	<b>121</b>	<b>811,160</b>

*Source: Bank Data*

The following are notable examples of the bank’s CD loans.

- **Affordable Housing** – In 2019, the bank originated a \$9.5 million loan to finance the construction of an apartment complex located in the Brownsville MSA AA. The 64-unit mixed-income development will provide 52 units designated as affordable housing for households earning at or below 60 percent of the Area Median Gross Income and accept Section 8 Vouchers.
- **Revitalize or Stabilize** – The bank granted a \$10.0 million revolving line of credit to a local company located in a moderate-income census tract for working capital. This activity revitalizes or stabilizes the qualifying geography by helping to retain an existing business and residents.

## INVESTMENT TEST

IBC Brownsville demonstrated an outstanding record regarding the Investment Test. An excellent level of qualified community development investments and donations, excellent responsiveness to credit and community development needs, and extensive use of innovative and/or complex investments support this conclusion.

### Investment and Grant Activity

The institution has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. The dollar volume of qualified investments primarily supports this conclusion. The bank made use of 197 qualified investments and donations totaling more than \$30.6 million. This represents 2.8 percent of average total assets of \$1.1 billion and 10.1 percent of average total securities of \$304.5 million. These levels reflect a decrease over the 4.2 percent of average total assets and an increase over the 9.0 percent of average total securities reported in the prior evaluation. The tables below summarize the bank’s qualified investments and donations by area, year, and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	14,452	0	0	0	0	0	0	2	14,452
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	2	15,553	0	0	0	0	0	0	2	15,553
2020	0	0	1	250	0	0	0	0	1	250
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>4</b>	<b>30,005</b>	<b>1</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>30,255</b>
Qualified Grants & Donations	0	0	108	208	4	13	80	193	192	414
<b>Total</b>	<b>4</b>	<b>30,005</b>	<b>109</b>	<b>458</b>	<b>4</b>	<b>13</b>	<b>80</b>	<b>193</b>	<b>197</b>	<b>30,669</b>

Source: Bank Data

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Brownsville MSA AA	3	21,650	109	458	4	13	80	193	196	22,314
Statewide/Regional	1	8,355	0	0	0	0	0	0	1	8,355
<b>Total</b>	<b>4</b>	<b>30,005</b>	<b>109</b>	<b>458</b>	<b>4</b>	<b>13</b>	<b>80</b>	<b>193</b>	<b>197</b>	<b>30,669</b>

Source: Bank Data

The following are notable examples of the bank's qualified investment activity.

- **Affordable Housing** – As further described below, IBC Brownsville took a leadership role in creating a low-income housing tax credit equity investment fund structured as a proprietary investment. During the evaluation period, the bank invested over \$21.6 million in three properties located in the bank's assessment area and nearly \$8.4 million in one property in an adjacent county.
- **Community Services** – The bank invested \$250,000 in a Community Development Financial Institution currently serving the Lower Rio Grande Valley of Texas. The institution provides financial products and services to low- and moderate-income individuals, including affordable mortgage loans, small dollar loans, and interim construction financing to minority contractors.

## **Responsiveness to Credit and Community Development Needs**

The institution exhibits excellent responsiveness to credit and community development needs. As reflected in the above tables, a substantial majority of the dollar volume of all qualified investments and donations funded affordable housing needs, which is an identified community development need. Further, the bank's qualified investments funded community services needs as well as revitalization and stabilization activities, which are also identified community development needs.

## **Community Development Initiatives**

The institution makes extensive use of innovative and/or complex investments to support community development initiatives. For example, the bank made equity investments into a proprietary fund established by IBC Brownsville's Board of Directors to partner with various developers, city and state housing and development agencies, and builders to construct or refurbish affordable housing projects in Texas and Oklahoma. By using this proprietary fund as a general partner in the various projects, the bank leveraged low-income housing tax credits granted to developers as well as other tax incentives granted by municipalities to ensure the feasibility and sustainability of the various projects. IBC Brownsville invested approximately \$30.0 million into this fund.

The establishment of this proprietary fund involved significant cost and expertise in various areas including real estate development, legal, tax, accounting, finance, zoning, and construction. This approach reflects a strong commitment to IBC Brownsville's community development goals and exemplifies excellent responsiveness through extensive use of innovative and complex investments not routinely provided by private investors that directly address identified needs in the bank's assessment area.

## **SERVICE TEST**

IBC Brownsville demonstrated an outstanding record regarding the Service Test. Its leadership in providing CD services and tailored services to the needs of the assessment area primarily support this conclusion. Additionally, delivery systems are accessible to essentially all portions of the assessment area and the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems.

## **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the institution's assessment area. Readily accessible alternative delivery systems lifted the reasonably accessible branch distribution to support this conclusion.

The following table illustrates the distribution of the bank's branches and ATMs by geography income level for 2020. The table shows that in moderate-income geographies, the percentages of branches and ATMs fall below the percentage of the assessment area's population residing in those areas, typically reflective of limited accessibility. However, considering changes in census tract

income designations since the prior examination and the continued operation of two branches previously located in moderate-income geographies, the branch distribution reflects reasonable accessibility to essential all portions of the assessment area.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	35	40.2	144,124	34.5	1	8.3	2	8.0
Middle	25	28.7	128,962	30.8	3	25.0	7	28.0
Upper	24	27.6	144,861	34.7	8	66.7	15	60.0
NA	3	3.4	0	0.0	0	0.0	1	4.0
<b>Total</b>	<b>87</b>	<b>100.0</b>	<b>417,947</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data Due to rounding, totals may not equal 100.0</i>								

The institution makes its alternative delivery systems readily accessible to all portions of the assessment area. In addition to its ATMs, the bank offers a variety of alternative systems that prove effective in delivering retail banking services in low- and moderate-income geographies or to low- and moderate-income individuals. As noted previously, due to IBC Brownsville’s affiliation with its holding company, its customers also receive free access to all branch locations and ATMs that make up the International Bancshares Corporation network. As of March 11, 2021, this network includes 185 branch locations and 279 ATMs. Further, IBC Brownsville offers free, 24-hour customer access to accounts via a local telephone number. This free service allows customers to access balance and deposit information, make account transfers, and obtain information on checks cleared by the bank. IBC Brownsville provides this service in both English and Spanish and its customers make extensive use of this service, logging an average of 69,680 calls per month.

In addition, IBC Brownsville provides an internet website that allows customers to view products, locate branches and ATMs, access their accounts, and pay bills free of charge 24 hours a day. IBC Brownsville has 44,420 consumer customers utilizing the online banking, of which 33.1 percent reside in low- or moderate-income geographies. Additionally, 6,962 business customers utilize the online banking services, with 26.4 percent of these companies conducting business from low- or moderate-income geographies.

Further, IBC Link offers a cash management service for business customers that allows customers to access account information. Business customers may transfer funds between accounts, reconcile account balances, and perform wire transfers. Likewise, the bank’s IBC Mobile allows the bank’s online banking customers to check balances, pay bills, make transfers, and find branch and ATM locations from cellular phones or personal electronic devices. Corporate-wide, mobile deposit transactions grew significantly in 2020, by 136.4 percentage points, from the prior year.

Finally, IBC Brownsville’s branch locations remained open and operating under normal business hours during the COVID-19 pandemic. Staying open during the pandemic ensured bank customers had access to all regular bank functions.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. The bank did not open or close any branches during the review period, thus not adversely affecting the accessibility of its delivery systems, particularly in low- or moderate-income geographies.

### **Reasonableness of Business Hours and Services**

Services (including where appropriate, business hours) are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and/or individuals. Extended hours and tailored services support this conclusion.

The institution maintains extended hours relative to the area served and the industry. Many locations maintain at least 8-hour lobby hours Monday thru Friday, Saturday lobby hours, and Sunday hours at five offices throughout the bank's assessment area. Hours of operation did not materially vary for the office in a moderate-income census tract compared with those in middle- and upper-income tracts.

As previously discussed, the bank provides many services designed to meet the needs of low- and moderate-income areas and individuals as well as smaller sized businesses. The range of services covers a wide variety of products and services including consumer checking, savings, money market, certificates of deposit, and individual retirement accounts as well as prepaid, debit, and credit cards, currency exchange, and home equity, consumer, and mortgage loans.

The presence of Spanish-speaking personnel in many offices helps ensure the provision of the bank's services to its served areas. For its Spanish-speaking customer base, IBC Brownsville offers product brochures and disclosures translated into Spanish. For businesses, the bank provides products and services including checking and savings accounts, Treasury Management and merchant services, business credit cards, positive pay, and lockbox services.

### **Community Development Services**

The institution is a leader in providing CD services. Excellent performances regarding the extent of CD services provided and the responsiveness of CD services to available opportunities primarily support this conclusion.

The following table shows that the bank provided 760 CD services since the last evaluation. This number equates to an average of 18.1 CD services, per office, per year, since the last evaluation. Although still reflective of leader performance, the average figure reflects a decrease over the average of 29.4 CD services, per office, per year, recorded at the prior evaluation. All services involve bank personnel's use of their technical expertise to benefit organizations or projects with a primary purpose of community development, as defined by the CRA regulation.

In addition to their extent, CD services reflect excellent responsiveness to available opportunities as illustrated by their level of addressing identified community development needs in the bank’s assessment area. The following table shows that 98.2 percent of the bank’s CD services benefitted projects or organizations that provide community services targeted to low- and moderate-income individuals, a primary community development need for the bank’s assessment area. The table below summarize the bank’s CD service activity by year and purpose, which all benefitted the Brownsville MSA AA.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2017	0	131	1	0	132
2018	1	277	1	0	279
2019	1	271	4	0	276
2020	1	67	4	0	72
YTD 2021	0	0	1	0	1
<b>Total</b>	<b>3</b>	<b>746</b>	<b>11</b>	<b>0</b>	<b>760</b>

*Source: Bank Data*

The following are notable examples of the bank’s CD services.

- **Community Services** – The bank developed a proprietary program entitled Minitropolis<sup>®</sup> that targets elementary school students in schools where a majority of student populations qualify for free or reduced lunch programs. IBC Brownsville first established the Minitropolis<sup>®</sup> concept as an interactive way to teach important financial concepts that participants can utilize throughout their lives.

Today, each “mini city” in the bank’s four participating schools provides a fully functioning, real-life community with business, governmental, and community sponsors, in addition to IBC Brownsville sponsors, that create an engaging academic learning experience with a goal of helping students understand the value of leadership and responsibility that helps set them up for success as adults. In addition, financial services learning environments at each “mini city” allow students to apply learned banking and saving principles that foster their knowledge of financial concepts. Thus, the program provides community services in the form of financial education targeted to low- and moderate-income individuals.

- **Community Services** – Bank staff presented FDIC’s Money Smart program at events targeting low- and moderate-income areas or individuals as well as unbanked individuals. The bank also presented its own version of Money Smart, called Money Buzz for children ages 5 through 9 and their parents. Money Buzz is a free, child-friendly lesson on personal finance that IBC Brownsville and its affiliated institutions created to fill a void in personal finance education among America’s youth. Thus, the program provides community services in the form of financial education targeted to low- and moderate-income individuals.

- **Community Services** – In a leadership role, IBC Brownsville and its affiliated institutions developed the We Do More Rx Card. The card, targeted to low- and moderate-income bank customers, provides discounts on all Food and Drug Administration-approved prescription drugs that amount to an average savings of 15.0 percent off the cash price for brand name drugs and 40.0 percent off for generic drugs. The activity provides community services by addressing health matters targeted to low- and moderate-income individuals.
- **Community Services** – Bank staff presented product and service information to businesses that employ individuals who are unbanked throughout the Brownsville MSA AA. During the review period, the bank conducted 441 presentations to businesses located in low- and moderate-income geographies. Thus, the program provides community services in the form of financial education targeted to low- and moderate-income individuals.

## **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.

## APPENDICES

### LARGE BANK PERFORMANCE CRITERIA

#### **Lending Test**

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

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

#### **Investment Test**

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

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



## Service Test

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

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

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

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

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

## SCOPE OF EVALUATION

<b>International Bank of Commerce</b>	
<b>Scope of Examination:</b> Full-scope review was performed on the following assessment area: Brownsville MSA AA	
<b>Time Period Reviewed:</b>	09/11/2017 to 03/11/2021
<b>Products Reviewed:</b> Home Mortgage Loans: (01/01/2018 – 12/31/2019) Small Business Loans: (01/01/2018 – 12/31/2019)	

## 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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