

# COMMUNITY REINVESTMENT ACT (CRA) POLICY

## Purpose

The Community Reinvestment Act (CRA) was enacted as part of the antidiscrimination legislation of the 1970s. Congress ordered that financial institutions must demonstrate that their credit and deposit services are convenient and are meeting the needs of the communities in which they are doing business. The primary focus is to insure that institutions are reinvesting in their local communities through affirmative credit programs and community involvement.

Changes to CRA were made by the federal banking agencies and were implemented during a two-year period, beginning July 1, 1995 and ending July 1, 1997. These changes reduced the amount of record keeping required while providing more detail on the type of activities necessary to achieve a satisfactory or better CRA rating. The bank is now evaluated under new lending, investment, and service tests with the greater emphasis on lending. Therefore, this requires expanded data collection and reporting.

Madison Valley Bank (“the Bank”), being a federally regulated institution whose deposits are insured by the FDIC, must comply with the Community Reinvestment Act. To create an enforcement mechanism for CRA, any application for a new charter, deposit insurance, a branch office, relocation of a main office or a branch, merger or acquisition, or the formation of a bank holding company is subject to adequate CRA performance. The Bank is committed to meeting the requirements of CRA as outlined in this policy. The Compliance Officer will be named responsible for overall compliance with the act and must stay abreast of the requirements of the act and update CRA procedures for changes that may be made from time to time.

## **Delineation of Community**

Madison Valley Bank has assessed its primary assessment area to include the following counties:

- Madison County
- Gallatin County
- Jefferson County
- Lewis and Clark County

## **Recordkeeping**

As part of the Bank’s ongoing compliance process to ensure data integrity of the CRA statement, the Bank will complete actual sampling and review of data and working papers at least biannually will be kept on file to document the review. The Bank will conduct a comprehensive review on the following testing criteria at least annually.

### *Testing Criteria*

Given the bank’s total average assets of approximately \$158 million and \$165 million as of December 31, 2017, and December 31, 2018, respectively, management will evaluate the Bank’s current CRA performance using the Small Bank CRA Evaluation criterion using the Lending Test only. This criterion applies to banks with total assets of less than \$313 million.

The lending test evaluates a bank’s record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank’s home mortgage, small business, small farm, and community development lending. Performance criteria is evaluated according to geographic distribution, the portion of the bank’s lending in the bank’s assessment area, the dispersion of lending in the bank’s assessment area, and the number and amount of loans in low-, moderate-, middle-, and upper-income geographies in the bank’s assessment area.

### *Performance Evaluation and CRA Rating*

Upon a CRA Performance Evaluation the Bank will receive a CRA Rating. The performance evaluation shall state the findings and conclusions of the regulatory agency concerning our institution’s compliance with the Community Reinvestment Act. The evaluation must discuss the facts supporting the conclusions and contain our CRA rating. The CRA rating will be listed as one of the following:

1. Outstanding
2. Satisfactory
3. Needs to improve
4. Substantial noncompliance

The most recent performance evaluation will be included in the public file located at the main branch and each individual branch location.

#### *Public File Requirements*

We will establish and maintain a CRA file at the main office location that is readily available for public review. It will include:

- Any signed, written comment letters received from the public during the current year and the two prior years that specifically relate to our CRA performance and any responses to those written comments.
- A copy of the public section of the bank's most recent CRA Performance Evaluation prepared by the FDIC. This must be placed in the file within 30 business days after receipt from the FDIC.
- A map of the assessment area that identifies the census tracts included in the assessment area or that is accompanied by a list of census tracts.
- A list of the bank's branches, their street address, and the census tracts in which they are located.
- A list of branches opened or closed within the current year and each of the two prior years, their street addresses, and the census tracts in which they are or were located.
- A list of the services generally offered at the bank's branches (including hours of operation, available loan and deposit products, and transaction fees) and descriptions of any material deviations in the availability or cost of services at particular branches, if any. A description of alternative systems for delivering retail-banking services, such as ATMs, hot line; Home Banking, etc. will also be provided.
- A CRA Mission Statement and Public Statement.

#### *Lobby Disclosure Requirements*

There will be a Community Reinvestment Act Notice posted at the main office and at each branch location.

### **Goals and Objectives**

The goal of the CRA Policy is to ensure the bank is committed to properly serving the credit need of the communities in which it conducts business as it is a good business practice as well as vital to the bank's longevity in these communities. This policy has been the basis of our success in the past and will remain a foundation on which we plan our future.

### **Policy Compliance**

#### *Board of Directors*

The Board of Directors of the Bank represent a local cross section of the Bank's market area and are actively involved in local community efforts, politics and business, reflecting a continued commitment to the community. The Board acts as both an outreach group to the community and as a sounding board for community groups and the Bank's management. The Board and its committees continually monitor the Bank's lending policies and practices to ensure that it does not discriminate in the extension of credit on the basis of race, color, religion, national origin, sex, marital status or age and takes an active role in informing the community at large about the Bank and its products and services.

The Board of Directors of Madison Valley Bank will review and approve the Community Reinvestment Act Statement at least annually.

*All Staff*

All Bank personnel are expected to cooperate with and support our CRA program. Management will be held accountable for any lack of cooperation of staff that weakens our CRA performance as reflected in internal reviews, agency examinations, and/or community protests or complaints. As there is no civil or criminal liability in the Community Reinvestment Act; administrative enforcement is found through the denial of applications for new branches, formation of bank holding companies, acquisitions & mergers, and offsite ATMs.

#### *Compliance Officer*

It is the responsibility of the Compliance Officer to conduct a review of CRA policy, CRA Statement, CRA Mission Statement and procedures prior to April 1 of each year. This review should determine that the bank is in compliance with the requirements of the act and that the delineation of the community is stated correctly for the bank's marketing area. The Bank's Compliance Officer will also evaluate the Bank's performance with respect to this policy and to the Federal Regulation in a detail sample review at least biannually. See additional documentation of the required annual testing to be performed in the **Recordkeeping** section above.

The Compliance Officer will review any comments received by the Bank for any indication of problems that could lead to protests or criticism of our CRA performance as well as recommend action to address any significant comments to management. All CRA-related comments will be maintained in the CRA comment file, as required, and will be accompanied by the Bank's response to them, where appropriate. As a general rule, the Bank will respond to any CRA related comments from community organizations by inviting them to meet with us to discuss the problem and potential solutions.