



## PUBLIC DISCLOSURE

March 11, 2019

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Command Bank  
Charter Number 713570

Bank Address

1 Firstcomm Plaza, Fort Worth, TX 76109-4999

Office of the Comptroller of the Currency

9003 Airport Freeway, Suite 275  
North Richland Hills, TX 76180-9127

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## Overall CRA Rating

**The Lending Test is rated: Satisfactory.**

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

Primary factors supporting this institution's rating include:

- First Command Bank's (FCB) loan-to-deposit ratio is reasonable relative to its performance context. FCB's loan-to-deposit ratio averaged 41.07% during the evaluation period.
- A substantial majority of loans originated by FCB was within its assessment area (AA).
- The distribution of borrowers reflects reasonable penetration of loans to borrowers of different incomes and businesses of different sizes.
- The distribution of consumer and business loans to low- and moderate-income geographies is reasonable when performance context factors are considered.
- The institution's community development (CD) performance is adequate and demonstrates satisfactory responsiveness to the community development needs of its AA through CD loans, investments, and services.
- No consumer complaints regarding the institution's CRA performance were received during this evaluation period.

## Definitions and Common Abbreviations

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

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

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

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family

households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

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

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

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

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

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

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

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

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

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

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

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

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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 percent and less than 120 percent, in the case of a geography

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

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

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

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

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

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

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

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

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

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

## Description of Institution

FCB is a federally chartered, one-branch bank headquartered in Fort Worth, Texas. FCB was established in 1997 and is a wholly-owned subsidiary of First Command Financial Services Inc. (FCFS). Along with FCB, FCFS owns and operates four additional affiliated organizations all of which focus on providing a wide range of financial services to active and retired military personnel and their families. Products and services provided by FCFS and its subsidiaries include long-term financial planning, wealth and asset management, life insurance, investment advisories as well as traditional banking products. FCFS provides these services through a nationwide network of financial advisors who operate primarily near military base installations all over the U.S. and a handful of international locations where U.S. military forces are deployed. Financial advisors are trained to routinely refer their clients to FCB for their traditional credit, depository and wealth management needs. Given this, the bank's customer base is primarily derived from FCFS's existing client base and its strategic focus is tailoring its product and service offerings to meeting the specific banking needs of these clients.

Due to the wide dispersion of the bank's customer base nationwide and overseas, foot traffic at the bank's physical location is limited with a significant majority of customers completing their transactions through electronic and remote platforms. To meet the needs of its customer base, the bank offers a variety of banking services to ensure that customers have easy and instantaneous accessibility to their depository accounts regardless of where they are located. FCB offers free nationwide and international access to ATMs through its numerous ATM networks in which it participates. Customers may also access their account information at any time through the bank's online banking system, mobile banking application and toll-free customer support telephone system which operates extended hours. FCB's website provides information regarding the bank's products and services and allows online access to account information to customers enrolled for the service. The bank also accepts new deposit account applications, loan applications, and customer service requests through its website. The bank's Command Checking Account, Money Market Savings Account, and Commercial Checking Account all have low minimum opening deposit requirements, no monthly maintenance fees, and unlimited ATM withdrawal features.

As of December 31, 2018, FCB's average assets totaled \$773 million, the loan portfolio, \$301 million and total deposits, \$718 million. Loans comprise 39 percent of the bank's average assets. Of the entire loan portfolio, approximately 61 percent is concentrated in short-term and typically, consumer loans ranging from a lower range of \$2,000 to a higher range of \$50,000. FCB's loan portfolio mix is consistent with meeting the primary credit needs typically experienced by military personnel. Active military personnel tend to have limited demand for home mortgage products since on-base housing is usually provided or costs associated with housing are heavily subsidized. Consumer-type loans offered by FCB include debt consolidation loans, personal loans usually secured by mutual funds, a small credit card portfolio and a few auto loans. In the spring of 2007, the bank began offering commercial loans. The commercial loan portfolio as of our evaluation date totaled \$77 million and is a niche product concentrated in professional practice acquisition loans primarily to veterinarians and dentists. While these loans are available to both civilians and military personnel, the bank envisions that these type of loans are targeted to meet the needs of retiring professional military personnel whom with the financial planning assistance of FCFS, have been able to save enough resources to be able to purchase their own professional practices. The table



below illustrates the bank's loan portfolio distribution as of December 31, 2018.

<b>First Command Bank Loan Portfolio Summary</b>		
<b>Loan Category</b>	<b>Dollar Volume (000s)</b>	<b>As a % of Total Loans</b>
Consumer Debt Consolidation	144,399	48.00%
Commercial & Industrial	77,040	25.60%
Nonfarm Nonresidential	34,578	11.50%
Consumer Credit Cards	28,052	9.30%
Consumer - Other Revolving	12,087	4.00%
Auto	3,800	0.40%
Construction	1,102	0.37%
<b>Total Loans</b>	<b>301,058</b>	<b>100%</b>

*Source: December 31, 2018 Report of Condition*

At 48% of the loan portfolio, debt consolidation loans constitute the banks' primary product. This product is one of the ways FCB meets its strategic focus, which is to aid its target customer base in achieving holistic, long-term financial security. Typical borrowers of the debt consolidation loans offered by FCB are military officers or military officer candidates who are working with a financial planner from FCFS to get their finances better organized as part of preparation for a military career. This is especially important to those considering a long-term career with the military, as military personnel are held to a high standard of financial discipline and ill-managed finances may negatively impact their job performance rating.

If a client has credit card debt, the financial planner may suggest a lower rate debt consolidation loan originated by FCB to pay off the credit card debt. The money that had previously gone to credit card interest is then better deployed to savings, investments or life insurance, depending on the customer's situation. As a result, the customer's monthly payments stay the same, but he/she is reducing debt and building savings due to lower interest rates and sometimes a shorter repayment term. For a long time, FCB would not offer

credit cards, as one of FCFS' primary financial planning goals is to get its customers out of debt and focused on saving and investing. FCB began offering relatively low-cost credit cards as a service because it is difficult to operate without one in this current business environment, but financial planners usually discourage customers from maintaining a balance.

FCB has no identified legal or regulatory impediments that would affect its lending activities or impede the bank's ability to meet the credit needs within its AA. FCB is involved in and provides support to meet the needs of its customer base within its performance context. FCB received an overall rating of "Satisfactory" at its last CRA evaluation dated May 18, 2015.

# Scope of the Evaluation

## Evaluation Period/Products Evaluated

FCB qualifies as an Intermediate Small Bank (ISB) under the CRA regulation and is therefore, subject to a Lending Test and a Community Development Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The Community Development Test evaluates the bank's responsiveness to the identified needs within its AA through CD related lending, qualified investments, and services.

We began the CRA performance evaluation of the bank on March 11, 2019. The evaluation period for the Lending Test covers all applicable lending related activities occurring between January 1, 2016 and December 31, 2018. Performance under the Lending Test was based on a review of the bank's primary loan products, which consist of consumer debt consolidation loans and commercial loans to small businesses. We reviewed a sample of 90 consumer debt consolidation loans and 40 commercial loans originated during the evaluation period. The demographic and geographical data referenced in evaluating the bank's performance under the lending test was largely based on information aggregated during the 2010 Census and the 2015 U.S. Census American Community Survey (ACS) data. Lending activities completed in 2016 was evaluated using the 2010 Census data. Lending activity beginning January 1, 2017 was evaluated using the 2015 ACS data. The evaluation period for the CD Test includes all CD related activities transacted between the previous CRA performance evaluation date of May 18, 2015 and December 31, 2018. We evaluated all such CD activities within the specified period.

## Data Integrity

FCB is not a HMDA reporter therefore a data integrity review to ensure the accuracy of HMDA data was not warranted. FCB does collect and maintain data on its consumer and business loans. We tested the accuracy of that data during our evaluation. We also verified that CD loans, investments, and services submitted by the bank for our consideration for purposes of the CD test were accurate and met the definition for CD activities as outlined in the CRA regulation.

## Selection of Areas for Full-Scope Review

We evaluated FCB under the provision of 12 CFR 25.41(f), which allows institutions primarily serving the needs of military personnel and their dependents to define their AA as its entire deposit customer base. FCB identifies as a military bank with a primary focus of serving active and retired military personnel and their dependents.

## Ratings

The bank's overall rating is based on FCB's performance within its entire deposit customer base, which is dispersed throughout the United States.

## **Discriminatory or Other Illegal Credit Practices Review**

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

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

# Conclusions with Respect to Performance Tests

## LENDING TEST

FCB's performance in meeting the credit needs of its designated AA is **Satisfactory**.

To reach our conclusions, we primarily considered the bank's LTD ratio, the volume of lending inside/outside the AA, the distribution of lending to borrowers of different income and businesses of different sizes. To a lesser extent, we considered FCB's lending penetration into low- and moderate-income geographies. Our assessment of geographic lending distributions received less weight given the strong correlation between where military bases are located and areas where the higher volumes of lending occurred.

### Loan-to-Deposit (LTD) Ratio

FCB's LTD ratio is reasonable when considering its performance context. The LTD ratio measures the extent to which the bank has returned deposits it has acquired to the AA in the form of loans. The institution's average ratio for each quarter-end during the previous three full calendar years is used to determine performance in this area. FCB's LTD ratio averaged 41.07 percent for the quarters ending March 31, 2016 through December 31, 2018. The ratio ranged from a high of 43.55 percent at September 30, 2016 to a low of 39.12 percent at March 31, 2018.

FCB is predominantly a consumer lender with 61 percent of its portfolio centered in consumer-related loans as of December 31, 2018. The primary consumer loan product is debt consolidation loans. These loans are typically small to moderate in size and when aggregated and compared against the bank's deposits may yield a modest LTD in comparison to banks with substantial commercial loan portfolios. During the evaluation period, FCB originated 1,661 loans with origination balances of \$10,000 or less.

We compared FCB's performance to five other military-focused institutions with similar AAs, product focus, and customer base. FCB's LTD ratio is in line with three of these banks. The asset size and average quarterly LTD ratio for FCB and other military-focused banks is summarized in the table below.

Loan to Deposit Ratios			
Institution	State	Assets as of 12/31/2018	Average LTD Ratio %
Fort Hood National Bank	TX	\$279,861	40.90%
<b>First Command Bank</b>	<b>TX</b>	<b>\$779,719</b>	<b>41.07%</b>
Bank of Pensacola	FL	\$83,970	41.65%
FSNB, National Association	OK	\$383,350	44.91%
Armed Forces Bank, NA	KS	\$1,077,570	72.40%
Academy Bank, NA	MO	\$1,462,159	91.36%

Source: Institution Reports of Condition from January 31, 2016 to December 31, 2018

## Lending in Assessment Area

A substantial majority of the bank's loans were made inside its AA. This is based on the fact that FCB has designated its deposit customer base as its AA. We assessed consumer and commercial loans originated during the evaluation period and found that less than 1 percent of consumer loans were made outside of the bank's designated AA. All commercial loans made during the same period were made within the bank's AA.

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

FCB's distribution of loans reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. In assessing the bank's performance under the lending test, we placed greater weight on consumer loans because it represents a significant portion of its loan portfolio by number and dollar amount and also meets the primary credit needs of the bank's customer base.

### Consumer Loans

FCB's distribution of consumer loans reflects a reasonable penetration to low- and moderate-income borrowers and meets the standard for satisfactory performance. Based on our review of a sample of loans originated in 2016, the bank's distribution of loans to low-income borrowers was significantly lower than the ratio of low-income borrowers reported by applicable demographic AA metrics. However, as reflected in Table V under Appendix C, the bank's poor lending distribution to low-income borrowers was effectively mitigated by its excellent lending distribution to moderate-income borrowers during the same period as the lending penetration to borrowers in this income bracket exceeded ratios reported by demographic data.

Similar to 2016, the bank's lending penetration in 2017 and 2018 reflected a poor penetration of consumer lending to low-income borrowers in comparison to corresponding demographic data. The bank's comparable lending penetration to moderate-income borrowers reported within its AA effectively counterbalanced the poor lending penetration to low-income borrowers. Performance context factors explaining the bank's distribution patterns for consumer lending are discussed below.

FCB's niche consumer product is the consumer debt consolidation loan. As earlier noted in the **Description of Institution** section, FCB's strategic focus is to serve as a bank which supports the goals and objectives of its parent company, FCFS, in aiding military personnel to achieve long-term financial security for themselves and their loved ones. Typically, these debt consolidation loans offer customers a rapid way to becoming debt-free through lower interest rates and faster repayment terms. Officers who begin to require financial planning services tend to start at the rank of Staff Sergeant, or Grade E-6 and above. These are enlisted officers who have spent several years with the military, are likely to pursue a military career and are beginning to have some financial wherewithal to begin saving and investing for the future. Typically, military staff would have had at least 6 years of experience before attaining the E-6 grade. According to the military pay tables completed as of January 1, 2018 by the *Defense Finance and Accounting Service*, the average annual salaries for E-6 officers ranged from \$30,552 to \$47,328 in 2018 depending their length of service in the military. Based on the 2018 HUD Median Family Income for the United States AA, this salary range falls primarily

within the moderate-income bracket. Because the majority of FCB's customer base originates from referrals from FCFS, officers at this grade level also form the majority of the bank's deposit base and are the most likely to request to take advantage of the debt consolidation loans.

### Business Loans

FCB's distribution of business loans during the evaluation period reflects a reasonable lending penetration to businesses of different sizes. Specifically, the bank's lending penetration to small businesses (businesses with gross annual revenues less than or equal to \$1 million) meets the standard for satisfactory performance. In 2016, while the percentage of loans made by the bank to small businesses was lower than the percentage of small businesses in the AA, it exceeded the aggregate distribution of loans to small businesses by all lenders reporting in within the nation-wide AA. Lending penetration to small businesses in 2017 and 2018 were similar. While the bank's distribution of loans to small businesses was lower than the volume of small businesses within the AA, it was comparable to the aggregate lending distribution to small business within the AA.

### **Geographic Distribution of Loans**

Given its performance context, FCB's geographic lending distribution of consumer and business loans reflects a reasonable dispersion within its AA and meets the standard for satisfactory performance. In assessing the bank's CRA performance, we placed more weight on the bank's lending distributions by borrower income levels than by its geographic distributions. FCB operates primarily close to where military bases are located and as such, areas from where its financial advisors operate and their market reach are significantly determined by military base locations nationwide.

### Consumer Loans

FCB's geographic dispersion of consumer loans to low-income census tracts for the evaluation period is poor as the bank reflected no lending penetration to borrowers within low-income tracts in 2016 and minimal lending penetration to these tracts in 2017 and 2018. The lending penetration to moderate-income tracts in 2016 was excellent, exceeding the ratio of moderate-income tracts reported within the AA by demographic data and mitigating the poor lending penetration reflective in low-income tracts. In 2017 and 2018, the lending penetration for moderate-income tracts was comparable to corresponding census tract demographics.

### Business Lending

The geographic distribution of business loans reflects a poor dispersion to low- and moderate-income tracts within its AA in 2016. Based on the business loans we sampled, there was no lending penetration to businesses located in low-income tracts and the penetration to moderate-income tracts was lower in comparison to demographic data reported during the period. In 2017, the bank's penetration ratio to low-income tracts was comparable to the penetration level indicated by demographic data and the penetration of lending to moderate-income tracts was lower than the percentage of businesses located in moderate-income tracts within the AA.

FCB business loans are primarily practice acquisition loans, specifically, dental, medical and veterinary practices. Dental, medical and veterinary practices tend to be located in strip centers and office complexes within highly commercialized areas and opportunities to rent or buy office space within low- and moderate-income tracts tend to be fewer. The bank intends to continue to build its niche for this product within its commercial loan portfolio. Given these facts, the bank's poor lending to LMI tracts is reasonably explained by its performance context.

## **Responses to Complaints**

There were no CRA-related complaints were made against the bank during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

FCB's performance under the community development test is satisfactory. The bank's responsiveness to the CD needs of the AA through CD lending, investments, and services is adequate. Our conclusion is based on the bank's level of activity and performance context. The number and amount of CD loans, services, and qualified investments is satisfactory, based on the bank's size, financial condition, and the need and availability of such opportunities in the bank's AA. The bank centers its CD efforts primarily in qualified investments and CD services.

### **Number and Amount of Community Development Loans**

FCB's loan performance reflects adequate responsiveness to CD needs. FCB originated one CD loan in the amount of \$500 thousand to the Senior Housing Crime Prevention Foundation (SHCPF) during the evaluation period. The loan was first originated in March 2011, and is re-underwritten annually after financial information and repayment performance on the loan is considered. The sole objective of SHCPF is to reduce crime in the nation's senior housing facilities and to provide on-going, effective crime prevention programs that promote safe and secure environments for senior housing residents. The proceeds of the loan were used to fund SHCPF's Veteran's Initiative in the state of Texas. Specifically, the bank's funds are used in providing safe, secure, crime-free residences to 20 of the 155 Veterans residing in the Clyde W. Cospers Texas State Veterans Home located at 1300 Seven Oaks Road in Bonham, Texas. Of these residents, 123 of them, or 79 percent, are low-to-moderate income individuals.

### **Number and Amount of Qualified Investments**

During the review period, FCB's CD investments were centered in the CRA Qualified Investment Fund (Fund). The Fund purchases and holds CRA-qualifying investments in the purchasing institution's AA. The bank's current investment totals \$5.75 million. Other qualified investments totaling \$1.34 million include donations from FCB (\$300 thousand) and FCFS (\$1.04 million) to the First Command Educational Foundation (FCEF) during the evaluation period. FCEF was formed in 1983 to provide educational scholarships to military dependents. FCEF administers multiple scholarship programs and endowments that are heavily based on need. In 2001, FCEF expanded its focus to financial education for military personnel and their families. In 2005, the military restriction was lifted and now the foundation focuses on the

civilian population as well. FCEF has over 60 different financial education presentations that are used by community organizations and schools. In addition to these donations, FCFS provides free office space, and free human resources, accounting, graphics, and information technology services to FCEF. The value of these services is approximately \$96 thousand.

### **Extent to Which the Bank Provides Community Development Services**

Retail banking services are primarily delivered electronically, as the bank only has one physical location. FCB's banking programs allow the bank to deliver needed banking and credit services to low- and moderate-income areas and individuals in the AA, and include:

- Free personal checking account with a low minimum opening deposit, no monthly maintenance fees, no fee for bank stock checks, free unlimited check writing, free initial/renewal MasterCard debit card with unlimited free debit card transactions, free online banking and web bill pay, free remote deposit, free eStatements, free unlimited telephone banking, and a choice of overdraft protection or free coverdraft from another account with FCB.
- Free money market account with a low minimum opening deposit, no monthly maintenance fees, free bank stock checks, free initial/renewal MasterCard debit card, ATM withdrawals with no fee charged for the first six ATM withdrawals per statement cycle, free coverdraft from another FCB account, free online banking and web bill pay, free remote deposit, free eStatements, and free unlimited telephone banking.
- Commercial checking account with a low minimum opening deposit, no monthly service charge when average daily balance of \$5,000 is maintained, or low monthly service charge of \$12 if average daily balance of \$5,000 is not maintained, free unlimited deposits, free initial/renewal MasterCard debit card with unlimited free debit card transactions, free coverdraft from another FCB account, free online banking, free remote deposit and web bill pay, free eStatements, and free unlimited telephone banking.
- Third party ATM surcharge fee rebates up to \$15 per statement cycle, per account.
- Free remote deposit functionality for consumer and business accounts.
- Client assistance during government shutdowns including: zero interest payroll advances, loan assistance, penalty free early CD withdrawals, secured lines of credit, and special handling of credit card accounts.

FCB also meets the CD service needs of the AA through volunteer activities by its directors and employees. By providing financial services that take advantage of bank employees' financial expertise, the bank is responsive to the needs of low- and moderate-income individuals and families. These services include developing and conducting financial educational programs to individuals and providing technical financial assistance to CD organizations. FCB staff serve in leadership roles such as directors, finance committee chairs, and treasurers for charitable organizations whose mission is to provide assistance, education and skills to low- and moderate-income individuals. During the evaluation period, FCB



personnel provided a total of 1,307 hours of qualifying CD services that benefited low- and moderate-income individuals and families in the AA. Employees of FCB also dedicated 75 volunteer hours during the evaluation period providing CD services through FCEF.

### **Responsiveness to Community Development Needs**

The volume and responsiveness of FCB to the CD needs of the AA is adequate. The bank focuses its CD efforts in the Dallas/Fort Worth metro area or the larger regional area of the State of Texas, since this area includes the bank's physical location. The bank has demonstrated its responsiveness to the CD needs of its AA through hundreds of annual volunteer hours, providing expertise on financial literacy to several organizations, granting educational scholarships to children of active military staff, supporting initiatives to aid veterans, and investing in several funds to benefit low- and moderate-income individuals and families.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed</b>	Lending Test : 01/01/2016 to 12/31/2018 Investment and Service Tests and CD Loans: 05/19/2015 to 12/31/2018	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First Command Bank (FCB) Fort Worth, TX	Consumer Loans, Commercial Loans, Community Development Loans, Investments and Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
First Command Financial Services (FCFS)	Holding Company	Community Development Investments
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
The United States AA – This represents the bank’s entire deposit base.	Full-scope	

## Appendix B: Community Profiles for Full-Scope Areas

### The United States of America AA

Demographic Information for Full-Scope Area: US AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	73,058	8.2	22.4	41.9	25.8	1.7
Population by Geography	316,515,021	6.8	21.6	42.9	28.3	0.4
Owner-Occupied Housing by Geography	76,064,314	2.6	16.3	48.9	32.3	0.0
Businesses by Geography	20,876,171	5.1	18.2	41.7	34.6	0.3
Farms by Geography	767,665	1.6	12.5	59.1	26.8	0.1
Family Distribution by Income Level	76,232,126	21.4	17.5	20.5	40.6	0.0
Household Distribution by Income Level	114,202,906	24.0	16.2	18.0	41.8	0.0
2018 Median Family Income	\$72, 358	Median Housing Value Unemployment Rate Households Below Poverty Level				= \$225,895 = 5.23% = 14.38%

Source: 2015 ACS Census and 2018 D&B Data  
Due to rounding, totals may not equal 100.0

(\*) The NA category consists of geographies that have not been assigned an income classification.

FCB has designated its entire deposit customer base as its AA. Banks predominantly serving military personnel are afforded this option under 12 C.F.R. §25.41(f). Because FCB's customer deposit base is primarily distributed all over the US along with a number of countries where military installations are located, we utilized the United States AA (US AA) as a proxy for determining the bank's performance under the Lending and CD tests. Given the wide span of the bank's market reach within the US AA, we outline pertinent portions of the demographic and economic information for the entire United States AA as reflected in the preceding table and in the comments that follow.

Based on estimates provided by the US Census Bureau as of July 2018, the US population totaled 327 million reflecting a 5.5 percent increase since the last census completed in 2010. According to data reported by the American Community Survey (ACS) Census, there are 73,058 census tracts (CTs) within the US AA. The income

distribution of the census tracts reflect 8.2 percent as low-income, 22.44 percent as moderate-income, 41.9 percent as middle-income and 25.8 percent as upper-income: While 14.38 percent of the population was estimated to live below the poverty level as of 2015, more recent data reported by the US Census Bureau as of September 2017 indicates a slightly lower level of the poverty rate at 12.3 percent. According to the Bureau of Labor and Statistics, the unemployment rate was 3.8 percent as of March 31, 2019. The HUD 2018 Median Family Income for the United States AA was \$72,358.

The United States economy is the world's largest national economy and one with the most diverse sectors and industries. Major industries within the US economy include retail trade, manufacturing, hospitality and food services, healthcare and professional, technological and scientific services. Some of the largest employers include Walmart, IBM, General Electric and the United States Post Office. Competition for financial services to military personnel is strong and includes credit unions on military installations, payday lenders, specialized consumer lenders, and organizations with military affiliations.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

**Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.

**Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

**Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.

**Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography													2016	
Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$	% of Total	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
US AA	20	9,023,682	100.00	5.1	0.00	18.2	10.00	41.7	35.00	34.6	55.0	0.3	0.00	
<b>Total</b>	<b>20</b>	<b>9,023,682</b>	<b>100.00</b>	<b>5.1</b>	<b>0.00</b>	<b>18.2</b>	<b>10.00</b>	<b>41.7</b>	<b>35.00</b>	<b>34.6</b>	<b>55.0</b>	<b>0.3</b>	<b>0.00</b>	

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; "--" data not available  
Due to rounding, totals may not equal 100.0

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography													2017 - 2018	
Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$	% of Total	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
US AA	20	10,686,838	100.00	5.3	5.0	18.7	5.0	39.7	50.00	35.6	40.00	0.7	0.00	
<b>Total</b>	<b>20</b>	<b>10,686,838</b>	<b>100.00</b>	<b>5.3</b>	<b>5.0</b>	<b>18.7</b>	<b>5.0</b>	<b>39.7</b>	<b>50.00</b>	<b>35.6</b>	<b>40.00</b>	<b>0.7</b>	<b>0.00</b>	

Source: 2017 D&B Data; 01/01/2017 - 12/31/2018 Bank Data "--" data not available  
Due to rounding, totals may not equal 100.0

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>												<b>2016</b>
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
US AA	20	9,023,682	100.00	7,299,203	84.2	45.00	43.8	5.7	55	10.1	0.0	
<b>Total</b>	<b>20</b>	<b>9,023,682</b>	<b>100.00</b>	<b>7,299,203</b>	<b>84.2</b>	<b>45.00</b>	<b>43.8</b>	<b>5.7</b>	<b>55</b>	<b>10.1</b>	<b>0.0</b>	

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data "--" data not available  
 Due to rounding, totals may not equal 100.0

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>												<b>2017 - 2018</b>
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
US AA	20	10,686,838	100	6,448,464	84.3	40.00	49.9	5.7	55	10.0	5.00	
<b>Total</b>	<b>20</b>	<b>10,686,838</b>	<b>100</b>	<b>6,448,464</b>	<b>84.3</b>	<b>40.00</b>	<b>49.9</b>	<b>5.7</b>	<b>55</b>	<b>10.0</b>	<b>5.00</b>	

Source: 2017 D&B Data; 01/01/2017 - 12/31/2018 "--" data not available  
 Due to rounding, totals may not equal 100.0

Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography													2016	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
US AA	30	551,346	100	5.7	0.00	20.8	26.67	45.8	36.67	27.6	30.00	0.0	6.67	
<b>Total</b>	<b>30</b>	<b>551,346</b>	<b>100</b>	<b>5.7</b>	<b>0.00</b>	<b>20.8</b>	<b>26.67</b>	<b>45.8</b>	<b>36.67</b>	<b>27.6</b>	<b>30.00</b>	<b>0.0</b>	<b>6.67</b>	

Source: 2010 U.S. Census; 01/01/2016 - 12/31/2016 Bank Data.  
Due to rounding, totals may not equal 100.0

Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography													2017-2018	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
US AA	60	1,260, 207	100	6.4	1.67	21.1	18.33	43.8	53.33	28.5	23.33	0.2	3.33	
<b>Total</b>	<b>60</b>	<b>1,260, 207</b>	<b>100</b>	<b>6.4</b>	<b>1.67</b>	<b>21.1</b>	<b>18.33</b>	<b>43.8</b>	<b>53.33</b>	<b>28.5</b>	<b>23.33</b>	<b>0.2</b>	<b>3.33</b>	

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data.  
Due to rounding, totals may not equal 100.0



Table V: Assessment Area Distribution of Consumer Loans by Income Category of the Borrower													2016	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
US AA	30	551,346	100	24.0	10.34	16.2	20.69	18.0	37.93	41.8	31.03	0.0	0.0	
<b>Total</b>	<b>30</b>	<b>551,346</b>	<b>100</b>	<b>24.0</b>	<b>10.34</b>	<b>16.2</b>	<b>20.69</b>	<b>18.0</b>	<b>37.93</b>	<b>41.8</b>	<b>31.03</b>	<b>0.0</b>	<b>0.0</b>	

Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data. Due to rounding, totals may not equal 100.0

Table V: Assessment Area Distribution of Consumer Loans by Income Category of the Borrower													2017 -2018	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
US AA	60	1,260, 207	100	24.6	6.67	15.9	13.33	17.4	38.33	42.1	41.67	0.0	0.0	
<b>Total</b>	<b>60</b>	<b>1,260, 207</b>	<b>100</b>	<b>24.6</b>	<b>6.67</b>	<b>15.9</b>	<b>13.33</b>	<b>17.4</b>	<b>38.33</b>	<b>42.1</b>	<b>41.67</b>	<b>0.0</b>	<b>0.0</b>	

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0