

WRITTEN COMMENTS FROM THE PUBLIC

**Commercial State Bank has had no
written comments from the public
for the calendar year (2025).**

**Commercial State Bank has had no
written comments from the public for the
calendar year (2024).**

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for the calendar year (2023).**



Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection

Dallas Regional Office
600 North Pearl Street, Suite 700, Dallas, Texas 75201

January 3, 2024

Mr. James McGee
President/Chair
Southern Dallas Progress Community Development Corporation
1402 Corinth Street, Suite 147
Dallas, Texas 75215

Re: Redlining/Fair Lending Discrimination Complaint Letter

Dear Mr. McGee:

This letter serves to acknowledge receipt of your electronic mail correspondence dated December 23, 2023, regarding Commercial State Bank, Palmer, Texas.

At this time, the FDIC does not have an outstanding application for this bank. If this bank does not file an application within 30 days of receipt of your correspondence, we will evaluate your comment through the consumer complaint process or during the next consumer compliance examination/Community Reinvestment Act evaluation of the institution.

Should you have any questions, please contact me at (972) 761-2910.

Sincerely,

Matthew Z. Zamora
Assistant Regional Director

cc: Commercial State Bank, Palmer, Texas



Improving Lives, One Community at a Time

December 23, 2023

Commercial State Bank
Interstate Hwy 45 And Jefferson St.
Palmer, TX 75152

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Regional Office
1601 Bryan Street, Suite 1410
Dallas, Texas 75201

RE: COMPLAINT AGAINST COMMERCIAL STATE BANK

Dear Federal Regulator,

The undersigned community organization is submitting this letter to file a complaint against Commercial State Bank.

The passing of the 1977 Community Reinvestment Act aimed at reversing the practice of redlining when banks and the government would restrict credit in communities deemed “risky” — based on the race and background of that community’s residents.

The Community Reinvestment Act (CRA), enacted by Congress in 1977 (12 U.S.C. 2901) and implemented by Regulations 12 CFR parts 25, 228, 345, and 195, is intended to encourage depository institutions to help meet the **credit needs** of the communities in which they operate, including low- and moderate-income (LMI) neighborhoods.

Commercial State Bank is not meeting the credit needs of our community, which specifically includes low- and moderate-income neighbor located in Southern Dallas.

Southern Dallas Zip Codes (LMI/High Minority Areas)

75203, 75207, 75208, 75210, 75211, 75212, 75215, 75216, 75217, 75223, 75224, 75226, 75227, 75228, 75232, 75233, 75236, 75237, 75241, 75249, 75253

Community Credit Needs Assessment

Commercial State Bank failed to conduct a Community Credit Needs Assessment for majority-Black and Hispanic census tracts within the DFW MSA, specifically Southern Dallas.

A Community Credit Needs Assessment is a research-based market study to help a lender identify the needs for financial services in an area.

This assessment should include the following information about majority-Black and Hispanic census tracts within Covered Lending Area: (1) an evaluation (to include market research and interviews) of residential mortgage credit needs and current lending opportunities available in the area; (2) recent demographic and socioeconomic data; (3) potential strategies for Commercial State Bank to provide residential mortgage lending services in these census tracts; (4) a review of loan products offered by other lenders and their success in the market; (5) an overview of federal, state, and local programs that are available to residents seeking and obtaining residential mortgage loans;

Community Development Partnership Program

Commercial State Bank does not have a written description of how proposed partnership(s) will be used to meet the credit needs identified in the Community Credit Needs Assessment.

Products available for the Underserved/Minority Communities

Access to affordable credit is a key component of an individual's ability to cultivate a strong financial position and participate fully in the DFW economy. The Equal Credit Opportunity Act of 1974 was passed to protect all consumers, yet the effects of the discrimination endure today.

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- <https://www.aba.com/about-us/press-room/press-releases/aba-urges-americas-banks-to-offer-bank-on-certified-accounts>

Commercial State Bank does not have any special-purpose credit programs to address disparities in small business & mortgage lending in underserved high minority communities like Southern Dallas.

- <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-issues-advisory-opinion-to-help-expand-fair-equitable-and-nondiscriminatory-access-to-credit/>
- <https://www.hud.gov/sites/dfiles/GC/documents/Special Purpose Credit Program OGC guidance 12-6-2021.pdf>

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Commercial State Bank fails to offer Credit Builder Loans or Credit Builder Loans to help Rebuild Southern Dallas LMI residents' Credit History.

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Commercial State Bank failed to provide any details current community outreach and marketing efforts to residents and businesses throughout Bank's low-income census tracts, moderate-income census tracts, and major minority census tracts, **specifically in Southern Dallas.**

Fair Lending Concerns

I worked with the National Community Reinvestment Coalition (NCRC) to analyze the home purchase and small business lending of Commercial State Bank in Dallas. This is what NCRC found.

- According to the Home Mortgage Disclosure Act (HMDA) data from 2017 to 2018, COMMERCIAL STATE BANK made a total of 1 **home loans to Blacks (African Americans).**
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- Small Business Lending
 - SDPCDC compared Commercial State Bank Co. small business lending to other non-credit card small business lenders in Dallas and found that Commercial State Bank trailed in lending to businesses with less than \$1 million in annual revenue from 2017 to 2022.
 - Extremely low amount of small business loans were made in Southern Dallas

Equal Credit Opportunity Act (ECOA) and Fair Housing Act (FHA)

Commercial State Bank violates Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA) by discriminating against African Americans and other minority consumers. The Equal Credit Opportunity Act (ECOA) prohibits lenders from discriminating based on race and other characteristics.

In terms of the discrimination, we assert that Commercial State Bank does engage in the following:

- Commercial State Bank's marketing initiatives showed a significant lower level of marketing efforts toward minority areas and media/intermediaries that tend to reach minority areas when compared to majority-white areas.
- Does not employ any African American mortgage or commercial loan officers in the DFW MSA
- Commercial State Bank significantly underperformed its "peer lenders" in generating loan applications from majority-Black and Hispanic neighborhoods;
- The geographic distribution of loans from 2017 through 2022 is poor, with a small number of loans in low-income areas that are not proportional to the number of households in Southern Dallas

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Commercial State Bank lacks Product Innovation and Flexibility

Failed to invest in BIPOC Small Business Accelerator – People Fund

https://peoplefund.org/bipoc-business-accelerator/?gclid=Cj0KCQjwuuKXBhCRARIsAC-gM0iouy3e3lN66yehV5YQ25VcHQY7uV7DoK9WgkXcZ3VzRzsXo2iZWlkaAjXUEALw_wcB

Failed to form a Subsidiary Community Development Corporation

<https://www.occ.gov/topics/consumers-and-communities/community-affairs/resource-directories/public-welfare-investments/formation-of-subsidiary-cdc.html#q3>

Failed to invest in Growth by NCRC

<https://growthbyncrc.com/>

Failed to invest in Dallas College Bankwork\$ Program.

<https://www.dallascollege.edu/cd/ce/training/business-mgmt/pages/bankworks.aspx>

Redlining Southern Dallas/ Illegal Discrimination

From 2007 to 2023 (16 years), Commercial State Bank engaged in unlawful redlining by acting to meet the credit needs of majority White Middle to Upper Income neighborhoods in the Dallas-Fort Worth Metropolitan Statistical Area ("DFW MSA" or "MSA") while avoiding the credit needs of Low to Moderate census tracts in Southern Dallas. Also, these census tracts were majority minority.

Community Development Lending

Commercial State Bank made a significant lower level of Community Development loans in minority areas (Southern Dallas) when compared to majority-white areas (Northern Dallas).

Small Business/Commercial Lending

Commercial State Bank made a significant lower level of Small Business/Commercial loans in minority areas (Southern Dallas) when compared to majority-white areas (Northern Dallas).

Mortgage Lending

Commercial State Bank made a significant lower level of mortgage loans in minority areas (Southern Dallas) when compared to majority-white areas (Northern Dallas).

Lack of Staff and Board Diversity

Commercial State Bank does not have any African Americans on the Board of Directors.

<https://www.csbpalmer.com/about-us/statement-of-condition>

Commercial State Bank does not have any African Americans on the DFW MSA Leadership Team.

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Commercial State Bank does not participate in the Dodd-Frank Act Section 342(b)(2)(C) Diversity self-assessment.

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Commercial State Bank failed to share this diversity opportunity with staff.

<https://www.mba.org/industry-resources/diversity-equity-and-inclusion/path-to-diversity-scholarship-program>

Commercial State Bank is not a member of any of the Minority Trade Organizations below:

<https://www.namcdfw.org/>

<https://blackcontractors.org/>

Commercial State Bank is not a member of any of the Minority Chambers below:

<https://dallasblackchamber.org/>

<https://arlingtonblackchamber.org/>

Commercial State Bank is not a member of any of the Minority Real Estate Trade Organizations below:

<https://www.varep.net/index.php/dallas-chapter>

<https://narebnorthtexas.org/nareb-north-texas>

<https://wcdallas.com/>

<https://www.narebdallas.org/>

Conclusion

On behalf of the Southern Dallas Community, we asked that the Federal Reserve take the rare action of downgrading Commercial State Bank's CRA rating to "Needs Improve".

Sincerely,

James McGee

James McGee

President/Chair

JMcGee@SouthernDallasProgress.com

Southern Dallas Progress Community Development Corporation

Research on Dallas Community Needs

Dallas has a housing shortage of approximately 20,000 units.

<https://dallascityhall.com/departments/housing-neighborhood-revitalization/DCH%20Documents/Adopted%20Housing%20Policy.pdf>

North Texas Regional Housing Assessment

<https://dhantx.com/report/north-texas-regional-housing-assessment/>

Dallas' Small Business Ecosystem Assessment

<https://www.dallasecocodev.org/DocumentCenter/View/2789/Dallas-Small-Business-Ecosystem-Report-PDF>

Report on Housing Affordability and Vulnerability in Dallas, Texas

<https://nalcab.org/nalcab-releases-report-on-housing-affordability-and-vulnerability-in-dallas-texas/>

FINDING G: MINORITY OWNED BUSINESSES ACCESS TO CREDIT/CAPITAL ANALYSIS (CHAPTER 6)

<https://dallascityhall.com/departments/public-affairs-outreach/DCH%20Documents/availability-disparity-study.pdf>

Brandi McElhaney

From: Chad Newsom
Sent: Tuesday, December 26, 2023 4:10 PM
To: James McGee
Cc: Dana Tucker
Subject: RE: Compliant against Commercial State Bank 2023
Attachments: 12-26-23 CRA Public File.pdf

Mr. McGee,

Find the attached CRA Public File.

Thank you,

Chad R. Newsom

President
NMLS #526263



Commercial State Bank

O. Box 820
8045 N. I-45
Palmer, TX 75152
Phone: (972) 845-3000 or (972) 449-2283
Fax: (972) 845-3001
chadn@csbpalmer.com

IMPORTANT/CONFIDENTIAL: This electronic message and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you are not the named recipient, you are hereby notified that any use, disclosure, distribution, action taken in reliance upon this information, or copying of this email is strictly prohibited. If you have received this email in error, please notify the sender immediately and delete this email from your system. Please note that any views or opinions presented in this email are solely those of the author and do not necessarily represent those of Commercial State Bank. Finally, the recipient should check this email and any attachments for the presence of viruses. Although Commercial State Bank scans its email for viruses, Commercial State Bank accepts no liability for any damage caused by any virus transmitted by this email.

From: James McGee <jmcgee@southerndallasprogress.com>
Sent: Saturday, December 23, 2023 8:59 PM
To: Dana Tucker <dtucker@csbpalmer.com>; Chad Newsom <chadn@csbpalmer.com>
Subject: Compliant against Commercial State Bank 2023

Hello,

As outlined under Part 345 - Community Reinvestment - FDIC, can you please add the attached comment letter to your CRA Public File?

Please confirm this is completed by sending me a copy of the updated CRA Public File within 5 days of receipt of this email.

Thanks

James McGee

President/Chair

JMcGee@SouthernDallasProgress.com

Southern Dallas Progress Community Development Corporation

Improving Lives, One Community at a Time

1402 Corinth St #147

Dallas, Texas 75215

Phone: 469-371-5487

Chad Newsom

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Southern Dallas Progress Community Development Corporation
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402 Corinth St #147
Dallas, Texas 75215
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December 23, 2023

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CONTROLLED//FDIC BUSINESS

Dallas Regional Office
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October 11, 2023

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Re: Community Reinvestment Act Comment

Dear Mr. McGee:

This letter serves to acknowledge receipt of your correspondence dated October 9, 2023, regarding Commercial State Bank, Palmer, Texas, sent via electronic mail. At this time, the FDIC does not have an outstanding application for this bank. If the bank does not file an application with the FDIC within 30 days of receipt of your correspondence, we will evaluate your comment through the consumer complaint process or during the next Community Reinvestment Act evaluation of the institution.

Should you have any questions, please contact me at (615) 391-0098, extension 4812 or RValle@fdic.gov or Review Examiner Lauri S. Angle at (972) 761-8337 or langle@fdic.gov.

Sincerely,

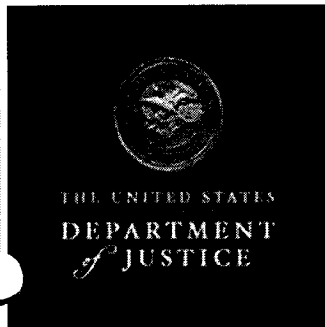
Rafael Valle
Assistant Regional Director

cc: Commercial State Bank, Palmer, Texas

From: James McGee <jmcgee@southerndallasprogress.com>
Content: Thursday, October 19, 2023 7:03 PM
To: Dana Tucker; Chad Newsom
Subject: Justice Department Secures Agreement with American Bank of Oklahoma to Resolve Lending Discrimination Claims

I look forward to Commerce State Bank being the next bank held accountable for redlining and discrimination.

<https://www.justice.gov/opa/pr/justice-department-secures-agreement-american-bank-oklahoma-resolve-lending-discrimination>



Justice Department Secures Agreement with American Bank of Oklahoma to Resolve Lending Discrimination Claims

The Justice Department announced a settlement agreement today to resolve allegations that American Bank of Oklahoma engaged in a pattern or practice of lending discrimination by redlining in Tulsa, Oklahoma. The affected area includes the historically Black neighborhoods that were the site of the 1921 Tulsa Race Massacre. This resolution is part of the department's nationwide Combating Redlining Initiative launched by Attorney General Merrick B. Garland in October 2021.

www.justice.gov

James McGee
President/Chair
JMcGee@SouthernDallasProgress.com
Southern Dallas Progress Community Development Corporation
Improving Lives, One Community at a Time
1402 Corinth St #147
Dallas, Texas 75215
Phone: 469-371-5487

From: Chad Newsom
Sent: Thursday, October 19, 2023 1:45 PM
To: 'James McGee'; Dana Tucker
Subject: RE: Discrimination and Redlining Compliant against Commercial State Bank 2023
Attachments: James McGee Response Letter 10-19-23.pdf

Mr. McGee,

Please find the attached response to your complaint. An updated copy of the CRA File will be sent following this email which includes this correspondence.

Thank you,

Chad R. Newsom

President
NMLS #526263



Commercial State Bank

P.O. Box 820
8045 N. I-45
Palmer, TX 75152
Phone: (972) 845-3000 or (972) 449-2283
Fax: (972) 845-3001
chadn@csbpalmer.com

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From: James McGee <jmcgee@southerndallasprogress.com>
Sent: Monday, October 9, 2023 9:03 PM
To: Chad Newsom <chadn@csbpalmer.com>; Dana Tucker <dtucker@csbpalmer.com>
Subject: Discrimination and Redlining Compliant against Commercial State Bank 2023

Hello,

As outlined under Part 345 - Community Reinvestment - FDIC, can you please add the attached comment letter to your CRA Public File?

Please confirm this is completed by sending me a copy of the updated CRA Public File within 5 days of receipt of this email.

Thanks

James McGee

President/Chair

JMcGee@SouthernDallasProgress.com

Southern Dallas Progress Community Development Corporation

Improving Lives, One Community at a Time
1402 Corinth St #147

Dallas, Texas 75215

Phone: 469-371-5487



COMMERCIAL STATE BANK

CHAD R. NEWSOM
President
NMLS 526263

October 19, 2023

James McGee
Southern Dallas Progress Community Development Corporation
1402 Corinth St #147
Dallas, Texas 75215

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Regional Office
1601 Bryan Street, Suite 1410
Dallas, Texas 75201

Dear James McGee,

As we have addressed before in February 2021 and December 2022, Commercial State Bank is a "Small Community Bank" headquartered in Palmer (Ellis County). Branches are in Ferris (Ellis County) and Wilmer (Dallas County). As you can see from our census tracts, our assessment area is based around our communities. Our customers live and/or work in our assessment area. We maintain those relationships when customers relocate if possible. However, we do not advertise outside our assessment area. Every potential customer is regarded independently per Bank Policy, State Guidelines, and Federal Guidelines. Commercial State Bank does not service census tracts in Dallas County outside of our assessment area.

If Commercial State Bank decides in the future to increase our current assessment area, we will contact the Community Affairs Division of the FDIC in Dallas for assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chad R. Newsom'.

Chad R. Newsom
President
Commercial State Bank

"Your Community Bank"

MEMBER F.D.I.C.



Improving Lives, One Community at a Time

October 9, 2023

Commercial State Bank
Interstate Hwy 45 And Jefferson St.
Palmer, TX 75152

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Regional Office
1601 Bryan Street, Suite 1410
Dallas, Texas 75201

RE: Discrimination and Redlining Compliant

Dear FDIC,

The undersigned community organization is submitting this letter to file a redlining and discrimination complaint against Commercial State Bank. Since 2007, Commercial State Bank has excluded several Low to Moderate Income Census Tracts in Southern Dallas from their assessment area map. Also, the census tracts excluded are majority minority.

Commercial State Bank's exclusion of Southern Dallas' low to moderate income and majority minority neighborhoods from its CRA assessment area reduced credit availability, investments, lending and discouraged prospective applicants.

Commercial State Bank is not meeting the needs of our community, which specifically includes low- and moderate-income neighborhoods located in City of Dallas. Commercial State Bank fails to provide small business and/or consumer lending services in the City of Dallas' majority African American communities.

REDLINING CONCERNS/ DESCRIPTION OF ASSESSMENT AREA

DESCRIPTION OF ASSESSMENT AREA

The Dallas, TX MD AA consists of 39 census tracts, which reflect the following income designations according to the 2010 U.S. Census: 3 low-, 7 moderate-, 21 middle-, and 8 upper income census tracts.

Demographics in the assessment area changed with the implementation of 2015 American Community Survey (ACS) Census data as the assessment area is now comprised of 4 low-, 8 moderate-, 19 middle-, and 8 upper-census tracts. The assessment area includes all 31 census tracts in Ellis County and 8 of the census tracts in southern Dallas County. The assessment area does not contain any designated underserved, rural, or disaster areas since the last evaluation. The following table illustrates select demographic characteristics of the assessment area.

To clarify, the Dallas MD AA consists 529 contiguous census tracts in Dallas County, which comprises a portion of the Dallas-Plano-Irving MD and has a total population of 2,667,720. According to the 2015 ACS US Census, the assessment area contained 107 low-income, 187 moderate-income, 110 middle-income, 120 upper-income census tracts, and 5 census tracts with no income designation.

CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its performance. Commercial State Bank delineated portions of Dallas County within the Dallas MD AA assessment area. The bank should reasonably define its assessment area to meet CRA requirements. § 345.41 *Assessment area delineation*.

CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its performance. Commercial State Bank delineated portions of Dallas County within the Dallas MD AA assessment area.

12 CFR 345.41(e) Limitations on the delineation of an assessment area. *Each bank's assessment area(s):*

(1) Must consist only of whole geographies;

(2) May not reflect illegal discrimination;

(3) May not arbitrarily exclude low- or moderate-income geographies, taking into account the bank's size and financial condition; and

(4) May not extend substantially beyond an MSA boundary or beyond a state boundary unless the assessment area is located in a multistate MSA. If a bank serves a geographic area that extends substantially beyond a state boundary, the bank shall delineate separate assessment areas for the areas in each state. If a bank serves a geographic area that extends substantially beyond an MSA boundary, the bank shall delineate separate assessment areas for the areas inside and outside the MSA.

[https://www.ecfr.gov/current/title-12/chapter-III/subchapter-B/part-345/subpart-C/section-345.41#p-345.41\(e\)](https://www.ecfr.gov/current/title-12/chapter-III/subchapter-B/part-345/subpart-C/section-345.41#p-345.41(e))

Commercial State Bank does arbitrarily exclude high minority and low to moderate-income areas in Southern Dallas (City of Dallas).¹ Commercial State Bank does not include Southern Dallas (City of Dallas) in their assessment area.

¹ <https://www.justice.gov/crt/case-document/report-and-recommendation-united-states-v-kleinbank-d-minn>
<https://www.justice.gov/crt/case-document/order-entering-settlement-agreement-and-agreed-order-united-states-v-first>

<https://www.justice.gov/crt/case-document/consent-order-united-states-v-union-savings-bank-and-guardian-savings-bank-sd-oh-0>

Southern Dallas Zip Codes (LMI/High Minority Areas)

75203, 75207, 75208, 75210, 75211, 75212, 75215, 75216, 75217, 75223, 75224, 75226, 75227, 75228, 75232, 75233, 75236, 75237, 75241, 75249, 75253

The following section discuss demographic in the Southern Dallas area.

- Southern Dallas is home to 43% of all Dallas residents in just 57% of the city's land area.
- Of the 560,000 residents of neighborhoods in southern Dallas, approximately 38% live below poverty - roughly 9% higher than the City's overall poverty rate of 29%.
- Overall, 56% of Dallas residents living below poverty live in the southern neighborhoods of Dallas.
- *The City of Dallas is a unique place. There is a difference between "South Dallas" and "Southern Dallas".*
- *The Southern Sector of Dallas (Southern Dallas) is commonly defined as those areas south of Interstate 30.*
- *The Southern Dallas is 196.7 total square miles. 45% of the City's residents live in Southern Dallas (91% of the residents are minorities in Southern Dallas).*

Redlining Violates the Fair Housing Act and the Equal Credit Opportunity Act

The federal financial regulators have long recognized that redlining violates the fair lending laws, including in the following policy documents:

- 1994 Interagency Policy Statement on Discrimination in Lending: Redlining refers to the illegal practice of refusing to make residential loans or imposing more onerous terms on any loans made because of the predominant race, national origin, etc., of the residents of the neighborhood in which the property is located. Redlining violates both the Fair Housing Act and the Equal Credit Opportunity Act.
- 2009 Interagency Fair Lending Examination Procedures: Redlining is a form of illegal disparate treatment in which a lender provides unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristic(s) of the residents of the area in which the credit seeker resides or will reside or in which the residential property to be mortgaged is located.

Courts have repeatedly recognized that redlining is a violation of the Fair Housing Act and the Equal Credit Opportunity Act. *See, e.g., Ring v. First Interstate Mortgage, Inc.*, 984 F. 2d 924 (8th Cir. 1993); *Hirschfeld v. Metlife Bank, N.A.*, 2012 WL 3240669 (E.D.N.Y. July 31, 2012); *JAT, Inc. v. Nat'l City Bank of Midwest*, 460 F. Supp. 2d 812, 819-20 (E.D. Mich. 2006); *Hargraves v. Capital City Mortg. Corp.*, 140 F. Supp. 2d 7, 21 (D.D.C. 2000); *Milton v. Bancplus Mortgage Corp.*, 1996 WL 197532 (N.D. Ill. Apr. 19, 1996); *Old West End Ass'n v. Buckeye Federal Sav. & Loan*, 675 F. Supp. 1100 (N.D. Ohio 1987); *Harrison v. Otto G. Heinzeroth Mortg. Co.*, 430 F. Supp. 893 (N.D. Ohio 1977); *Laufman v. Oakley Bldg. & Loan Co.*, 408 F. Supp. 489 (S.D. Ohio 1976).

Since the 1990s, the DOJ has litigated multiple court-approved settlements citing redlining as a violation of the Fair Housing Act and the Equal Credit Opportunity Act.

Redlining Violates the Fair Housing Act

The Fair Housing Act, 42 U.S.C. § 3601, et seq., prohibits discrimination in housing and “residential real estate-related transactions” on the basis of race, color, national origin, sex, religion, familial status, or disability. A “residential real estate-related transaction” includes making loans or providing other financial assistance for purchasing, constructing, improving, repairing, or maintaining a dwelling. 42 U.S.C. § 3605(b)(1)(A). In addition, the U.S. Department of Housing and Urban Development (“HUD”) has the authority to promulgate regulations to implement the Fair Housing Act, which can be found at 24 C.F.R. Part 100.

Redlining is prohibited under the following provisions of the Fair Housing Act (in relevant part) and its implementing regulation:

- It shall be unlawful for any person or other entity whose business includes engaging in residential real estate-related transactions to discriminate against any person in making available such a transaction, or in the terms or conditions of such a transaction, because of race, color, or national origin.
 - *Fair Housing Act: 42 U.S.C. § 3605(a).*
 - *Regulations: 24 C.F.R. §§ 100.110(b), 100.120(a)-(b).*
- It shall be unlawful to discriminate against any person in the terms, conditions, or privileges of the sale or rental of a dwelling, or in the provision of services or facilities in connection therewith, because of race, color, or national origin.
 - *Fair Housing Act: 42 U.S.C. § 3604(b).*
 - *Regulations: 24 C.F.R. §§ 100.50(b)(2), 100.65.*
- It shall be unlawful to refuse to sell or rent after the making of a bona fide offer, or to refuse to negotiate for the sale or rental of, or otherwise make unavailable or deny, a dwelling to any person because of race, color, or national origin.
 - *Fair Housing Act: 42 U.S.C. § 3604(a).*
 - *Regulation: 24 C.F.R. § 100.50(b)(3).*
- It shall be unlawful to make, print, or publish, or cause to be made, printed, or published any notice, statement, or advertisement, with respect to the sale or rental of a dwelling that indicates any preference, limitation, or discrimination based on race, color, or national origin, or an intention to make any such preference, limitation, or discrimination.
 - *Fair Housing Act: 42 U.S.C. § 3604(c).*
 - *Regulation: 24 C.F.R. § 100.50(b)(4).*

Redlining Violates the Equal Credit Opportunity Act

The Equal Credit Opportunity Act (“ECOA”), 15 U.S.C. § 1691, et seq., prohibits a creditor from discriminating in any aspect of a credit transaction on the basis of race, color, national origin, sex, religion, marital status, age, because all or part of the applicant’s income derives from any public

assistance program, or because of the applicant's exercise in good faith of any right under the Consumer Credit Protection Act. ECOA applies to any extension of credit, including mortgage loans and small business loans. 15 U.S.C. § 1691a(d). In addition, the Consumer Financial Protection Bureau ("CFPB") has the authority to promulgate regulations to implement the ECOA, which is known as "Regulation B" and can be found at 12 C.F.R. Part 1002.

Redlining is prohibited under the following provisions of the ECOA and its implementing regulation:

It shall be unlawful for any creditor to discriminate against any applicant, with respect to any aspect of a credit transaction, on the basis of race, color, or national origin. Equal Credit Opportunity Act, 15 U.S.C. § 1691(a)(1). Regulation: 12 C.F.R. § 1002.4(a).

- A creditor shall not make any oral or written statement, in advertising or otherwise, to applicants or prospective applicants that would discourage, on the basis of race, color, or national origin, a reasonable person from making or pursuing an application. Regulation: 12 C.F.R. § 1002.4(b). (See also Equal Credit Opportunity Act, 15 U.S.C. § 1691(a)(1)).
- ECOA and Regulation B prohibit discrimination on a "prohibited basis," which includes on the basis of race, color, and national origin. 12 C.F.R. § 1002.2(z). The commentary to Regulation B clarifies that a creditor may not discriminate against persons associated with the applicant on a prohibited basis, including, for example, "because of the race of other residents in the neighborhood where the property offered as collateral is located." 12 C.F.R. Part 1002, Supp. I, ¶ 2(z)-1.

Regulatory Framework: Bank Supervision and Enforcement

Each of the federal financial regulators has the authority to examine and supervise the regulated financial institutions within its jurisdiction for compliance with the fair lending laws: the Fair Housing Act and ECOA.

ECOA requires the regulators refer matters to the Justice Department when a creditor is engaged in a pattern or practice of discrimination which violates ECOA.

Redlining Cases

Justice Department Announces New Initiative to Combat Redlining

<https://www.justice.gov/opa/pr/justice-department-announces-new-initiative-combat-redlining>

Justice Department and Office of the Comptroller of the Currency Announce Actions to Resolve Lending Discrimination Claims Against Cadence Bank

<https://www.justice.gov/opa/pr/justice-department-and-office-comptroller-currency-announce-actions-resolve-lending>

Justice Department Secures Agreement with Lakeland Bank to Address Discriminatory Redlining

<https://www.justice.gov/opa/pr/justice-department-secures-agreement-lakeland-bank-address-discriminatory-redlining>

Justice Department Secures Over \$31 Million from City National Bank to Address Lending Discrimination Allegations

<https://www.justice.gov/opa/pr/justice-department-secures-over-31-million-city-national-bank-address-lending-discrimination>

Justice Department Secures \$9 Million from Park National Bank to Address Lending Discrimination Allegations

<https://www.justice.gov/opa/pr/justice-department-secures-9-million-park-national-bank-address-lending-discrimination>

Justice Department Announces Actions to Resolve Lending Discrimination Claims Against Evolve Bank and Trust

<https://www.justice.gov/opa/pr/justice-department-announces-actions-resolve-lending-discrimination-claims-against-evolve>

CFPB, DOJ Order Trident Mortgage Company to Pay More Than \$22 Million for Deliberate Discrimination Against Minority Families

<https://www.consumerfinance.gov/about-us/newsroom/cfbp-doj-order-trident-mortgage-company-to-pay-more-than-22-million-for-deliberate-discrimination-against-minority-families/>

Cadence Bank Announces Settlement of Claims Made by U.S. Department of Justice and the Office of the Comptroller of the Currency

<https://www.justice.gov/crt/case/united-states-v-cadence-bank>

Conclusion

The CRA regulation is very clear — a finding that a bank failed to comply with laws on fair and responsible lending trumps otherwise satisfactory or even outstanding CRA performance. The CRA regulations specifically state that a rating will be "adversely affected by evidence of discriminatory or other illegal credit practices," including but not limited to violations of the Equal Credit Opportunity Act, the Fair Housing Act, the Home Ownership and Equity Protection Act, the Federal Trade Commission Act, the Real Estate Settlement Procedures Act, and the Truth in Lending Act.

Commercial State Bank's board and senior management failed to self-identify redlining risks and taken appropriate corrective action.

We would look forward to this case being reviewed and referred to the U.S. Department of Justice (DOJ) and the Consumer Financial Protection Bureau (CFPB).

Sincerely,

James McGee

James McGee
President/Chair

JMcGee@SouthernDallasProgress.com

Southern Dallas Progress Community Development Corporation

CRA PERFORMANCE EVALUATION

PUBLIC DISCLOSURE

March 25, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Commercial State Bank
Certificate Number: 10330

8045 North Interstate 45 Service Road
Palmer, Texas 75152

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

600 North Pearl Street, Suite 700
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 **Satisfactory**.

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

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes and individuals of different income levels.
- The institution has taken appropriate action in response to substantiated complaints about its performance in meeting assessment area credit needs.

DESCRIPTION OF INSTITUTION

Commercial State Bank (CSB) is a full-service community bank offering traditional deposit and credit products. The bank is headquartered in Palmer, Texas, which is located in Ellis County. Palmer Bancshares, Inc., Palmer, Texas, is a one-bank holding company that wholly owns the institution. The bank does not operate any subsidiaries or have any affiliates relevant to this evaluation. CSB received a Satisfactory rating at its previous FDIC Performance Evaluation, dated March 27, 2018, based on Federal Financial Institutions Examination Council (FFIEC) Interagency Small Bank Procedures.

The bank operates its main office in the city of Palmer, Texas. Additionally, the institution operates two full-service branches located in Ferris and Wilmer, Texas. There have been no branch openings or closings since the prior evaluation. Also, there have not been any acquisitions since the prior evaluation.

Historically, the primary business focus was consumer real estate lending and owner-occupied commercial real estate lending; however, the focus shifted to the investment portfolio due to the increasing interest rate environment slowing loan demand.

CSB offers traditional banking products and services to consumers, as well as to businesses. The institution offers commercial, agricultural, residential real estate, and consumer loan products. The

bank provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Other and alternative services include debit cards, automated teller machines, drive-thru banking, and online banking.

According to the Report of Condition and Income as of December 31, 2023, the bank reported total assets of \$106.1 million and total deposits of \$95.6 million. Loans total \$39.5 million and represent 37.2 percent of total assets. Since the prior evaluation, total assets grew 28.9 percent which is attributed to growth in the current largest asset, securities. Securities increased by 106.1 percent and corresponds to the shift in business focus.

As shown in the following table, the loan portfolio consists primarily of commercial loans at 50.4 percent (Nonfarm Nonresidential Properties and Commercial and Industrial loans) and loans residential real estate loans (1-4 Family Residential Properties and Multifamily Residential Properties) at 17.6 percent.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	2,850	7.2
Secured by Farmland	3,120	7.9
Secured by 1-4 Family Residential Properties	6,939	17.6
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	11,192	28.4
Total Real Estate Loans	24,101	61.1
Commercial and Industrial Loans	8,693	22.0
Agricultural Production and Other Loans to Farmers	2,254	5.7
Consumer Loans	3,672	9.3
Obligations of State and Political Subdivisions in the U.S.	750	1.9
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	39,470	100.0
<i>Source: Report of Condition and Income</i>		

Based on the information discussed in this section, as well as other regulatory data, there appears to be no financial, legal, or other impediments that would limit the institution's ability to meet the credit needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The bank's sole assessment area is comprised of the entirety of Ellis County and a portion of southern Dallas County. There have been changes in the volume of tracts from the 2015 American Community Survey data to 2020 Census data. The assessment area now consists of five low-, 10 moderate-, 24 middle-, and eight upper-income census tracts totaling

47 census tracts located in Dallas and Ellis counties in the Dallas-Plano-Irving, Texas Metropolitan Statistical Area (MSA). Of those 47 census tracts, 11 tracts are located in Dallas County. Specifically, the portion of Dallas County that CSB delineates consists of four low-, three moderate-, and four upper-income census tracts. The assessment area conforms to CRA regulatory requirements and does not appear to arbitrarily exclude any low- or moderate-income geographies.

Economic and Demographic Data

The area's major employers include Wal-Mart Stores, Inc., Waxahachie Independent School District, and AT&T Inc.. Service industries represent the largest portion of the area's businesses at 30.4 percent, followed by non-classifiable establishments at 27.4 percent, and retail trade at 9.7 percent. About 62.4 percent of the businesses employ four or fewer employees.

The following table shows additional demographic and economic characteristics of the area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	47	10.6	21.3	51.1	17.0	0.0
Population by Geography	249,983	10.5	19.4	48.6	21.5	0.0
Housing Units by Geography	81,809	9.1	21.3	49.7	20.0	0.0
Owner-Occupied Units by Geography	55,318	5.9	17.1	52.0	24.9	0.0
Occupied Rental Units by Geography	21,196	17.1	29.9	44.4	8.7	0.0
Vacant Units by Geography	5,295	10.4	29.5	46.0	14.1	0.0
Businesses by Geography	29,950	11.1	16.2	48.5	24.2	0.0
Farms by Geography	796	5.3	17.7	54.1	22.9	0.0
Family Distribution by Income Level	59,162	21.9	18.4	23.5	36.2	0.0
Household Distribution by Income Level	76,514	23.1	16.3	20.3	40.3	0.0
Median Family Income MSA - 19124 Dallas-Plano-Irving, TX		\$88,315	Median Housing Value			\$191,431
			Median Gross Rent			\$1,149
			Families Below Poverty Level			8.3%
Source: 2020 Census data and 2023 D&B data Due to rounding, totals may not equal 100.0 percent (*) The NA category consists of geographies that have not been assigned an income classification						

As illustrated in the following table, unemployment rates decreased in 2022 and have remained generally stable in the assessment area since then. As of March 2024, the unemployment rate for Dallas and Ellis counties are 4.0 percent, which is similar to statewide and national averages.

Unemployment Rates				
Area	2021	2022	2023	March 2024
	%	%	%	%
Dallas County	5.6	3.8	3.8	4.0
Ellis County	4.5	3.5	3.7	4.0
State of Texas	5.6	3.9	3.9	4.1
National Average	3.9	3.5	3.7	3.9
Source: U.S. Bureau of Labor Statistics				

To determine the borrowers' income designation to analyze consumer loans under the borrower profile criterion, examiners used the FFIEC's 2023 estimated median family income of \$97,400 for the AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Dallas-Plano-Irving, TX Median Family Income (19124)				
2023 (\$97,400)	<\$48,700	\$48,700 to <\$77,920	\$77,920 to <\$116,880	≥\$116,880
Source: FFIEC				

Competition

The area contains a high level of competition from other chartered banks based on its population of 281.4 million people with 610 offices representing 117 institutions. CSB ranks 74th in deposit market share by capturing less than 0.1 percent of the area's deposits, as of the June 30, 2023, FDIC Deposit Market Share Report.

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 development needs. This information helps determine local financial institutions' responsiveness to these needs. It also shows the availability of credit.

Examiners contacted a representative in Ellis County. The contact stated that the local economy continues to do well overall and attributed this primarily to growth in businesses moving into Ellis County and surrounding areas. The contact indicated that the area has experienced major industry growth and noted that small business lending continues to be a need for the area. Additionally, the contact indicated that local residents prefer local businesses; however, these businesses struggle to compete with new, larger corporations moving to the area. The contact explained that financing for both new and current small businesses remains an opportunity for financial institutions to better meet the credit needs of the area. Finally, the contact did not indicate any other specific opportunity for financial institutions to provide financing, but did acknowledge that the institutions seem to be willing to lend.

Credit Needs

Considering information from the community contact, bank management, and demographic data, examiners determined the primary credit need of the assessment area to be small business lending.

SCOPE OF EVALUATION

General Information

Examiners evaluated performance based on FFIEC Small Bank CRA Examination Procedures, which includes the Lending Test. This evaluation covers the time period from March 27, 2018, to March 25, 2024, the date of the previous evaluation to this evaluation's date. The Appendix lists the test's criteria.

Activities Reviewed

For the Lending Test, CRA Small Bank procedures require examiners to determine the major product lines for review. As an initial matter, examiners may select from the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans.

Considering the stated business strategy, area of expertise, and the dollar and number volumes of originations, examiners evaluated small business and consumer lending performances; however, small business lending received more weight in reaching conclusions. Examiners did not select home mortgage loans or small farm loans for review given the nominal number and dollar volume of originations for both.

The following table shows the originations and purchases over the most recent calendar year, 2023. The activity reflects a generally consistent pattern with the lending emphasis since the prior evaluation.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	928	5.0	2	1.0
Secured by Farmland	250	1.4	1	0.5
Secured by 1-4 Family Residential Properties	2,687	14.6	10	4.7
Multi-Family (5 or more) Residential Properties	0	0.0	0	0.0
Commercial Real Estate Loans	1,593	8.7	6	2.8
Commercial and Industrial Loans	7,367	40.1	60	28.4
Agricultural Loans	1,388	7.6	8	3.8
Consumer Loans	3,398	18.5	123	58.3
Other Loans	750	4.1	1	0.5
Total Loans	18,361	100.0	211	100.0
Source: 2023 Bank data Due to rounding, totals may not equal 100.0 percent				

From January 1, 2023, through December 31, 2023, originations and renewals consisted of 66 commercial loans representing \$8.9 million, of which examiners identified 65 loans totaling \$7.9 million as small business loans. During the same period, examiners identified 123 consumer loans representing \$3.4 million. Examiners reviewed all small business and consumer loans to arrive at conclusions for the Assessment Area Concentration performance factor.

For the geographic distribution analysis, examiners will analyze all small business loans and consumer loans originated within the assessment area. For borrower profile, examiners sampled 33 small business loans totaling \$3.5 million from the 48 small business loans totaling \$4.4 million originated or renewed within the assessment area. For consumer loans, examiners sampled 53 loans totaling \$953,000 from the 106 consumer loans totaling \$3.0 million originated or renewed within the assessment area.

The following table shows that for the loan categories reviewed, small business loans account for a higher percentage based on dollar and number volume. Consequently, examiners determined small business lending would receive more weight when arriving at applicable conclusions.

Loan Category Weighting				
Loan Category	Universes Inside the Assessment Area of Loan Categories Reviewed			
	\$(000s)	%	#	%
Small Business	7,863	69.8	65	34.6
Consumer	3,400	30.2	123	65.4
Total	11,263	100.0	188	100.0
Source: 2023 Bank data				

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CSB demonstrated a satisfactory overall record regarding the Lending Test. The reasonable LTD ratio and borrower profile performance, along with the majority of loans inside the assessment area outweighed the excellent geographic distribution performance to support this conclusion.

For the CRA Small Bank Lending Test, typically, once a bank displays at least satisfactory performance regarding the LTD ratio and the assessment area concentration, examiners will then place more weight on the borrower profile and geographic loan distributions when arriving at the overall rating.

Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs. Examiners considered the bank's size, business strategy, and capacity relative to the assessment area credit needs when arriving at this conclusion.

The LTD ratio, calculated from Report of Condition and Income data, averaged 43.6 percent over the past 24 calendar quarters, down from the average, net LTD ratio of 57.0 percent reported at the prior evaluation. The quarterly average, net LTD ratios ranged from a low of 30.8 percent on December 31, 2022, to a high of 57.7 percent on June 30, 2018. Generally, the ratio has displayed a decreasing trend in the most recent quarters which is attributed to a decrease in loan participations, limited lending opportunities, and heavy competition. A notable amount of loan participations were bought which decreased the loans on the bank's portfolio. Additionally, lending opportunities are limited because of the interest rate conditions. Lastly, competition in the area is a factor for the lower LTD ratio because of the bank's size. These factors support the conclusions regarding the average, net LTD ratio.

Examiners identified and listed in the following table three similarly-situated institutions operating in or near the assessment area and reflecting similar asset sizes or lending emphases. As illustrated in the following table, CSB's ratio falls within the range of the ratios of similarly-situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2023 (\$000s)	Average Net LTD Ratio (%)
Commercial State Bank, Palmer Texas	106,088	43.6
First National Bank, Burleson, Texas	271,279	36.0
Lakeside Bank, Rockwall, Texas	351,608	54.2
Pegasus Bank, Dallas, Texas	1,211,851	65.6
Source: Reports of Condition and Income 3/31/2018 – 12/31/2023		

Assessment Area Concentration

A majority of loans and other lending related activities are inside the assessment area. A majority of small business and consumer loans granted inside the 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 combined size and economy of its assessment area when arriving at this conclusion.

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	48	73.8	17	26.2	65	4,401	56.0	3,462	44.0	7,863
Consumer	106	86.2	17	13.8	123	3,040	89.4	360	10.6	3,400
Total	154	81.9	34	18.1	188	7,441	66.1	3,822	33.9	11,263
Source: 2023 Bank data Due to rounding, totals may not equal 100.0 percent										

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The excellent records for both small business and consumer loans support this conclusion. Examiners focused on the performances in low- and moderate-income census tracts, and considered the loan category reviewed relative to the available comparative data and any performance context issues in order to draw conclusions.

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. The excellent performance in moderate-income census tracts outweighed the reasonable performance in low-income census tracts to support this conclusion.

The following table shows that the level of lending in the low-income census tracts trails D&B data, by only 4.8 percentage points, reflective of reasonable performance. The table also shows that the lending level in moderate-income census tracts significantly exceeds the demographic data by 19.2 percentage points, reflective of excellent performance. Examiners placed more weight on lending in moderate-income census tracts as the level of businesses is higher in these geographies, reflecting more lending opportunities.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	11.1	3	6.3	476	10.8
Moderate	16.2	17	35.4	2,283	51.9
Middle	48.5	24	50.0	1,543	35.1
Upper	24.2	4	8.3	99	2.2
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	48	100.0	4,401	100.0
Source: 2023 D&B data and 2023 Bank data Due to rounding, totals may not equal 100.0 percent					

Consumer Loans

The geographic distribution of consumer loans reflects excellent dispersion throughout the assessment area. The excellent performance in moderate-income census tracts outweighed the reasonable performance in low-income census tracts to support this conclusion.

The following table shows that the level of lending in the low-income census tracts trails 2020 Census data by only 5.2 percentage points, reflective of reasonable performance. The table also shows that the lending level in moderate-income census tracts exceeds the percentage of households by 14.2 percentage points, reflective of excellent performance. Examiners placed more weight on lending in moderate-income census tracts as the level of households is higher in these geographies, reflecting more lending opportunities.

Geographic Distribution of Consumer Loans					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low	9.0	4	3.8	46	1.5
Moderate	20.7	37	34.9	570	18.8
Middle	49.9	63	59.4	2,397	78.8
Upper	20.4	2	1.9	27	0.9
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	106	100.0	3,040	100.0
Source: 2020 Census data and 2023 Bank data Due to rounding, totals may not equal 100.0 percent					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes and individuals of different income levels (including low- and moderate-income). The reasonable record for small business loans outweighed the excellent record for consumer loans to support this conclusion. Examiners focused on the performances to businesses with gross annual revenues (GARs) of \$1.0 million or less and to low-

and moderate-income borrowers, and considered the loan category reviewed relative to the available comparative data and any performance context issues in order to draw conclusions.

Small Business Loans

The distribution of small business loans, based on the borrowers' profiles, reflects reasonable performance in the assessment area. The reasonable level of lending to businesses with GARs of \$1.0 million or less supports this conclusion.

The following table shows that the bank originated over eight out of every 10 small business loans to businesses with GARs of \$1.0 million or less, reflecting reasonable performance. Although this number trails D&B demographics by 7.9 percentage points, the bank granted the majority, at 69.7 percent, of small business loans to entities with GARs of \$250,000 or less, showing the willingness to support the smallest of businesses and further supporting the conclusion.

Distribution of Small Business Loans by Gross Annual Revenues					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	71.9	14	42.4	809	23.0
\$100,000 - \$249,999	16.4	9	27.3	739	21.1
\$250,000 - \$499,999	3.1	4	12.1	998	28.4
\$500,000 - \$1,000,000	1.5	1	3.0	250	7.1
Subtotal <= \$1,000,000	92.9	28	84.8	2,796	79.6
>\$1,000,000	1.6	5	15.2	717	20.4
Revenue Not Available	5.5	0	0.0	0	0.0
Total	100.0	33	100.0	3,513	100.0
<i>Source: 2023 D&B data and 2023 Bank data Due to rounding, totals may not equal 100.0 percent</i>					

Consumer Loans

The distribution of consumer loans reflects excellent performance, based on the borrowers' profiles in the assessment area. The excellent performance to low-income borrowers outweighed the reasonable performance to moderate-income borrowers to support this conclusion.

As illustrated in the following table, the level of lending to low-income borrowers exceeds 2020 Census data by 16.5 percentage points, reflecting excellent performance. Additionally, performance to moderate-income borrowers exceeds 2020 Census data by 0.7 percentage points, reflecting reasonable performance. Examiners placed more weight on performance to low-income borrowers as the percent of households is higher for this demographic, reflecting more opportunities for lending.

Distribution of Consumer Loans by Borrower Income Category					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low	23.1	21	39.6	165	17.3
Moderate	16.3	9	17.0	127	13.3
Middle	20.3	6	11.3	153	16.1
Upper	40.3	11	20.8	441	46.3
Not Available	0.0	6	11.3	67	7.0
Totals	100.0	53	100.0	953	100.0
<i>Source: 2020 Census data and 2023 Bank data Due to rounding, totals may not equal 100.0 percent</i>					

Response to Complaints

The institution has taken appropriate action in response to substantiated complaints about its performance in meeting assessment area credit needs. The bank received two CRA-related complaints since the previous evaluation, which the bank responded to in a timely and appropriate manner.

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 Fair Housing and Equal Credit Opportunity. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

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.

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.

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.

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

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

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

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

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

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

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 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.

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.

BRANCH OFFICES

Commercial State Bank
8045 North I-45
Palmer, Texas 75152

Census Tract: 601.06

Ferris Branch:

Commercial State Bank
200 South I-45
Ferris, Texas 75125

Census Tract: 601.04

Wilmer Branch:

Commercial State Bank
421 East Beltline Road
Wilmer, Texas 75172

Census Tract: 169.03

BRANCH OPENINGS AND CLOSINGS

**Commercial State Bank
Palmer, Ferris, and Wilmer, Texas**

**There have been no new branches open or closed from 2008 to 2024.
There will be no new branches opened or closed in 2025.**

LIST OF BANK SERVICES

COMMERCIAL STATE BANK

PALMER, FERRIS, AND WILMER, TEXAS

www.csbpalmer.com

LOAN SERVICES OFFERED:

- Accident & Health and Credit Life Insurance on Qualified Loans
- Unsecured Loans
- Vehicle and Recreational Equipment Loans
- Loans Secured by Cash Value Life Insurance
- Other Consumer Loans
- Debt Consolidation Loans
- Loans Secured by Savings and CDs
- Home Improvement Loans
- Real Estate Loans - First and Second Lien
- Interim Construction Real Estate Loans
- 1-4 Family First Mortgage Loans
- Mobile Home Loans
- Commercial Real Estate Loans
- Commercial Term Loans and Lines of Credit
- Stock Loans
- Loans to Small Businesses and SBA Approved Loans
- Agricultural Products and Farm Equipment Loans
- FSA Approved Loans

DEPOSIT SERVICES OFFERED:

- Online Banking and Bill Pay
- TeleBank (telephone account information line)
- Personal and Commercial Checking Accounts
- Senior Citizen Accounts
- Youth Checking Accounts
- Save & Protect Club (see an Account Specialist for details)
- Public Fund Accounts
- Non-Profit Entity Accounts
- Savings Accounts
- Now Accounts
- Super Now Accounts
- Money Market Accounts
- Debit Cards and VISA Gift/Money Cards
- Certificate of Deposits
- Individual Retirement Accounts
- Safe Deposit Boxes (Palmer & Ferris)
- ATMS at each facility (ATMs do not accept deposits)
- Cashier Checks and Money Orders
- Incoming and Outgoing Wire Transfers
- Night Depository at each facility
- Notary Services



Member
FDIC

COMMERCIAL STATE BANK

PALMER, FERRIS, AND WILMER, TEXAS

www.csbpalmer.com

LOCATIONS & TELEPHONE NUMBERS

Palmer Location	<u>Phone:</u>	<u>Fax:</u>	<u>TeleBank:</u>
P. O. Box 820 8045 N Interstate 45 Previously 1045 N Interstate 45 Palmer, Texas 75152	972 449-2283	972 845-3001	972 449-2399

Ferris Location	<u>Phone:</u>	<u>Fax:</u>	<u>TeleBank:</u>
200 S Interstate 45 Ferris, Texas 75125	972 544-3000	972 544-2533	972 449-2399

Wilmer Location	<u>Phone:</u>	<u>Fax:</u>	<u>TeleBank:</u>
421 E Beltline Rd. Wilmer, Texas 75172	972 525-3160		972 449-2399

HOURS

Lobbies	
Monday – Thursday	9:00 AM – 3:00 PM
Friday	9:00 AM – 4:00 PM

Drive Ins	
Monday – Thursday	8:00 AM – 4:00 PM
Friday, Palmer & Ferris	8:00 AM – 6:00 PM
Friday, Wilmer	8:00 AM – 4:00 PM
Saturday, Palmer & Ferris	8:30 AM – Noon
Saturday, Wilmer	Closed



Member
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FEE SCHEDULE
Important Account Information



FEES AND CHARGES. The following fees and charges may be assessed against your account:

3rd Party Check Reversal Fee	\$5.00
Account Reconciliation / Research Fee - one hour minimum	\$10.00
Cashier Check	\$4.00
Check Ordering - prices vary upon the style of checks requested	
Collection Item - Domestic (per item)	\$35.00
Collection Item - International (per item)	\$50.00
Debit Card - Lost/Stolen Card or PIN	\$15.00
Debit Card - Replacement Card Fee	\$4.00
Debit Card(s) will be cancelled after six months of inactivity. You may re-apply at anytime.	
Delinquent Hold Statement Fee - not picked up within 30 days	\$5.00
Deposit Bag - Locking	\$25.00
Deposit Bag - Zipper	\$5.00
Duplicate Statement - Per month	\$5.00
Debit Card Surcharge Fee(s): Debit Card Surcharge fees for out-of-network ATM transactions (non-Commercial State Bank ATM). Each ATM provider may charge undetermined usage fees which are not controllable by this bank.	
Early Closing Fee: An early closing fee of \$50 will be charged on accounts closed within 90 days of the opening date of the account.	
Hold Statement Fee	\$5.00
Levy/Garnishment/Subpoena/Summons Fee	\$75.00
Money Order - up to \$500	\$2.00
Money Service Business - additional fee added to account analysis	\$250.00
Non-CSB ATM Fee	\$1.00
Safe Deposit Box	
Drilled: \$250	
One key returned: \$30	
Online Bill Pay: Online Bill Pay will be cancelled after 6 months of no activity. You may re-register at anytime.	
Overdraft Fee - Paid: created by check, in-person withdrawal, ATM withdrawal, or other electronic means	\$30.00
Re-Routed Item Fee - after 30 calendar days (per item); from one account to another	\$5.00
Return Mail Fee: After 30 days, a monthly fee of \$5 will be assessed.	
Safe Deposit Box - 3x10x22 (annual rental)	\$30.00
Safe Deposit Box - 3x5x22 (annual rental)	\$20.00
Safe Deposit Box - 5x10x22 (annual rental)	\$50.00
Safe Deposit Box -10x10x22 (annual rental)	\$75.00
Safe Deposit Box -10x8x22 (annual rental)	\$60.00
Stop Payment	\$35.00
Temporary Check Fee - One page of four (minimum)	\$4.00
Unposted Item Fee - items that are manually posted to an account due to error(s)	\$5.00
Visa Gift / Money Card \$25 to \$500	\$5.00
Visa Gift / Money Card - Lost / Stolen	\$10.00
Wire Transfer Fee - Incoming	\$10.00
Wire Transfer Fee - International	\$50.00
Wire Transfer Fee - Outgoing	\$15.00
Wire Transfer Fee - Rejected	\$25.00

Cardholder Limits:

Daily Debit Card Limits - Debit cards will reset limits at 2 p.m. Monday - Friday during regular business days.

Consumer(s) - \$410.00 ATM limit or a POS/Signature Based limit of \$1000.00. Overall limit for consumer per business day will be \$1000 with a usage limit of 99 transaction: may be a combination of ATM withdrawal, Signature Based Transactions (credit) or Point of Sale (POS) PIN based debit.

Non-Consumer - \$210 ATM limit or a POS/Signature Based limit of \$2000.00. Overall limit for a non-consumer per business day will be \$2000 with a usage limit of 99 transaction: may be a combination of ATM withdrawal, Signature Based Transaction (credit) or Point of Sale (POS) PIN based debit.

MAP OF ASSESSMENT AREA

Delineation of the Bank's Assessment Area

The Board of Directors has delineated Commercial State Bank's CRA assessment area as the local communities of Palmer, Ferris, and Wilmer, and the adjoining 47 census tracts, detailed below. The Board of Directors has delineated this assessment area based on various factors, including the bank's size, condition, lending expertise, and competition. This delineation of this assessment area does not reflect any illegal discrimination, nor does it exclude low or moderate-income geographic area.

Delineated Census Tracts:

Dallas County:

167.04, 167.06, 167.07, 167.08, 167.09, 168.02, 168.03, 168.05, 168.06, 169.02, 169.03

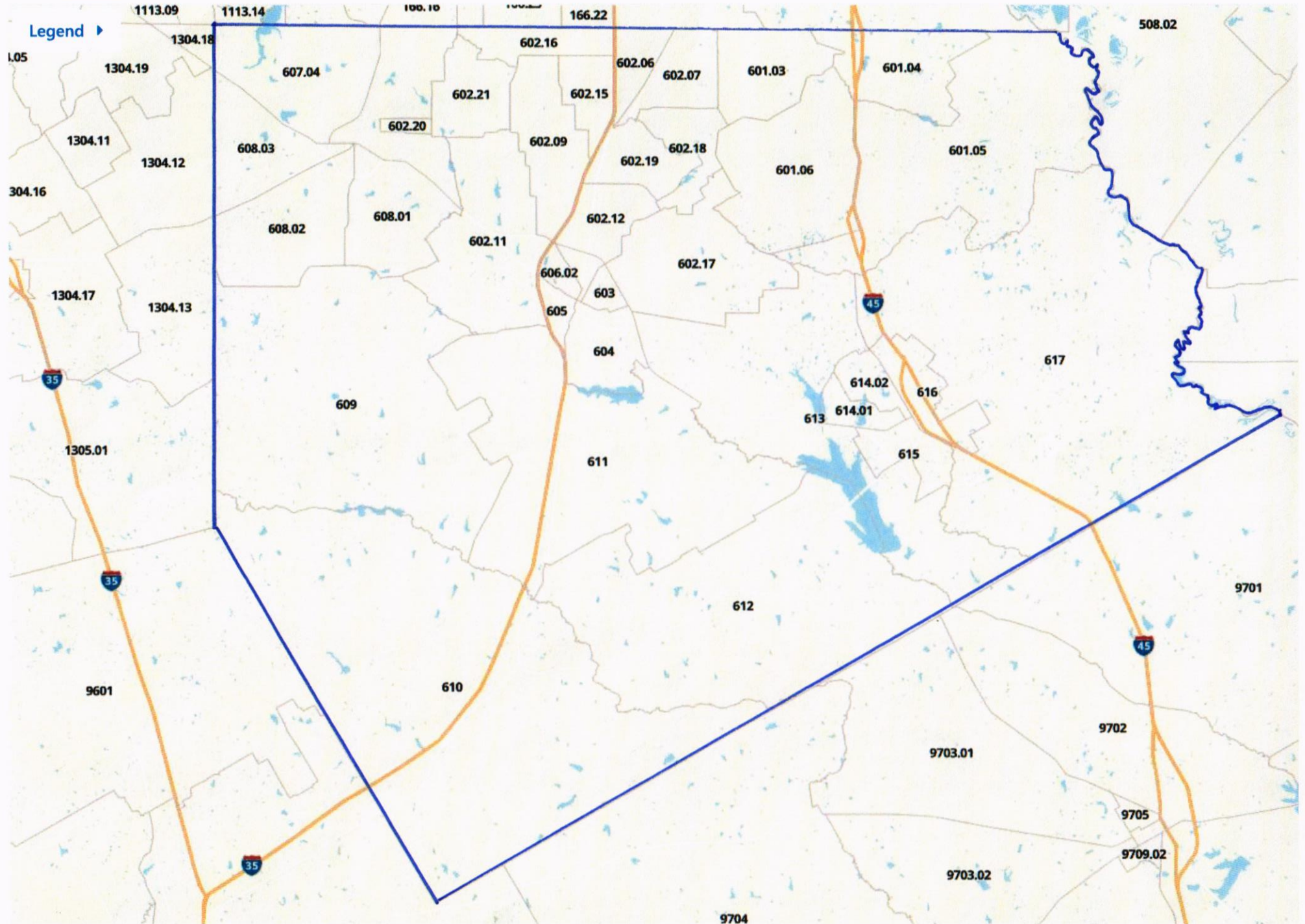
Ellis County:

601.03, 601.04, 601.05, 601.06, 602.06, 602.07, 602.09, 602.11, 602.12, 602.15, 602.16, 602.17, 602.18, 602.19, 602.20, 602.21, 603, 604, 605, 606.01, 606.02, 607.02, 607.04, 608.01, 608.02, 608.03, 609, 610, 611, 612, 613, 614.01, 614.02, 615, 616 and 617

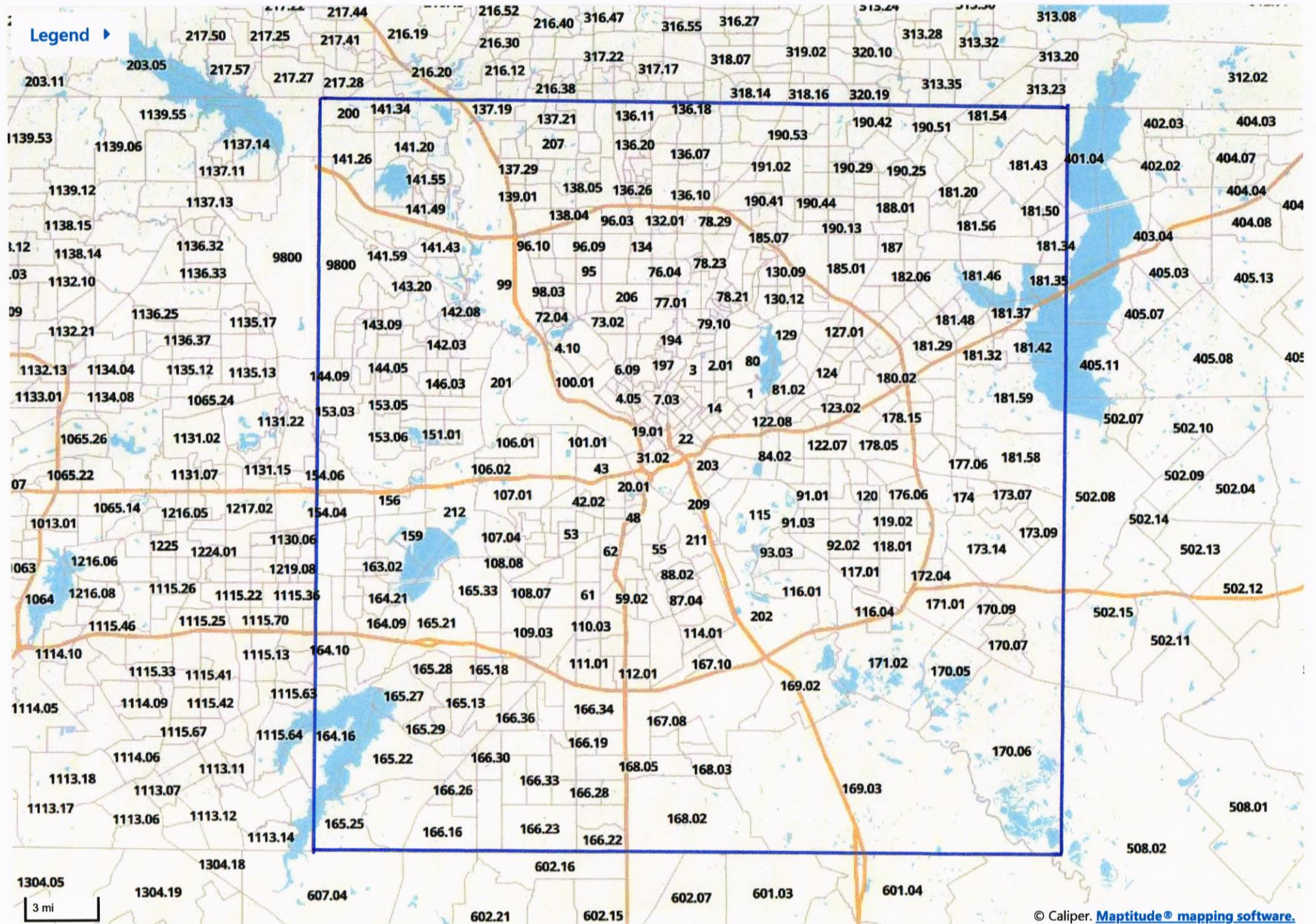
Ellis

 Search

Legend ▸



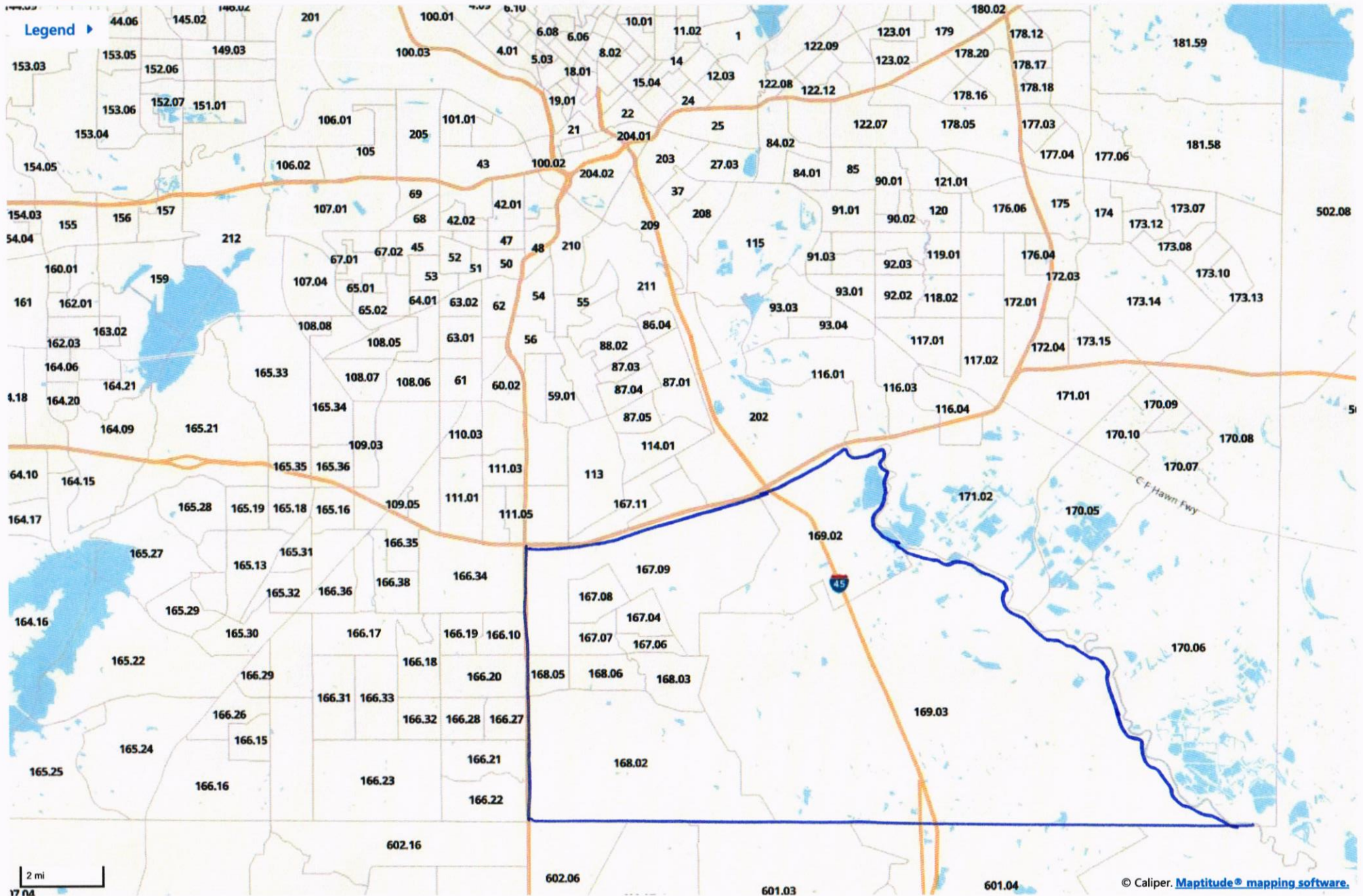
Dallas



Dallas AA

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HMDA DISCLOSURE STATEMENT

Commercial State Bank
2024 HMDA Disclosure Statement

Commercial State Bank was exempt from HMDA reporting for 2024.

Commercial State Bank
2023 HMDA Disclosure Statement

Commercial State Bank was exempt from HMDA reporting for 2023.

Commercial State Bank
2022 HMDA Disclosure Statement

Commercial State Bank was exempt from HMDA reporting for 2022.

LOAN TO DEPOSIT RATIOS

CRA Public File

Total Loans-to-Deposit Ratios

March-25	June-25	September-25	December-25
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41.5%

March-24	June-24	September-24	December-24
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39.0%

40.5%

42.2%

43.6%

March-23	June-23	September-23	December-23
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34.6%

37.5%

40.9%

40.3%

CRA LOBBY NOTICE

COMMUNITY REINVESTMENT ACT NOTICE

Under the federal Community Reinvestment Act (CRA), the Federal Deposit Insurance Corporation (FDIC) evaluates our record of helping to meet the credit needs of this community consistent with safe and sound operations. The FDIC also takes this record into account when deciding on certain applications submitted by us.

Your involvement is encouraged.

You are entitled to certain information about our operations and our performance under the CRA. You may review today the public section of our most recent CRA evaluation, prepared by the FDIC; and a list of services provided at this branch. You may also have access to the following additional information, which we will make available to you at this branch within five calendar days after you make a request to us:

- (1) A map showing the assessment area containing this branch, which is the area in which the FDIC evaluates our CRA performance in this community;
- (2) Information about our branches in this assessment area;
- (3) A list of services we provide at those locations;
- (4) Data on our lending performance in this assessment area; and,
- (5) Copies of all written comments received by us that specifically relate to our CRA performance in this assessment area, and any responses we have made to those comments. If we are operating under an approved strategic plan, you may also have access to a copy of the plan. If you would like to review information about our CRA performance in other communities served by us, the public file for our entire bank is available at Commercial State Bank, 8045 N. I-45, Palmer, Texas 75152.

At least 30 days before the beginning of each quarter, the FDIC publishes a nationwide list of the banks that are scheduled for CRA examination in that quarter. This list is available from the Regional Director, FDIC, 600 North Pearl Street, Suite 700, Dallas, Texas 75201. You may send written comments about our performance in helping to meet community credit needs to:

**Brandi McElhaney
Senior Vice President
Commercial State Bank
P O Box 820
Palmer, Texas 75152**

and the FDIC Regional Director. You may also submit comments electronically through the FDIC's Web site at www.fdic.gov/regulations/CRA. Your letter, together with any response by us, will be considered by the FDIC in evaluating our CRA performance and may be made public.

You may ask to look at any comments received by the FDIC Regional Director. You may also request from the FDIC Regional Director an announcement of our applications covered by the CRA filed with the FDIC. We are an affiliate of Palmer Bancshares, Inc., a bank holding company. You may request from the Officer in Charge of Supervision, Federal Reserve Bank of Dallas, 2200 North Pearl St., Dallas, Texas 75201-2272, P. O. Box 655906, Dallas, Texas 75265-5906, an announcement of application covered by the CRA filed by the bank holding companies.

MISCELLANEOUS

Thank You Notes

- CSB assistance with providing a PPP Loan - 2020
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- CSB assistance with providing a PPP Loan - 2020
- CSB donation to 2020 Bristol Opry
- CSB donation to Covenant Church to assist families during COVID 19 pandemic
- CSB participation in the Ambassador Company Character Program books - 2021
- CSB donation to purchase backpacks for Wilmer students – August 2021
- CSB sponsorship of folders for Palmer High School students - 2021
- CSB donation to Palmer First Assembly of God Church Fall Outreach – November 2021
- CSB donation to Palmer First Assembly of God Church to help provide coats to Palmer ISD children – December 2021
- CSB donation of use of the popcorn machine to Palmer First Assembly of God Church to help with the Fall Festival in Palmer – October 2022
- CSB donation to Ferris FFA – April 2022
- CSB donation to City of Palmer's Back to School Bash – July 2024
- CSB donation to Bristol Schoolhouse ADA Ramp – November 2024
- CSB donation to purchase food for Thanksgiving plates for the community – November 2024

Donations & Advertising

- 3-22-21 Your Checking Account educational material for Ferris High School \$509.17
- 8-10-21 Back to School event for Wilmer ISD \$200.00
- 10-25-21 Fall Outreach for Palmer First Assembly of God Church \$100.00
- 11-30-21 Purchase coats for Palmer ISD children – Palmer First Assembly of God Church \$500.00
- 12-2-21 Purchase toys & gifts for low-income families in Wilmer – Portfolio Resident Services \$300.00
- 12-24-21 Lunch for Ferris ISD staff – GM Concepts \$700.00
- 6-24-22 Ambassador Company Book Program for Ferris ISD – \$652.54
- 7-28-22 Ambassador Company Book Program for Palmer ISD – \$700.00
- 12-4-22 Christmas Coats for First Assembly of God Palmer – \$500.00
- 9-21-23 Palmer Police Department Community Outreach Event - \$500.00
- 9-25-24 Palmer Police Department Community Outreach Event silent auction items - \$1,278.00

Certificates of Appreciation

- Ferris Chamber of Commerce - Member Spotlight
- USMC Reserve Toys For Tots Program – Certificate of Appreciation for Outstanding Support
- Palmer High School – Certificate of Recognition for sponsorship of folders for the students