



## **PUBLIC DISCLOSURE**

February 9, 2022

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Colorado Federal Savings Bank  
Charter Number: 708876

8400 East Prentice Avenue  
Suite 840  
Greenwood Village, CO 80111

Office of the Comptroller of the Currency  
320 Seven Springs Way  
Suite 310  
Brentwood, TN 37027

**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

**Institution's CRA Rating:** This institution is rated Satisfactory.

The following table indicates the performance level of Colorado Federal Savings Bank (CFSB or thrift) with respect to the Lending, Investment, and Service Tests:

Performance Levels	Colorado Federal Savings Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support the “Satisfactory” rating include:

- The Lending Test rating of High Satisfactory. This is based on the thrift’s performance in the state of Colorado, which demonstrated good distribution of home mortgage loans in low- and moderate-income (LMI) geographies and to LMI individuals. The thrift’s lending levels reflect good responsiveness to assessment area (AA) credit needs.
- The Investment Test rating of Outstanding. This is based on the thrift’s performance in the state of Colorado that reflected an excellent level of qualified investments and demonstrated excellent responsiveness to credit and community development (CD) needs.
- The Service Test rating of Low Satisfactory. This is based on the thrift’s leadership in providing CD services in the state of Colorado. Service delivery systems are reasonably accessible to geographies and individuals of different income levels.

CFSB does not offer any specific flexible or innovative loan products; however, it partners with Habitat for Humanity of Metro Denver (HFHMD) to periodically purchase loans from HFHMD so HFHMD has liquidity to make more loans and fund its operations. The loans originated by HFHMD are interest free. CFSB is not entitled to any profits that may occur with early payoffs or equity sharing if a property is sold for a profit to another low- or moderate-income family. HFHMD will retain any such profit. CFSB provides a significant level of CD services that are responsive to identified needs within the AA.

CFSB offers services nation-wide and has no physical branches. Its retail banking services are solely provided on-line and do not specifically target LMI individuals. The thrift originates a small percentage of loans within its only AA. Refer to the section below for more details on lending in the AA. We did not consider the investments innovative or flexible in nature, but they were responsive to the credit needs and supported CD services targeted to LMI individuals in the local community in which the thrift is chartered. In addition, CFSB obtained \$10.9 million in current period investments outside of the AA, but within the state of Colorado. These two investments consist of a project created to develop,

rehabilitate, and preserve affordable housing for LMI individuals and an investment in a Small Business Investment Company (SBIC) that primarily focuses on capital investment for startup fintech companies across the country. While fintech is not an identified need of the thrift's Metropolitan Statistical Area (MSA), this investment does promote broader economic development in the region that includes Colorado.

### Lending in Assessment Area

A very small percentage of the thrift's loans are in its AA.

The thrift originated and purchased 4.0 percent of its total loans inside the thrift's AA during the evaluation period. This analysis is performed at the thrift, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

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		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	463	3.1	14,344	96.9	14,807	132,613	3.0	4,291,928	97.0	\$4,424,541
Total	463	3.1	14,344	96.9	14,807	132,613	3.0	4,291,928	97.0	\$4,424,541

This level of loan production is reasonable given the thrift's nation-wide business model and significant concentration of non-retail deposits. Although a very small percentage of loans are made in the thrift's AA, the percentage of loans by dollar volume originated within the Denver-Aurora-Lakewood, CO MSA (Denver MSA) is consistent with the percentage of locally derived deposits to total deposits. CFSB obtains \$25 million in retail deposits from the AA, compared to \$182.9 million in retail deposits nation-wide. At December 31, 2021, the commercial deposits inside the AA total \$3.5 million and the commercial deposits nation-wide total \$864.4 million. Locally derived deposits represent 2.7 percent (retail & commercial) of total deposits, which is in-line with CFSB's inside/outside ratio based on dollar volume of loans. In addition, CFSB's AA lending strategy is to purchase whole loans granted to LMI borrowers from third parties, including the local HFHMD chapter, which provides these entities liquidity to grant more loans to LMI individuals and address the affordable housing needs of the AA.

### Description of Institution

CFSB is an intrastate thrift headquartered in Greenwood Village, Colorado. The executive office is located in Nashville, Tennessee. At December 31, 2021, CFSB had total assets of \$2.1 billion and deposits of \$1.1 billion. CFSB has no branches and no automated teller machines (ATMs) in the one AA in Colorado, in which 32.8% of the population reside in a LMI census tract (CT). The thrift's only AA is the Denver MSA.

CFSB is wholly owned by Silver Queen Financial Services, Inc. (SQFS), a unitary bank holding company also headquartered in Greenwood Village, Colorado. At December 31, 2021, CFSB accounted for 98.6 percent of SQFS's assets. During this evaluation period, CFSB had no merger or acquisition activity. CFSB did not close or open any branches during the assessment period. To help

the thrift achieve its goal of becoming a real estate oriented financial institution, it affiliated with one of the largest, non-bank mortgage originators and servicers in the nation.

CFSB operates as a non-branch direct banking platform providing real estate lending solutions and construction loan products. The thrift does not maintain a traditional branch network, instead using technology to offer banking services online. As such, the thrift's consumer and commercial customers are located throughout the entire United States, with a substantial majority outside the Denver MSA AA. The thrift has no physical branch locations. A breakdown of CFSB's December 31, 2021, loan portfolio shows commercial loans at 7.1 percent of total loans, residential real estate at 86.0 percent, construction and land development at 6.6 percent, and all other loans at 0.4 percent. Total loans of \$1.6 billion represented 78.1 percent of total assets with tier 1 capital at \$236.4 million.

CFSB's deposit products are limited to a savings account and certificate of deposit accounts. These deposit accounts may only be opened online and must be linked to an existing external bank account belonging to the customer. Once a deposit account is opened, customers may only access funds in their CFSB accounts through automated clearing house (ACH) transfers to and from their linked external account(s). The minimum opening deposit and balance requirement for savings accounts is \$1. The thrift does not maintain any full-service branches or ATMs but does offer customers 24-hour access via its website and mobile devices for account opening and transaction purposes. The thrift received a "Satisfactory" rating at the preceding CRA Performance Evaluation dated April 8, 2019. There are no legal, financial, or other factors impeding the thrift's ability to help meet the credit needs in its AA during the evaluation period.

The thrift's past operations focused on mortgage banking. In late 2017, management focused lending operations on owner-occupied construction to permanent residential loans. Management discontinued this product offering in 2020. In May 2020, the thrift executed a new arrangement to originate conforming 15-year mortgage loans. This arrangement provides marketing and initial underwriting of the 15-year mortgage loans. Additionally, this arrangement allows the thrift to provide depository services for the escrow principal, interest, taxes, and insurance (PITI) funds collected from the mortgage underwriters' mortgage servicing operations. At December 31, 2021, escrow deposits totaled \$567.0 million or 54% of the thrift's total deposits.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The evaluation period is January 1, 2019, through December 31, 2021. This performance evaluation assesses CFSB's performance under the Lending, Investment, and Service Tests. In evaluating the CFSB's lending performance, we reviewed one- to four-family home mortgage loans. We evaluated CD activities, including all loans, investments, and services that met the regulatory definition. We also evaluated CD investments, including donations as well as retail services and CD services.

For geographic and borrower distribution analyses, we compared CFSB's loan originations to the 2015 American Community Survey (ACS) Census data and aggregate Home Mortgage Disclosure Act (HMDA) data and CRA data.

## **Selection of Areas for Full-Scope Review**

In each state where the thrift has an office, one or more AA(s) within that state was selected for a full-scope review. For purposes of this evaluation, thrift delineated assessment areas located within the same MSA, multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, thrift delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating section for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

## **Ratings**

The thrift’s overall rating is a blend of the state ratings, and where applicable, multistate ratings.

During the evaluation period, CFSB originated and purchased 14,344 home mortgage loans totaling \$4.4 billion. The thrift is predominately a nation-wide home mortgage lender. At December 31, 2021, the loan portfolio consisted of 86 percent home mortgages, 7.1 percent commercial loans, 6.6 percent construction and land development, no consumer loans, and 0.4 percent for all other loans. Therefore, we gave all weight to home mortgages. One of the community contacts obtained during the evaluation period expressed a need for affordable housing in the area.

The state rating is based on performance in the thrift’s one AA. Refer to the “Scope” section under the State Rating section for details regarding how the areas were weighted in arriving at the respective ratings

## **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 banks 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 Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution 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.

## State Rating

### State of Colorado

**CRA rating for the State of Colorado:** Satisfactory

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

**The Investment Test is rated:** Outstanding

**The Service Test is rated:** Low Satisfactory

The major factors that support this rating include:

- The Lending Test rating of High Satisfactory, which is based on the thrift's good distribution of home mortgage loans to LMI geographies and individuals. The thrift's lending levels reflect good responsiveness to AA credit needs.
- The Investment Test rating of Outstanding, which is based on the thrift's excellent level of qualified investments and excellent responsiveness to credit and CD needs.
- The Service Test rating of Low Satisfactory, which is based on the thrift's leadership in providing CD services. Service delivery systems are reasonably accessible to geographies and individuals of different income levels.

### Description of Institution's Operations in Colorado

CFSB operates a nation-wide online banking platform with no physical deposit-taking branches or automated teller machines. Refer to Appendix A for a listing of all thrift AAs. CFSB offers home mortgage lending and owner/builder construction financing. In the past, the thrift purchased mortgage loans from third parties including HFHMD. While its deposit product offering is limited, the thrift's low minimum initial deposit requirement on its high-yield savings product is \$1. The thrift partnered with HFHMD to offer an asset-building deposit account for Habitat clients, including matching up to \$1,800.

Competition for financial services within the AA is high. According to the June 30, 2021, FDIC Deposit Market Share report, CFSB has \$1.4 billion in deposits in the Denver MSA AA. In the Denver MSA, CFSB ranked 14th out of 68 institutions, with 1.2 percent market share. The top four banks within the AA in terms of deposits, are Wells Fargo Bank, NA with 23.1 percent deposits, U.S. Bank, NA with 16.1 percent deposits, JP Morgan Chase with 14.2 percent deposits, and Firstbank with 13.4 percent deposits. These four banks hold a combined 66.9 percent of area deposits.

The thrift's deposit market share and rank, however, does not take into consideration that more than 97 percent of the thrift's deposits, both retail and commercial, come from outside of the AA. Only \$25 million of total deposits, or 2.3 percent, as of December 31, 2021, are from deposit customers residing in the Denver MSA. The lending market is highly competitive and consists of lenders ranging from small community banks, credit unions, and mortgage companies to the largest U.S. and foreign banks.

The U.S. Census estimates the AA population to be 2.7 million. As of the 2015 ACS, the distribution of families by income level is 21.3 percent low-income, 17.5 percent moderate-income, 20.5 percent middle-income, and 40.8 percent upper income. The percentage of families in the AA living below the poverty level is high at 8.0 percent. The median family income in the MSA is \$80,820.

Employment and Economic Factors

<b>Table B – Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Denver-Aurora-Lakewood, CO MSA Median Family Income (19740)</b>				
2019 (\$92,800)	<\$46,400	\$46,400 to <\$74,240	\$74,240 to <\$111,360	≥\$111,360
2020 (\$100,000)	<\$50,000	\$50,000 to <\$80,000	\$80,000 to <\$120,000	≥\$120,000
2021 (\$100,000)	<\$50,000	\$50,000 to <\$80,000	\$80,000 to <\$120,000	≥\$120,000

*Source: FFIEC*

Affordable home ownership is limited among LMI borrowers. One method used to determine housing affordability assumed a maximum monthly principal and interest payment of no more than 30 percent of the applicant's income, based on income levels in the table above. This calculated a maximum monthly mortgage payment of \$1,250 for low-income borrowers and \$2,000 for moderate-income borrowers. Assuming a 30-year mortgage with a five percent interest rate, and not considering any down payment, homeowner's insurance, real estate taxes, or additional monthly expenses, the monthly mortgage payment for a home at the MSA median housing value would be \$1,506. Home ownership would not be affordable for low-income borrowers.

There are limited opportunities for residential mortgage lending in the AA's LMI geographies due to the relatively low number of owner-occupied housing units. According to the 2015 ACS, 63.2 percent of total housing units in the AA are owner-occupied and 36.8 percent are rental-occupied units. In low-income CTs, only 4.6 percent of housing units are owner-occupied and 14.2 percent are renter-occupied. In moderate-income CTs, 18.7 percent of housing units are owner-occupied and 31.6 percent of renter-occupied.

The Denver MSA area is an attractive tourist destination with proximity to the nearby Rocky Mountains. The area has a high concentration of dynamic, knowledge-based industries, a strong in-migration and population growth, skilled workforce, and high employment diversity. The area's weaknesses include elevated cost of living relative to other Mountain West areas. The area has a significantly overvalued housing market and low and falling affordability. Major employment industries for the area include professional and business services, government, and education and health services, including HealthONE, UC Health: University of Colorado Hospital, Lockheed Martin Corp., United Airlines, and Children's Hospital Colorado.

The National Association of Realtors reports that the median price of a home in the Denver MSA at the end of the 3<sup>rd</sup> quarter of 2021 was \$614,800, a 36.6 percent increase from the 3<sup>rd</sup> quarter of 2018. This increase reflects a continued rise in median home prices, indicating housing affordability is rising above the financial ability of some borrowers. The 2019 Housing Affordability Index (HAI) composite score for the MSA was 124.9. The HAI measures the affordability of housing in select markets. An HAI value of 100 means that a family earning the median family income has exactly enough income to qualify for mortgage on a median-priced home, assuming a 20 percent down payment. The higher the score, the more affordable housing is. For example, an HAI of 120.0 means a family earning the median family income has 120 percent of the income necessary to qualify for a conventional loan covering 80 percent of a median-priced existing single-family home. The HAI score for the MSA reflects a higher cost of housing in comparison to the national average of 171.0.

Based on data from the Bureau of Labor Statistics, the 2020 annualized unemployment rate in the Denver MSA was 7.3 percent. The 2019 annualized unemployment rate for the Denver MSA was 2.5 percent. The Denver MSA unemployment rate remained fairly stable until April 2020 (COVID impact) when the Denver unemployment rate rose from 4.7 percent in March 2020 to 12.0 percent in one month. The 2020 annualized unemployment rate of 7.3 percent compared unfavorably to the national unemployment rate of 6.7 percent as of December 31, 2020. The December 31, 2021, preliminary unemployment disclosed an unemployment rate of 4.8 percent, which compared unfavorably to the national unemployment rate of 3.9 percent as of December 31, 2021.

### Community Contact

Our evaluation considered information from two contacts from community-based organizations operating in the AA. The community contacts identified needs for affordable housing and related services for LMI families and access to financing for small business development.

The contacts indicated that financial institutions are adequately involved in the community but opportunities to further participate in include:

- Technical Assistance to small businesses
- Financial literacy/education to small businesses
- Small business loans for capital needs
- Affordable rental housing
- Affordable for-sale housing

Opportunities for participation by financial institutions include the following:

- Sponsoring financial literacy/education to small businesses
- Providing bankers to speak at the educational events

One community contact stated that there is no lack of home financing for consumers, though home prices are often a deterrent.

### Denver-Aurora-Lakewood MSA

<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	621	8.2	24.2	33.0	33.3	1
Population by Geography	2,703,972	8.7	24.1	33.1	34.0	0
Housing Units by Geography	1,105,423	8.2	23.5	35.0	33.3	0
Owner-Occupied Units by Geography	658,882	4.6	18.7	34.4	42.3	0
Occupied Rental Units by Geography	383,221	14.2	31.6	35.1	19.1	0
Vacant Units by Geography	63,320	10.0	24.6	39.6	25.7	0
Businesses by Geography	416,428	6.7	18.4	32.2	42.4	0

Farms by Geography	7,717	7.5	19.2	31.8	41.1	0
Family Distribution by Income Level	658,359	21.3	17.5	20.5	40.8	0
Household Distribution by Income Level	1,042,103	23.5	16.5	18.2	41.8	0
Median Family Income MSA – 19740 Denver-Aurora-Lakewood, CO MSA		\$80,820	Median Housing Value			\$280,585
			Median Gross Rent			\$1,070
			Families Below Poverty Level			8.0%
<i>Source: 2015 ACS Census and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(* The NA category consists of geographies that have not been assigned an income classification.</i>						

## Scope of Evaluation in Colorado

We completed a full-scope review of the thrift's only AA, the Denver MSA. Please refer to the table in Appendix A for more information.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COLORADO

### LENDING TEST

CFSB's performance under the Lending Test in Colorado is rated High Satisfactory.

### Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the CFSB's performance in the Denver MSA is good.

### Lending Activity

Lending levels reflect good responsiveness to AA credit needs.

Number of Loans*							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	%State Loans	%State Deposits
Denver MSA	463	-0-	-0-	3	466	93.0%	40.0%

\*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

Dollar Volume of Loans*							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	%State* Loans	%State Deposits
Denver MSA	\$132.6 Million	-0-	-0-	\$16.7 Million	\$149.3 Million	95.2%	173.7%

\*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

The thrift originated 463 home mortgage loans totaling \$132.6 million. The thrift did not originate small business loans, small farm loans, or consumer loans during the examination review period.

### **Distribution of Loans by Income Level of the Geography**

CFSB exhibits a good geographic distribution of loans in its AA(s).

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

Refer to Table O in the state of Colorado section of appendix D for the facts and data used to evaluate the geographic distribution of the thrift's home mortgage loan originations and purchases.

During the 2019-2021 evaluation period, the distribution of the thrift's home mortgage lending in LMI geographies is good. The proportion of the thrift's home mortgage loans in low-income CTs exceeded the proportion of owner-occupied housing units in low-income CTs and the aggregate percentage of home mortgage loans for reporting lenders (aggregate lending). The proportion of the thrift's mortgage loans in moderate-income CTs was slightly below the proportion of owner-occupied housing units in moderate-income CTs and the aggregate lending level.

#### ***Lending Gap Analysis***

We reviewed reports detailing CFSB's lending activity over the evaluation period for home mortgage loan products to identify gaps in the geographic distribution of these loans. We did not identify any unexplained, conspicuous gaps.

### **Distribution of Loans by Income Level of the Borrower**

CFSB exhibits a good distribution of loans among individuals of different income levels, given the product lines offered by the institution.

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

Refer to Table P in the state of Colorado section of appendix D for the facts and data used to evaluate the borrower distribution of the thrift's home mortgage loan originations and purchases.

The thrift's distribution of home mortgage loans to borrowers of different income levels is good. The proportion of the thrift's home mortgage loans to low-income families was in-line with the proportion of low-income families and significantly exceeded the aggregate lending level. The proportion of the thrift's mortgage loans to moderate-income families exceeded the proportion of moderate-income families and the aggregate lending level.

### **Community Development Lending**

CFSB is a leader in making CD loans.

The Lending Activity Tables, shown above, set forth the information and data used to evaluate the institution's level of CD lending. These tables include all CD loans, including multifamily loans that also qualify as CD loans.

CFSB's level of CD lending had a positive impact on its overall lending performance in the Denver MSA. During the evaluation period, CFSB originated two new CD loans totaling \$16.7 million; this also includes a new \$1.5 million additional approval for an existing CD loan. This volume represents 7.1 percent of tier 1 capital. CD loans totaling \$4.4 million assisted in the development or preservation of affordable housing for LMI individuals. CFSB also provided a \$12.3 million loan for economic development in the AA. An additional CD loan of \$10.0 million was originated; but it was not located in the AA. The property securing the loan is in Colorado. Although it does not benefit the AA, it does benefit the state of Colorado. These loans exhibit excellent responsiveness to the identified need of affordable housing and economic development in the AA.

Three examples of CD lending in the AA include:

- A loan used to fund capital to increase the capacity of an entity to make community development loans and pursue its mission to invest in affordable housing and other community assets, and to improve economic opportunities for low-income persons, households, and communities.
- A participation in a construction/improvement loan to build one mixed use development including 207 apartment units across 12 buildings, and 16,635 square feet of retail space, as well as a community room, fitness center, club house and a pool on a leasehold interest. The subject property will provide housing and supportive services for low-income individuals.
- Construction financing to convert a church into a 49-unit multifamily property (48 studio units and 1 manager unit). The project was designed to provide community style housing for individuals involved in corrections and/or with behavioral health needs. All units are restricted to be affordable to individuals earning at or below 30% of the Area Median Income. The development is also located in an Opportunity Zone, allowing the borrower and the guarantors to receive tax benefits if specific milestones are met.

## **Product Innovation and Flexibility**

The thrift makes limited use of innovative and/or flexible lending practices to serve AA credit needs. The thrift's lending strategy in the AA is to purchase whole loans granted to LMI borrowers from third parties, including the HFHMD, which provides liquidity to these entities to grant more loans to LMI individuals and addresses the affordable housing needs of the AA.

## **INVESTMENT TEST**

CFSB's performance under the Investment Test in Colorado is rated Outstanding.

## **Conclusions for the Area Receiving a Full-Scope Review**

Based on a full-scope review, the thrift's performance in the Denver MSA AA is excellent.

CFSB has an excellent level of qualified CD investment and grants, often in a leadership position, particularly those that are not routinely provided by private investors.

The thrift exhibits excellent responsiveness to credit and community economic development needs. The thrift makes significant use of innovative and/or complex investments to support CD initiatives. The thrift made a significant majority of its investments focused on affordable housing, a primary CD need in the AA. The thrift makes use of complex equity investments to support CD initiatives. Investment vehicles include low-income housing tax credit funds, targeted affordable multifamily housing mortgage-backed securities, and general obligation municipal school bonds. CFSB invested in four

Low-income Housing Tax Credit investments, two targeted mortgage-backed securities for affordable housing or revitalization/stabilization, and two general obligation bonds. The bond proceeds are for the maintenance of existing schools, building new schools, and updating facilities to enhance learning in Denver School District #1, which serves majority of LMI students.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Denver MSA AA	6	27,273	9	19,930	15	100%	47,203	100%	6	4,470
State-wide CO	0	0	2	10,924	3	100%	10,924	100%	0	0

\* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

During the evaluation period, CFSB advanced \$19 million towards nine investment securities, made \$811 thousand in charitable donations to three CD organizations, and had \$27.3 million in prior period investments outstanding. In addition, the thrift is legally bound to make additional capital contributions totaling \$441 thousand towards five of the existing investments. Qualified investments and charitable donations total \$47.2 million and represent 20 percent of tier-one capital.

CFSB also received positive consideration for two investments totaling \$10.9 million that serves a broader statewide and regional areas that include the thrift's AA. One investment for \$4.9 million, issued by the Midwest Housing Equity Group (MHEG), supports the rehabilitation of apartment units in Leadville, Colorado, which is outside of the thrift's AA. This MHEG serves the entire state of Colorado and offers equity investment opportunities in funds created to develop, rehabilitate, and preserve affordable housing for LMI individuals in several states including Colorado. The other asset is a \$5.9 million investment in a Small Business Investment Company (SBIC) that primarily focuses on capital invest for startup fintech companies across the country. While fintech is not an identified need of the thrift's MSA, this investment does promote broader economic development in the region that includes Colorado.

## SERVICE TEST

CFSB's performance under the Service Test in Colorado is rated Low Satisfactory.

## Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the thrift's performance in the Denver MSA AA is adequate

### Retail Banking Services

Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the institution's AA.

Distribution of Branch Delivery System											
Assessment Area	Deposits	Branches						Population			
	% of Rated Area Deposits in AA	# of Bank Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				% of Population within Each Geography			
				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Denver MSA AA	2.66	0	0	0	0	0	0	8.2	24.2	33.0	33.3

CFSB does not have a physical retail presence or operate any branch locations or ATMs. The thrift's retail banking services are limited to an online savings account and online certificate of deposit accounts. The thrift does not offer transaction accounts. The thrift does not offer ATM/point of sale debit access or bill pay services but allows automated clearing house (ACH) transactions initiated by the receiving entity.

Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Branch Openings/Closings			
			Net change in Location of Branches (+ or -)			
			Low	Mod	Mid	Upp
Denver MSA AA	0	0	0	0	0	0

The thrift has not opened or closed any branches during the evaluation period.

Services, including where appropriate, business hours, do not vary in a way that inconveniences its AA, particularly LMI geographies and/or individuals.

Deposit customers must link their CFSB account with accounts at other banks to fund and close the CFSB account. Savings accounts can be opened and maintained with a minimum of \$1. Certificates of deposits require a minimum deposit of \$5,000. CFSB provides individual development accounts (IDA) for eligible homebuyers of Habitat for Humanity (HFH) homes. These accounts offer dollar for dollar matching, up to \$1,800, to incentivize saving for down payment to purchase a HFH home. During the examination review period, CFSB opened 22 accounts under this program and provided \$22 thousand in matching funds to these depositors.

## Community Development Services

The thrift is a leader in providing CD services.

CFSB provides an excellent level of CD services. During the evaluation period, CFSB continued outreach efforts. CFSB employees have established relationships with a variety of community organizations and provided 863 CD service hours in the AA to support LMI individuals and affordable housing. Employee involvement with these organizations has benefited LMI individuals through providing financial education and supporting affordable housing. The thrift has collaborated with nine

different organizations in the Denver MSA. The following are examples of CFSB's community development services in the AA for the evaluation period:

- Employees provided 235 hours of community development service to an organization with the goal to develop affordable housing and homeownership opportunities to LMI individuals. An executive of CFSB serves on the board of this organization. Additionally, CFSB staff assisted in reviewing loan applications and provided mortgage lending technical expertise.
- Employees provided 188 hours of community development service to an organization with a mission to finance affordable housing by raising equity capital to invest into affordable rental housing. The organization operates in a broad regional area that covers nine Midwestern states, which includes the thrift's AA in Colorado. A member of the thrift's Board has taken a leadership role in the organization since 2013 and serves on a Regional Committee for Operations and on the Investment Committee.
- Employees provided 56 hours of community development services to an organization that prepares young people to thrive in the 21<sup>st</sup> century workplace and global economy by inspiring entrepreneurship and instilling personal financial literacy at early ages. CFSB employees provide financial literacy classes for K-12 students in schools servicing primarily LMI students.

## Appendix A: Scope of Examination

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The following table identifies the period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs 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>	01/01/2019 to 12/31/2021	
<b>Bank Products Reviewed:</b>	Home mortgage, Community development loans, qualified investments, and community development services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
State of Colorado		
Denver-Aurora-Lakewood, CO AA	Full scope	Includes the following counties: Adams, Arapahoe, Clear Creek, Broomfield, Denver, Douglas, Jefferson, Elbert, Park and Gilpin.

## Appendix B: Summary of State Rating

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RATINGS: Colorado Federal Savings Bank				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/Multistate Rating
Colorado Federal Savings Bank	High Satisfactory	Outstanding	Low Satisfactory	Satisfactory
State:				
State of Colorado	High Satisfactory	Outstanding	Low Satisfactory	Satisfactory

(\*) The Lending Test is weighted more heavily than the Investment and Service Tests in the overall rating.

## Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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 CT delineated by the US 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

**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-Scope 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:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

**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.

**MMSA (state):** Any multistate metropolitan statistical area or multistate combined statistical area, as defined by the Office of Management and Budget.

**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.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

## Appendix D: 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 “thrift” include activities of any affiliates that the thrift 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 loans are treated the same 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 O. Assessment Area Distribution of Home Mortgage 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 owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

**Table P. Assessment Area Distribution of Home Mortgage 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 families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																			<b>2019-2021</b>		
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$(000s)	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate		
19740 Denver MSA	60	18,864	100	303,744	4.6	8.3	3.9	18.7	13.3	16.3	34.4	20	33.0	42.3	58.3	46.8	0.0	0	0.0		
<b>Total</b>	<b>60</b>	<b>18,864</b>	<b>100</b>	<b>303,744</b>	<b>4.6</b>	<b>8.3</b>	<b>3.9</b>	<b>18.7</b>	<b>13.3</b>	<b>16.3</b>	<b>34.4</b>	<b>20</b>	<b>33.0</b>	<b>42.3</b>	<b>58.3</b>	<b>46.8</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>		

Source: 2015 ACS Census; 01/01/2019 - 12/31/2021 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																	<b>2019-2021</b>		
	Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$(000s)	% of Total	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	
19740 Denver MSA AA	60	18,864	100	21.3	20.0	5.5	17.5	21.7	18.4	20.5	11.7	23.0	40.8	45.0	37.4	0.0	1.7	15.7	
<b>Total</b>	<b>60</b>	<b>18,864</b>	<b>100</b>	<b>21.3</b>	<b>20.0</b>	<b>5.5</b>	<b>17.5</b>	<b>21.7</b>	<b>18.4</b>	<b>20.5</b>	<b>11.7</b>	<b>23.0</b>	<b>40.8</b>	<b>45.0</b>	<b>37.4</b>	<b>0.0</b>	<b>1.7</b>	<b>15.7</b>	

Source: 2015 ACS Census; 01/01/2019 - 12/31/2021 Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%