CRA Strategic Plan

January 2024-December 2028

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Introduction

Nelnet Bank Profile

Nelnet Bank (the Bank), wholly owned by Nelnet, Inc. (Nelnet or the Parent Company), is a Utah state-chartered Industrial Bank with its main and sole office in Draper, Utah. The Bank is a nonmember bank, with its primary regulator on the federal level being the Federal Deposit Insurance Corporation (FDIC). At the state level, the Bank is regulated by the Utah Department of Financial Institutions.

Nelnet is a publicly traded Nebraska C corporation based in Lincoln, Nebraska, and was formed to service federal student loans for two local banks in 1978. The Company is rooted in the American heartland values of trust, integrity, and community focus. Nelnet built its initial foundation as a servicer to become a leading originator, holder, and servicer of federal student loans. Today, the Parent Company is a diverse company that is committed to revitalizing America's communities and serving local communities. Its focus is on delivering education-related products and services, loan asset management, fiber telecommunications, and renewable energy solutions. The largest operating businesses for the Parent Company engage in student loan servicing, tuition payment processing, and school information systems.

The Bank is 100% owned by Nelnet. The Bank is an internet bank franchise, operating from a home office in Draper, Utah, and exists primarily as a reliable source of education funding to students and families seeking to make their education dreams possible.

The Bank originates, refinances, and services private student loans and unsecured consumer loans. The Bank also offers deposit products at competitive market rates.

The Bank was capitalized with an initial commitment of $100 million dollars from the Parent Company. The Bank currently raises core deposits by leveraging relationships within certain other Nelnet business lines and promotes savings as part of its financial education offerings. The Bank also accesses the securitization market for other sources of funding.

Nelnet occupies a significant, leading space in the student loan industry. The Parent Company:

- Services student loans under the Federal Family Education Loan Program;
- Services federally originated student loans for the U.S. Department of Education (ED) under the William D. Ford Direct Loan Program;
- Originates and services private student loans;
- Processes education payments; and
- Offers products and services that enhance the education experience.

Nelnet is enhancing the strengths and services it offers in the student lending space by creating a stable funding source of deposits, allowing for the consistent delivery of competitively priced student loans. The opening of the Bank in late 2020 enabled this to happen.

The Community Reinvestment Act (CRA) requires the Bank to develop a plan that documents the extent of unmet credit needs in the community. Additionally, it must establish goals and methods by which the institution proposes to address those needs—consistent with its capacity and business mission, and the mechanism by which achievement of those goals can be measured, monitored, and adjusted, if needed.

This Community Reinvestment Act Strategic Plan (CRA Plan or the Plan) is a logical progression from the Bank's current de novo three-year plan in meeting the Bank's CRA requirements while giving the community a strong partner in meeting its needs for the next five years through qualifying community development activities.

The Bank is electing to continue to be evaluated under the “strategic plan” option as provided in 12 C.F.R. § 228.27. The term of the plan is for five years. The Bank was approved for its charter on November 2, 2020 and has been reviewed in four full quarter annual increments from this date. So that the evaluation of the Bank’s post de novo status conforms to the Bank’s year-end fiscal reporting calendar and annual budgeting cycle, the Bank is exercising the agreement outlined in its current plan that provides for the third interim period of the first plan to be inclusive of Q4 2023[1] and for the new plan to commence on January 1, 2024. The Bank submits this CRA Plan with interim measurable goals focused on the community development test commencing January 1, 2024, over five annual interim periods, and concluding December 31, 2028.

[1] Nelnet Bank CRA Strategic Plan, effective 11/2/2020, page 4; “Full calendar quarters will be used for purposes of measuring the Bank’s performance against this plan. For example, if the Bank were to open on June 15, 2020, this plan would commence on June 15, 2020, and expire on the last day of Quarter 2 in 2023. Each of the three interim years will commence based on the Bank’s opening day, taking into consideration the full quarter of that date, and not necessarily calendar years. If the Bank chooses to renew this Strategic Plan, the new plan will commence on the first day of the quarter following the expiration date of this plan.”

Commitment to CRA

Bank Early CRA Efforts

As a federally insured depository institution, the Bank is subject to CRA (codified at 12 U.S.C. §§ 2901 to 2908), which requires a bank to identify and help meet the credit needs of its entire community, including low- to moderate-income (LMI) individuals and geographies.

The Bank is a de novo institution.

However, a core value of the Parent Company and the Bank is to give back to the communities in which they live and work. Within less than two years of operation, the Bank formed a program in the Bank's primary assessment area called the Learn to Dream Utah Scholarship Program. This program is modeled after the successful Learn to Dream Scholarship Program in Lincoln, Nebraska, which is a cooperative effort of the Parent Company, the Nelnet Foundation, and Union Bank & Trust Company. Under the program, low-income high school students are eligible to receive scholarship awards to fund the cost to attend a community college or trade school, provided they meet requisite income qualifications outlined by the U.S. Department of Agriculture's Free and Reduced-Price School Meals program. The Bank took a leadership role in establishing a similar program in Utah with local high school(s) and college(s), such as Salt Lake Community College, Davis Technical College, and Tooele Technical College. The Bank, in collaboration with the Nelnet Foundation, has funded and deployed $105,000 since the Bank's inception to the scholarship program.

In addition to the Learn to Dream Utah Scholarship Program, the Bank has committed more than $12 million toward qualifying activities by the end of year 2 of operations that address the greatest needs of the community, most notably access to safe and affordable housing during unprecedented housing inventory times, as well as economic development through small business development.

Finally, the Bank and its limited staff truly serve the community and foster a CRA culture. In addition to financial literacy and education mentoring by associates with the Bank's Learn to Dream scholars, a unique and noteworthy quality of the Bank's CRA program is senior leadership and Bank Board of Directors (Board) engagement directly in the communities where Nelnet operates. All Bank officers based in Utah serve, or have served, on local non-profit boards with CRA-qualifying missions, including the Bank's Chief Financial Officer (CFO) based in Lincoln, Nebraska. External Directors of the Bank are also active and understand the needs of the community, which makes their oversight of the Bank's CRA program even more meaningful. Some highlights of the Board's engagement include the following.

Activity/Institution	Member Involved	Description/Mission
Utah		
Private Investor in Low-to-Moderate Income Housing	Board Member	In 2021, this Board member and a group of other investors purchased a total of 112 units; 32 were reclaimed with the reconstruction of a burned building. The property has low-income housing status in Utah. The government determines the rents, and the investors lease to people that have gross income below the government-defined threshold. Many tenants receive state rent subsidies and/or are provided housing in cooperation with The Road Home, a local non-profit focused on sheltering the homeless. The rebuild of the fire-damaged property was recently completed and will be fully occupied shortly.
Economic Development Corporation of Utah	Trustee Board Member serving since 2020	A private, non-profit organization that serves as a catalyst for quality job growth and increased capital investment into the state of Utah.

Activity/Institution	Member Involved	Description/Mission
Governor's Office of Economic Opportunity (formerly known as GOED)	Two Board Members: • Board Chair, serving since 2017 • Go Utah Committee Member, serving since 2018	Mission: Foster economic development in the state to improve opportunities, wages, and careers for residents.
Western Governor's University	Advisor, serving since 2021	Mission: Expand access to education for everyone.
Talent Ready Utah	Board Member	Mission: Talent Ready Utah optimizes efforts made by education and industry partnerships, working collectively to build a highly skilled workforce while providing students with increased career and education opportunities.
Salt Lake Valley (SLV) Intermountain Health Care (IHC)	Board Member	Mission: As one of the leading healthcare providers in the nation, SLV IHC recognizes its role is broader than the provision of care in various clinical settings and is committed to improving the health of those who live within its communities.
Women Tech Council	Board Member, serving since 2007	A non-profit that recognizes the technology-focused women in our tech ecosystem who are driving innovation, creating new technologies, impacting companies, and inspiring the tech community.
Youth Sports Alliance (YSA)	Volunteer and past Executive Board Member, serving since 2016	Community youth after-school programming which serves as a pathway to winter sports clubs and competition. Under this Board member's leadership, the Alliance established the Stein Eriksen YSA Opportunity Endowment, a $2 million needs-based scholarship endowment. The fund provides more than $115,000 in need-based scholarships each year to athletes to defray coaching, travel, and equipment costs.
Park City Board of Realtors	Affordable Housing Committee, serving since 2019	Assists in community discussions and solutions for affordable housing. Plans events for awareness and funds for local affordable housing.
Nebraska		
Lincoln Community Foundation	Board Member and Executive Committee Member, serving since 2021	Mission: To help donors accomplish their philanthropic goals, support nonprofit organizations that improve the city's quality of life, and foster community collaboration to address challenges and opportunities.
Mentoring Plus Services 123	Volunteer, serving since 2015	Mission: To mentor students in social and emotional learning to increase high school graduation rates and assist students in selecting a career path through higher education and vocational training programs.
Bryan Health Board of Trustees	Two Board Members, serving since 2019 and 2021	Mission: To advance the health of individuals in our region through collaboration with physicians and communities and elevate the quality of life through better health.
Junior Achievement of Lincoln	Board Member serving since 2015 to 2019, and 2022 to present	Mission: To inspire and prepare young people to succeed in a global economy.

Activity/Institution	Member Involved	Description/Mission
Raikes School Advisory Board	Board Member serving since 2013	Mission: Provide the leaders of tomorrow with the education needed to leverage opportunities, solve problems, and bring to market innovative products and services. Provide courses that teach students the foundations of computer science, management, and software engineering.
Prosper Lincoln	Participant/Representative	Mission: Lincoln Community Foundation provided leadership to launch Prosper Lincoln, which brings together thought leaders from across our community to make our city even better. Representatives from businesses, nonprofits, neighborhoods, government, faith communities, and philanthropies work diligently to gather input from all sectors of our community to set priorities and establish a shared agenda for positive change to address the findings of Lincoln Vital Signs.

CRA Governance

The Bank's CRA program is under the direction of the highly engaged Bank Board, with a bank-wide management CRA Committee that is comprised of the Chief Executive Officer (CEO)/President, Chief Financial Officer, Chief Credit Officer, Chief Risk Officer, Compliance Officer, and a CRA Officer who is responsible for CRA execution and compliance. The CRA Officer plays a key role in administering the Bank's CRA Program and chairs the Bank CRA Committee, one of four bank-wide management committees at the Bank. The committee meets quarterly, or as needed, to evaluate compliance with the Bank's CRA strategy and evaluate opportunities to support and execute the Bank CRA Program. The Committee provides regular updates to the Bank Board.

Responsibilities of the CRA Officer include:

- Implementing and overseeing the Bank's CRA program;
- Managing relationships with community development organizations/contacts and government officials throughout the assessment area (AA) to identify and act on opportunities to provide CRA-qualified loans, investments, and services;
- Remaining current on developing needs among the LMI community in the AA, and developing programs to serve those needs for recommendation to Bank management and the Bank Board;
- Designing the program to identify and assess opportunities to make CRA-qualified loans and investments and provide qualified services;
- Educating Bank staff about CRA responsibilities and opportunities and their role in implementing the Bank's CRA program;
- Reporting opportunities for CRA-qualified loans, investments, and services to the CRA Committee; and
- Reporting quarterly to Bank executives and the Bank Board on CRA activities and progress in reaching program goals.

AA

Delineating a primary AA is an essential element for the Bank under CRA regulations.

For the AA to meet the definition of Regulation BB, the geographic location of AAs must consist generally of one or more contiguous political subdivisions, such as counties, cities, or towns that include the Bank's main office, its branches, and its deposit-taking ATMs, and that do not arbitrarily exclude any LMI areas.

Although the Bank offers credit and deposit accounts across the country, it has only one office, which is in the Salt Lake County area (Draper, UT) and does not operate deposit-taking ATMs.

The Bank designates as its primary AA the Salt Lake City, UT metropolitan statistical area (MSA) #41620, which includes Salt Lake and Tooele counties, and the Ogden-Clearfield, UT MSA #36260, which includes Box Elder, Davis, Morgan, and Weber counties. Designating two of the most populated MSAs in the state of Utah should allow the Bank adequate opportunity to meet its obligation under CRA.

The MSAs are contiguous and have similar economies.

There are 341 census tracts in the AA: 13 low-income, 83 moderate-income, 143 middle-income, 98 upper-income, and 4 unknown census tracts.[2]

Nelnet Bank will continue to fulfill its CRA responsibilities in its AA as depicted in the following.

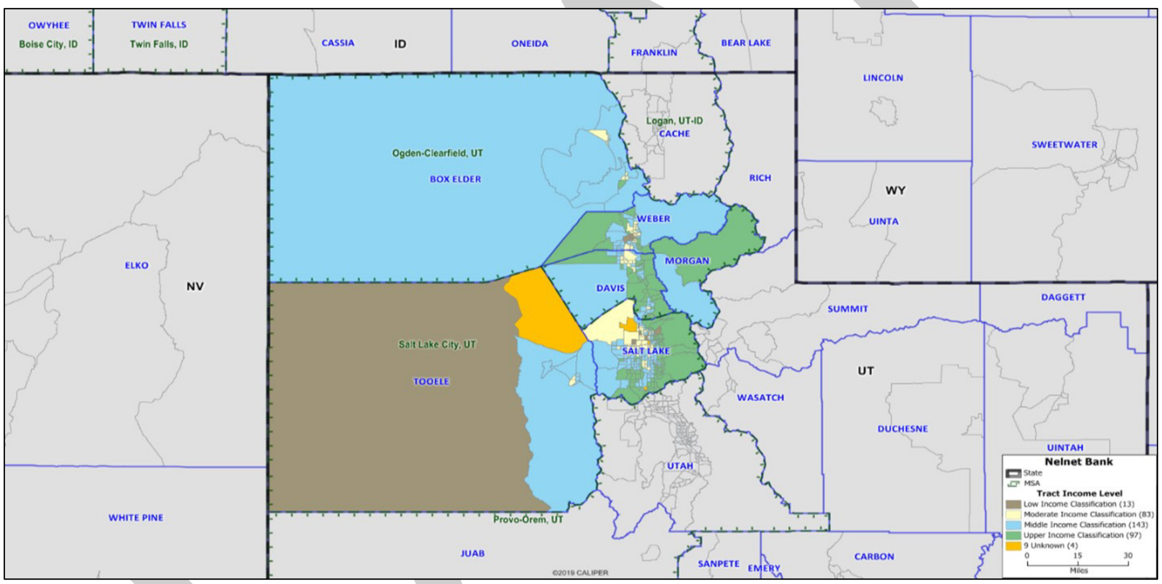

Figure 1. Map of the Bank's AA

[2] *2021 FFIEC Census Reports*

Needs Assessment and Public Participation

The Bank has researched and conducted organic outreach to assess needs and seek public participation in developing this CRA Plan. The FDIC regulations governing public participation fall into two categories: (A) the informal seeking of public participation in developing the proposed strategic plan, and (B) the formal solicitation of public comment by publication in a newspaper of general circulation in the AA. The Bank has complied fully with both sets of requirements[3].

Public Participation and Informal Suggestions

The Bank has used three means to identify community needs. First, the Bank gathered information from peer bank CRA regulatory performance evaluations to determine community needs. Second, the Bank gathered consolidated Department of Housing and Urban Development (HUD) plans from cities within the AA and identified the major needs in the community. Third, the Bank conducted its own organic needs assessment and sent surveys to 22 community organizations that represent a broad cross section of community development interests across the Bank's assessment area.

Bank Community Survey

This cross section of organizations focused on four primary areas.

- Affordable housing
- Economic development
- Essential community services
- Education-related organizations

Of the 22 organizations invited to participate in the survey (Appendix B provides organization names), 17 organizations returned the survey and provided information regarding the following.

- Organization mission
- Demographics served
- Greatest challenges
- Priority of needs and opportunities in the primary service area
- Priority of critical areas observed
- Priority of products and services needed from the banking industry

The top five areas of community need identified by participating organizations (in order of priority) are the following.

1. Affordable housing
2. Consumer financial education
3. Essential community services
4. Revitalization/stabilization of neighborhoods
5. Economic development

[3] The Bank intends to file a 30-day public notice in local newspapers and will provide evidence of such in Appendix C prior to formal plan submission.

Survey respondents also commented on the types of support banks may provide to meet the needs listed above. These methods include, in order of priority, the following.

1. Community development loans
2. Financial-related services—teach financial education; serve on nonprofit boards of directors/committees
3. Grants—charitable contributions
4. Investments through bonds, tax credits, equity investments, etc.
5. Single family mortgage loans

Survey respondents were asked to choose and rank the top 3 banking lending products relative to their organization. In order of priority, the top five banking products were the following.

1. Community development loans for multifamily financing
2. Community development loans to nonprofit organizations or third-party intermediaries
3. Multifamily mortgages
4. Single family mortgages
5. School loans

Needs Identified in Bank Regulatory Performance Evaluations

Another means the Bank used to assess community needs was evaluation of regulatory performance evaluations released in 2020/2021 for seven similarly situated banks regulated by FDIC: BMW Bank of North America, Celtic Bank, Comenity Capital Bank, Medallion Bank, Sallie Mae Bank, UBS Bank, and WebBank.

Links to these banks' public regulatory performance evaluations are provided in Appendix B. Each of these banks had AAs similar to the Bank. The purpose of reviewing the regulatory performance evaluations was to identify needs mentioned by community contacts. When a regulator evaluates a bank for CRA performance, they assess community needs by periodically reaching out to community contacts that are involved in community development work in the Bank's AA.

The primary need identified by community contacts was overwhelmingly small business loans with an emphasis on Paycheck Protection Program (PPP) loans and Economic Injury Disaster Loans (EIDL) offered through the U.S. Small Business Administration (SBA), with seven of the seven contacts identifying this need in the AA. These needs were appropriate for the time, as the nation was going through a pandemic where small businesses were predominantly affected by cash flow issues, and there was a significant need for cash for business operations. Secondary needs were affordable housing, identified by two of seven contacts.

To further validate community needs, the Bank reviewed the primary needs of the community as noted by examiners in each of the reviewed performance evaluations. Examiners noted that their identification of needs was based on information from community contacts, information from bank management, and demographic and economic data. Examiners noted that the primary need in the assessment area was affordable housing, mentioned in seven of seven performance evaluations. Secondary needs were economic development, mentioned in six of seven performance evaluations, followed by community services to LMI individuals, mentioned in five of seven performance evaluations.

Needs Identified Through HUD Consolidated Plans

The Bank also reviewed HUD consolidated plans for the State of Utah and counties and cities in the AA. The Bank reviewed seven consolidated reports that represented the State of Utah, the counties of Davis, Morgan, Salt Lake, Tooele and Weber, and the cities of Salt Lake City, Clearfield City, and Ogden City[4]. The common theme in all the plans was the need to access affordable housing and housing in general. Secondary needs included community services, economic development (access to credit), and infrastructure needs within each community.

Summary of Informal Community Needs and Bank Response

A common theme in all the collection methods was the need for affordable housing in the AA and across the state of Utah. As noted in the performance context, the cost of housing in the State of Utah has increased dramatically in the last few years, making it difficult for residents of Utah to afford both multifamily and single-family housing. Factors leading to increased housing costs include a rapid increase in land valuation, increased material costs, and increased labor costs. These factors are leading to increased costs for all types of housing but having an especially significant impact on affordable housing.

Other common themes across the collection methods include access to credit for economic development needs and strengthening community needs, including infrastructure, strengthening of community organizations through board/committee service, and organizational grants. Since the Bank's inception, the Bank has developed a strong community development focus on meeting these types of needs. The Bank invested in Rocky Mountain Community Reinvestment Corporation (RMCRC), a local Community Development Financial Institution (CDFI), with a mission of providing community development loans to affordable multifamily housing developers and providing long-term permanent financing. The Bank has placed a member of its executive management team, the Bank's Chief Risk Officer, on their loan committee to help guide the organization and provide professional expertise. In addition, the Bank has made a $2MM commitment since its inception to support permanent financing of multifamily development.

The Bank has also seen the value of supporting single-family housing by purchasing a $1.2M Federal Home Loan backed mortgage security pool for LMI borrowers and three separate housing bonds for $2MM each that provide secondary financing to single-family originators in the assessment area and across the State of Utah through Utah Housing Corporation. These bonds are focused on providing families, who on average earn no more than 80% of the Area Median Income, perhaps their only opportunity to purchase a home.

The Bank's Chief Credit Officer (CCrO) sits on the board of a local nonprofit that focuses its efforts on affordable housing in Salt Lake City. NeighborWorks Salt Lake, another local CDFI, has a national lending fund called the Affordable Housing Mission Investment Fund (AHMI) that provides financing to CDFIs and other local nonprofits across the United States that need funds for affordable housing and economic development. The Bank CCrO has been instrumental in forming this fund and continuing to provide support for the organization as a whole. The Bank is planning to commit $1M to the next AHMI fund in participation with other local lenders.

In supporting economic development initiatives, the Bank made a $2.5MM investment in Pelion Venture Capital Fund VII, with an effort to promote investment in small business owners across the State of Utah. Additionally, the Bank supported Native American Bank (NAB), an FDIC minority depository institution (MDI) located in the broader regional area, with a certificate of deposit (CD).

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[4] *https://www.Utah.gov/pmn/files/592121.pdf;*

https://WFRC.org/Programs/CommunityDevelopmentBlockGrant/ConsolidatedPlanAnnualActionPlan/2021AnnualActionPlan2020_2025Final.pdf;

https://Clearfield.City/wp-content/uploads/2021/05/Clearfield-CP-04.19.21-FINAL.pdf;

https://www.OgdenCity.com/DocumentCenter/View/20870/06-21-22-CC-FY2023-AAP-PH-Report

https://www.DavisCountyUtah.gov/docs/librariesprovider28/grants-library/public-notices/davis_county_py19_caper_(draft)-10-9-2020-(1).pdf?sfvrsn=52053f53_4

https://www.SLC.gov/hand/wp-content/uploads/sites/12/2020/09/Consolidated-Plan-with-Appendices-2020-2024-Sept-2020-1.pdf;
https://slco.org/globalassets/1-site-files/housing-community-development/files/public-notices/salt-lake-county-fy21-draft-action-plan---executive-summary.pdf

The Bank continues to identify additional investment opportunities that align with the needs of the community.

Formal Public Comment Process

The Bank will solicit formal public comment on its CRA Plan by publishing notice in at least one newspaper of general circulation in the Bank's AAs, as required by 12 C.F.R. § 345.27(d)(2) and on the Bank's website (NelnetBank.com). Proof of publication of a request for public comment is provided in Appendix C.

CRA Performance Context

In the *FDIC Guide to Developing a Strategic Plan*, banks are advised to conduct a performance context to analyze their AA's demographic, economic, and housing data in conjunction with bank strategy, product offerings, and other data. The performance context is a means to determine the appropriate interim measurable goals the bank should set within their own strategic plan.

FDIC applies the various CRA tests and standards in the context of seven factors collectively referred to as a bank's CRA "performance context." These seven factors are as follows.

1. Demographic and economic data
2. Product offerings and business strategy
3. Lending, investment, and service opportunities
4. Institutional capacity and constraints
5. Performance of bank and similarly situated lenders
6. Public file and written comments
7. Any information deemed relevant by FDIC

FDIC also considers whether to approve a proposed strategic plan within those same "performance context" factors (12 C.F.R. § 345.21(b)). The elements of the Bank's CRA performance context is discussed throughout this document. A summary of the factors outlined in 12 C.F.R. § 345.21(b)(1) – (7) follows.

Demographic and Other Relevant Data (12 C.F.R. § 345.21(b)(1))

Demographic data on median income levels, distribution of household income, nature of housing stock, housing costs, and other relevant data (12 C.F.R. § 345.21(b)(1))

Median Income Levels and Distribution of Income

The 2021 American Community Survey shows the estimated population for the Salt Lake City, UT MSA and the Ogden-Clearfield, UT MSA to be 1,773,450 per Federal Financial Institutions Examination Council (FFIEC) tract population data.

Table 1 shows the distribution of family income for the Salt Lake City, UT MSA and Ogden-Clearfield, UT MSA, as determined by the 2020 FFIEC Estimated Area Median Income. Table 2 provides a breakdown of census tract characteristics. [5 & 6]

[5] https://www.FFIEC.gov/census/report.aspx?year=2021&state=49&report=demographic&msa=41620

[6] https://www.FFIEC.gov/census/report.aspx?year=2021&state=49&report=demographic&msa=36260

Assessment Area	2020 Estimate Median Family Income	Low-Income	Moderate-Income	Middle-Income	Upper-Income
Salt Lake City, UT MSA	$91,700	$45,849 and below	$45,850 to $73,759	$73,760 to $110,039	$110,040 and higher
Ogden-Clearfield, UT MSA	$89,400	$44,699 and below	$44,700 to $71,519	$71,520 to $107,279	$107,280 and higher

Table 1. Median Family Income (MFI)—Salt Lake City, UT MSA and Ogden-Clearfield, UT MSA

Census Tract Income Level	# of Tracts	% of Tracts	Population	% of Population
Low	13	3.8%	47,432	2.7%
Moderate	83	24.3%	389,890	22.0%
Middle	143	41.9%	794,614	44.8%
Upper	98	28.7%	531,808	30.0%
Unknown	4	1.2%	9,706	0.5%
Total	**341**	**100.00%**	**1,773,450**	**100.00%**

Table 2. Salt Lake City, UT MSA and Ogden-Clearfield, UT MSA Census Tract Characteristics

Source: FFIEC.gov

Nature of Housing Stock and Housing Costs

Freddie Mac indicates that, nationally, the market data for housing turned negative in late March, hit a trough in mid-April, and is steadily rebounding. Mid-June shows purchase applications have rebounded from the 30% decrease since mid-April. They also report that during the Great Recession it took more than 10 years to rebound, but with the extra unemployment approved by Congress, the rebound through the COVID-19 pandemic was 10 weeks.

Freddie Mac forecasted in January 2022 that the 30-year fixed-rate mortgage will rise with an average of 3.6% in 2022, compared to the average of 3.0% in 2021. Freddie Mac is forecasted to raise to 3.9% for 2023. Home sales are expected to be 6.9 million in 2022, stable with the 6.9 million home sales in 2021, increasing to 7.0 million in 2023.[7]

The FDIC state profile reports that single family home permits are down 12% to 12.2% in first quarter 2022 from 24.2% in fourth quarter 2021. However, multifamily building permits are up 7.2% to 75.8% in first quarter 2022, compared to 68.6% in first quarter 2021. The home price index changes for first quarter 2022 is 28.3%, compared to 12.3% in first quarter 2021.[8]

By the end of 2020, approximately 48.5% of Utah households were priced out of the housing market as Utah's median-priced home reached $380,000. Prices accelerated in 2021, pricing out more than half of Utah's households. The path to ownership for renters narrowed further; in 2019, approximately 63.1% of renter households were priced out of the median home price. In 2020, the renters that were priced out increased to 72.8%.

[7] https://FreddieMac.gcs-web.com/node/24696/pdf

[8] https://www.FDIC.gov/analysis/state-profiles/sanfrancisco/ut.pdf

Historically, home prices have a rapid acceleration in Utah. In the second quarter of 1994, Utah led the country with an 18.3% increase in prices; in the second quarter of 2006, Utah's home prices increased by 17.2%. This pales in comparison to the 28.3% increase Utah experienced in the second quarter of 2021, ranking second among all nations.[9]

A view of the housing stock indicates that in the State of Utah, according to the US Census Bureau American Community Survey (ACS) 2020 5-Year Estimate, there are 1,110,369 housing units, with 70.5% of those being owner occupied. (The national average is 64.4%.) The medium gross rent in the state is $1,090 per month, compared to the national average of $1,096 per month. Utahns are paying more than 10% higher, compared to the $988 medium gross rent reported in the 2018 ACS 5-Year Estimates, compared to the $1,023 or 6.6% increase nationwide during the same period. [10]

The following table illustrates demographic data on populations and housing units within the Bank's AAs using the ACS 5-Year Estimates collected for 2020.[11]

Category	2020 Census Data (Est).	Margin of Error
Population	1,888,903	
Total Households	618,025	+/- 2,324
Total Housing Units	653,673	+/- 1,060
Occupied Units	618,025	+/- 2,324
Owner Occupied Units	439,495	+/- 4,276
Rental-Occupied Units	178,530	+/- 3,601
Vacant Housing Units	35,648	+/- 2,131

Table 3. Salt Lake City, UT MSA and Ogden-Clearfield, UT MSA Census Tract Characteristics

Employment and Income

The United States was impacted by the COVID-19 pandemic, experiencing abnormally high unemployment rates reaching 14.7% in April 2020. Utah reached a 10.1% unemployment rate in April 2020. Utah ranked the 5th lowest in the nation during that time frame. Despite experiencing job loss and higher unemployment rates during COVID 19, the state remained at the top of national rankings for labor market indicators throughout the height of the pandemic, and currently ties as number 1 in the nation with the lowest unemployment rate at 1.9%.

In 2021, the economic expansion expanded from 2020, adding 72,500 new jobs to the economy, recovering the 20,900 jobs lost in 2020 and gaining an additional 51,600 new jobs. Although the state's recovery has been widespread, the leisure, hospitality, and mining industries have yet to reach their 2019 peaks. Utah experienced an annual employment growth rate of 3.4% percent, which was the state's highest average, and among the strongest in the nation. Utah experienced near-record commercial and record-level residential activity, adding 7,700 jobs to the construction sector. This became the fastest paced job growth in 2022, reaching 6.3% in Utah. The construction sector continued to prosper through the COVID-19 pandemic. The hardest hit industry throughout the pandemic was the leisure and hospitality industry, experiencing a 19.0% reduction in the workforce. The leisure and hospitality sector in April 2022 has increased to pre-COVID-19 numbers.[12]

[9] https://Gardner.Utah.edu/wp-content/uploads/StateOfState-Oct2021.pdf?x71849

[10] https://Data.Census.gov/cedsci/table?q=dp04&g=0100000US_0400000US49_0500000US49011,49035,49045,49049,49057&tid=ACSDP5Y2018.DP04

[11] https://Data.Census.gov/cedsci/table?q=dp04&g=0100000US_0400000US49_310XX00US36260,41620

[12] https://Jobs.Utah.gov/wi/update/pdfuploads/employment.pdf

The first quarter 2022 FDIC state profile reports that the employment growth rate remains level at 4.0%, the same as fourth quarter 2021. In the first quarter 2022, manufacturing jobs totaled 3.8%, a 1.8% decrease from 5.6% in the fourth quarter 2021. The goods-producing, private service-providing, and government sectors gained 0.5%, 0.2%, and 0.3%, respectively, in the first quarter 2022. Utah saw a decrease of 0.2% in the unemployment rate from first quarter 2022 at 2.1%, compared to fourth quarter 2021 at 2.3%.[13]

In the fourth quarter 2021, Utah's total personal income was an estimated $185.4 billion[14], a 7.5% increase from the fourth quarter 2020. Per capita personal income in 2020 grew 6.5% to reach $58,008. The national per capita personal income grew 4.9% (or $53,504) from 2019 to 2020.[15] Utah has experienced a higher growth rate than the nation, but the dollars remain less in the national economy.

Construction employment growth will likely accelerate due to many multi-unit housing and non-residential construction projects on the roster for 2022. Utah's leaders predict an increasing uncertainty and moderation as we navigate through inflation levels reaching more than 9%. All are in consensus that there will be a healthy economic growth for Utah. The United States Congress Joint Economic Committee reports that Utah's inflation rates show housing at 8%, food at 7%, energy at 29% and transportation at 22%.[16] The biggest internal risks Utah faces are rising inflation rates, tight labor markets, declining fertility rates, increasing costs, air quality, and housing affordability. The trade tensions and geopolitical instability in the nation add risks to Utah's forecasts.

Principal Employers[17]

Employer	Business	Number of Employees
University of Utah (Including Hospital)	Higher Education	20,000+
Intermountain Healthcare	Healthcare	20,000+
State of Utah	State Government	20,000+
Wal-Mart Associates	Warehouse Clubs/Supercenters	20,000+
Brigham Young University	Higher Education	15,000–19,999
Hill Airforce Base	Federal Government	10,000–14,999
Alpine School District	Public Education	7,000–9,999
Davis County School District	Public Education	7,000–9,999
Utah State University	Higher Education	7,000–9,999
Granite School District	Public Education	7,000–9,999
Smith's Food and Drug Centers	Grocery Stores	7,000–9,999
Jordan School District	Public Education	5,000–6,999

[13] https://www.FDIC.gov/analysis/state-profiles/sanfrancisco/ut.pdf

[14] https://Fred.StLouisFed.org/series/UTOTOT

[15] https://Fred.StLouisFed.org/series/RPIPCUS

[16] https://www.JEC.Senate.gov/public/_cache/files/114f87c9-20b6-4eef-adc8-3c7214942278/howmuchisinflationcostingyou.html

[17] https://Jobs.Utah.gov/blog/post/2021/07/06/who-is-number-one-the-department-of-workforce-services-releases-its-largest-employer-list-for-2020#:~:text=Topping%20the%20list%20are%20the,education%2C%20healthcare%20or%20government%20sectors

Employer	Business	Number of Employees
Salt Lake County	Local Government	5,000–6,999
Utah Valley University	Higher Education	5,000–6,999
U.S. Postal Service	Federal Government	5,000–6,999
U.S. Department of Treasury	Federal Government	5,000–6,999
Amazon.com Services	Courier/Express Delivery Service	5,000–6,999
The Home Depot	Retail	5,000–6,999
The Canyons School District	Public Education	5,000–6,999
Weber County School District	Public Education	4,000–4,999
Delta Airlines	Air Transportation	4,000–4,999
United Parcel Service	Courier/Express Delivery Service	4,000–4,999
Zions Bancorp	Banking	4,000–4,999

Table 4. Principal employers

Economic Outlook

Utah's state economy is expected to mirror national economy trends but at a greater rate due to Utah's diverse mix of industries. High international and domestic migration are expected to continue for Utah. The attention of national and global site selectors will be continued, bringing the best talent and organizations to Utah.

Utah bounced back in 2021 from the COVID-19 pandemic that affected the nation. Utah added 72,500 jobs from 2020-2021, recovering 20,900 jobs that had been lost in 2020 and gaining an additional 51,600 new jobs. During 2021, Utah's employment numbers increased to pre-COVID numbers. Utah ski resorts experienced a record number of skiers visiting during the 2020-2021 season, despite operating under pandemic conditions and travel restrictions. Utah's state and national parks also hit record high visitors in 2021.

Net in-migration in 2021 reported nearly 35,000 new residents moving in from outside of Utah, reaching a 16-year high. The ongoing real estate and construction boom is attributed to job and wage growth, population growth, and low interest rates. Despite supply-chain challenges and price pressures, builders were permitted for 35,500 new dwelling units. The significant demand continues to raise home prices, which have increased a never experienced 23.5% over the year.[18]

Utah has experienced higher than normal inflation rates; the United States Congress Joint Economic Committee reports that, as of April 2022, Utah's inflation was 12.7% compared to January 2021. Nationally, the inflation rate is 8.3%.[19] Data shows that Utahns are paying an additional $702 per month, or $8,249 annually.[20] The cost of inflation rising requires residents to pay more for rent, food, and gas, which can lead to housing and food insecurities.

[18] https://Jobs.Utah.gov/blog/post/2021/10/15/utah-s-economic-performance-during-the-pandemic-recession

[19] https://www.JEC.Senate.gov/public/index.cfm/republicans/state-inflation-tracker

[20] https://www.Lee.Senate.gov/2022/4/sen-lee-s-detailed-plan-to-fight-inflation

Education

For fifty years, the National Opinion Research Center (NORC) at the University of Chicago has been providing the General Social Survey, one of the nation’s most rigorous and widely used sources of data on the attitudes, behaviors, and attributes of the American public.[21] The 2018 General Social Survey (GSS) shows that one of the main takeaways is that those with a college education report they are healthier, happier, and enjoy a higher quality of life than respondents with a high school education or less.[22]

The Federal Reserve Bank of New York in 2019 reported that despite the rising costs, college is still a worthwhile investment. College graduates earn on average 75% more than those with a high school diploma alone. Although the cost for a college education has been exceedingly high, the return on investment for a college degree is just under 14%. This is slightly lower than the 16% return on investment from the technology-fueled economic expansion of the 1990s.[23] The Salt Lake Chamber reports the median earnings for recipients of bachelor’s degrees are more than $20,000 higher compared to the median earning wage of high school graduates.[24]

For the academic year 2021-2022, the average acceptance rate for colleges in Utah is 79.98%, and the enrollment rate is 34.41%. A total of 65,507 people applied, 52,395 were admitted, and 18,028 students have enrolled in one of the Utah colleges.[25] The low conversion to enrollment rates is partly due to the cost of education. More than half of Utah students believe that they will graduate from college with more than $20,000 in debt. However, roughly 70% of Utah students believe it is unacceptable to have more than $10,000 in student loan debt after graduating from college.[24]

While student enrollment at Utah’s System of Higher Education institutions generally have rebounded from the pandemic, there is a downward trend in particular enrollment subcategories, which will likely continue. Two of those subcategories include enrollment in community colleges and enrollment of male students under the age of 25. The strong labor market in Utah could be a cause for this downward spiral, as individuals move towards employment rather than higher education.[26] The inflation rates discussed previously also make it difficult for low-to-middle income individuals to choose higher education over employment.

Of Utah’s 1,868,472 population who are 25 years and over, 648,070 have attained a bachelor's degree or higher, or 34.7%. The following table shows the population of those 25 years and over with a bachelor’s degree or higher, and the number of individuals enrolled in college or graduate school according to the 2020 ACS 5-Year Estimate.[27]

Education Characteristics	Utah	Ogden-Clearfield, MSA #36260	Salt Lake Metro MSA #41620
Population 25 years and older	1,868,472	404,152	767,530
Population with bachelor’s degree or higher	648,070	128,780	274,902
Percentage of population with college degree	34.7%	31.9%	35.8%
Individuals enrolled in college or graduate school	260,135	43,141	85,447

Table 5. Population of those 25 years and over with a bachelor’s degree or higher and the number of individuals enrolled in college or graduate school

[21] https://GSS.NORC.org/

[22] https://www.Forbes.com/sites/michaeltnietzel/2019/06/17/new-evidence-for-the-broad-benefits-of-higher-education/?sh=2d2dff854c5c

[23] https://LibertyStreetEconomics.NewYorkFed.org/2019/06/despite-rising-costs-college-is-still-a-good-investment/

[24] https://static1.squarespace.com/static/5c059ead36099b1445c1d246/t/60c3d08fbf7eda68c6f08f70/1623445654333/EnvUT+Report+-+Barriers+to+College.pdf

[25] https://www.CollegeTuitionCompare.com/compare/tables/?state=UT&factor=acceptance-rate

[26] https://Gardner.Utah.edu/wp-content/uploads/ERG2022-Full.pdf?x71849

[27] https://Data.Census.gov/cedsci/table?g=0100000US_0400000US49_310XX00US36260,41620&d=ACS%205-Year%20Estimates%20Data%20Profiles&tid=ACSDP5Y2020.DP02

More Utah students plan to enroll in college right after high school than actually do. According to Utah's System of Higher Education report, only 67% of high school graduates enroll in a post-secondary institution within 5 years of graduation, compared to the 80% that plan to complete some kind of education after high school graduation. Students of color do not believe as strongly as Utah students on average that colleges are welcoming to Black and Latinx students.[28]

It is imperative for their future that all high school graduates be given the opportunity to attend higher education. It is necessary for all students to have access to student loans to achieve a better future. Applying for college and financial aid remain a significant barrier for post-secondary education. Simplifying the application and financial aid process would have a big impact on high school graduates feeling confident to further their education.

Product Offering and Business Strategy (12 C.F.R. § 345.21(b)(3))

Bank's product offering and business strategy as determined from data provided by the Bank (12 C.F.R. § 345.21(b)(3))

Deposit Products

- **Savings Accounts and CDs:** Today, the Bank's deposits consist of brokered CDs, intercompany savings deposits, and other savings deposits and CDs. The intercompany deposits are deposits from Nelnet, Inc. and its subsidiaries and include a pledged deposit of $40,000,000 from Nelnet, Inc. As required under the Capital and Liquidity Maintenance Agreement with FDIC, earmarked deposits are required for intercompany transactions, operating deposits, and Nelnet Business Services (NBS) custodial deposits consisting of collected tuition payments, which are subsequently remitted to the appropriate school. Other deposits include savings deposits from Educational 529 College Savings and Health Savings plans and commercial and institutional CDs. The Bank intends to offer consumers and not-for-profit institutions a variety of education-oriented, market-competitive savings accounts, and CDs.
- **Negotiable Order of Withdrawal (NOW) Accounts:** The Bank is considering offering consumers transactional NOW accounts into which customers can electronically deposit funds derived from loan proceeds and other sources, transfer funds, and access funds from free non-proprietary ATMs nationally.

Loan Products

- **Education**
  - Private in-school student loans for undergraduate and graduate students and families
  - Private refinance loans to consolidate private and federally guaranteed student loan debt
- **Other Consumer Loans:** The Bank primarily offers education loans as outlined above, and over time will introduce unsecured consumer loans used for a variety of personal financial needs, such as debt consolidation, home improvements, and other short-term cash needs.

The Bank also purchased a portfolio of federally insured consolidated student loans in April 2021.

Business Strategy

The Bank markets its lending products through various channels, including internet promotion, campus-based marketing, and marketing to families using other Nelnet-offered products and services. The Bank also uses direct mail and direct-to-consumer marketing services.

The pending consumer deposit products may be offered as companion products to lending products. Currently, the Bank raises core deposits through existing client relationships where it is permissible via the Parent Company's diversified lines of business as well as through rate posting sites.

[28] https://static1.squarespace.com/static/5c059ead36099b1445c1d246/t/60c3d08fbf7eda68c6f08f70/1623445654333/EnvUT+Report+-+Barriers+to+College.pdf

Lending, Investment, and Service Opportunities (12 C.F.R. § 345.21(b)(2))

Information regarding lending, investment, and service opportunities in the Bank's AA (12 C.F.R. § 345.21(b)(2))

Informal feedback indicates there is a need for affordable housing, economic development via access to credit, and community services to LMI individuals, which includes grants, scholarships for higher education, and providing community development services to qualified nonprofits.

All these areas can be supported through community development activity. Per the current regulation, community development means: affordable housing (including multifamily rental housing) for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, FDIC, and Office of the Comptroller of the Currency.

Opportunities to participate in community development activities are available through community development loans, consortia lending, and qualified investments including grants, scholarships, and community development service activities. The following are potential opportunities based on needs identified in the Bank's AA.

Affordable Housing

- Down payment assistance through housing nonprofits, including CDFIs and nonprofit organizations focused on housing.
- Investments/loans that finance affordable units. There are many community development nonprofit organizations that assist in providing lending related to affordable housing. These include the following.
  - CDFIs that provide consortium lending, primarily to provide permanent lending to low-income housing tax credit multifamily projects.
  - CDFIs that provide financing for single-family affordable housing in which banks may provide lines of credit to facilitate this type of lending.
  - Nonprofit intermediaries that provide financing for developers to purchase land, finance predevelopment expenses, and provide construction financing for affordable housing projects.
  - Opportunities to invest in tax credit financing are also available through several regional and national tax credit syndicators that provide affordable housing throughout Utah.
- Homebuyer education through nonprofit organizations focused on homebuyer programs or financial literacy.
- Sponsor trainings to increase nonprofit capacity to build affordable housing.
- Grants to agencies serving essential community services including homelessness programs and to support operating expenses of shelters for the homeless through agencies
- Favorable debt financing for low-income housing tax credit (LIHTC) projects, or participation in multi-investor syndicated LIHTC projects or Affordable Housing Preservation Funds.
- Opportunities for investment with the Utah Housing Agency through taxable housing bonds or qualified mortgage-backed securities (MBSs).
- Purchase of qualified MBSs, housing bonds, qualified municipal bonds, and agency paper that supports affordable housing and economic development throughout the Bank's AA.

Economic Development

- Small business training and loan programs and various Small Business Development Centers located throughout the Bank's AA.
- Volunteer service to nonprofits, cities, and counties that support economic development through revolving loan programs.
- Participation in multi-investor Small Business Investment Company (SBIC) funds.
- Venture Capital Funds and private placement of community development dollars in partnership with Angel Investors, other banks, etc., in Opportunity Zones or other economically disadvantaged communities.

Essential Community Services

- Food assistance through food pantries.
- Job skill training through applied technology centers within the Bank's AA.
- Volunteer Income Tax Assistance provided to LMI individuals throughout the Bank's AA.
- After-school, summer, and pre-K educational services and childcare.
- Scholarships and grants available through the Bank's Learn to Dream Utah Scholarship Program.

Innovative Programs

- A primary innovative program is the Learn to Dream Utah Scholarship Program for community colleges within the Bank's AA. In conducting the performance context for the Bank's initial strategic plan, the Bank reached out to the Executive Director of Development at Salt Lake Community College, where 56% of full-time first-time students receive Pell Grants. The need for scholarship and counseling resources is significant.

  In response to feedback and facts from local community colleges, the Bank launched the Learn to Dream Utah Scholarship Program to assist college students (including concurrently enrolled high school students) who come from LMI families [29], to further their education and economic opportunities by attending community colleges and trade schools in the Bank's primary AA. If the student did not have proof of a high school fee waiver or free lunch program, the Bank's college partners verified income using tax documents and/or a completed Free Application for Federal Student Aid (FAFSA)® to determine scholarship eligibility.

  Learn to Dream Scholars receive scholarship awards to fund the cost of tuition and/or supplies, provided they adhere to established timelines for college enrollment and completion and meet requisite in-school performance levels. Additionally, scholars are periodically invited to participate in financial literacy and career mentoring service events organized by the Bank.

  Through the Nelnet Foundation, the Bank initially funded $50,000 to seed the Learn to Dream Utah Scholarship Program and is continuing to fund an annual contribution to the program and its current three partner colleges (Salt Lake Community College, Davis Technical College, and Tooele Technical College). In addition, as the Bank grows post de novo, personnel hope to pursue partnerships with community leaders to increase the scholarship program funding through corporate and individual donors to increase the available pool of scholarships.

  A quality college education changes lives every day, opening the door to a promising career and a fulfilling life. In the U.S., there is a growing demand for technical training to effectively expand the skilled workforce. Community colleges and technical colleges offer curricula to equip students with critical skill sets highly valued by employers in the current job market. In addition, a two-year community college can provide a solid bridge for students seeking to matriculate to a four-year institution while keeping education costs manageable.

[29] *An LMI family in the Bank's Learn to Dream Utah Scholarship Program is defined as a family qualifying for 1.) the U.S. Department of Agriculture's Free and Reduced-Price School Meals program at high schools in the Bank's AA; 2.) a high school fee waiver; or 3.) participation in a Utah state-sponsored assistance program.*

For low-income students living and attending high school in the Bank service area, the dream of a quality college education can be a reality through the Learn to Dream Utah Scholarship Program. The Learn to Dream Utah Scholarship Program is changing the lives and professional trajectories for LMI students in Utah, creating opportunities for economically disadvantaged students to further their education, which will contribute to a skilled workforce.

As part of the Bank's Learning Center, it designed a proprietary College Major Calculator tool to help students and families plan for an investment in higher education. By providing such resources and including them in the Learn to Dream Utah Scholarship Program, the Bank hopes to give participating students the best possible shot at financial wellness in college and beyond.

- A second innovative opportunity is to invest in climate resilience initiatives. Over the years, federal bank regulators have shown increased interest in the role of banks in disaster recovery and pre-disaster hazard mitigation, including climate resilience[30]. In the 2016 CRA Q&A, regulators listed examples of community development loans that include climate resilience. One example was "borrowers to finance renewable energy, energy-efficient, or water conservation equipment or projects that support the development, rehabilitation, improvement, or maintenance of affordable housing or community facilities, such as a health clinic that provides services for low- or moderate-income individuals. For example, the benefit to low- or moderate-income individuals may result in either a reduction in a tenant's utility cost or the cost of providing utilities to common areas in an affordable housing development. Further, a renewable energy facility may be located on-site or off-site, so long as the benefit from the energy generated is provided to an affordable housing project or a community facility that has a community development purpose."

  In the Joint Notice of Public Rulemaking (NPR) request for comment on CRA issued May 5, 2022, the agencies propose to replace the current revitalization and stabilization activities component of the community development definitions with six new categories of activities. The agencies intend for this new category of definitions to provide more clarity on the types of activities that qualify, and to better tailor the types of activities that qualify in different targeted geographies. Each of the categories focuses on place-based activities that benefit residents of targeted geographic areas: (i) revitalization; (ii) essential community facilities; (iii) essential community infrastructure; (iv) recovery activities in designated disaster areas; (v) disaster preparedness and climate resiliency activities; and (vi) qualifying activities in Native Land Areas.

  To qualify under the NPR, these climate resiliency activities need to meet four criteria. First, each definition has a geographic focus (e.g., low- or moderate-income census tracts) where the activities must occur. Second, each definition has standardized eligibility criteria that require the activity to benefit local residents, including low- or moderate-income residents, of the targeted geographies. Third, each definition has the eligibility requirement that the activity must not displace or exclude low- or moderate-income residents in the targeted geography. Finally, each definition provides that the activity must be conducted in conjunction with a government plan, program, or initiative that includes an explicit focus on benefitting the targeted geography.

  The Bank plans to identify opportunities within the AA or broader regional area to make such community development qualified investments benefiting LMI census tracts or communities.

Institutional Capacity and Constraints (12 C.F.R. § 345.21(b)(4))

Institutional capacity and constraints, including the size and financial condition of the Bank, economic climate, safety and soundness limitations, and any other factors that significantly affect the Bank's ability to provide lending, investments, or services in its AA(s) (12 C.F.R. § 345.21(b)(4))

[30] *Community Resilience: Climate Adaptation and the Community Reinvestment Act (https://CRSReports.Congress.gov/product/pdf/IN/IN11727)*

The Bank launched operations on November 2, 2020, and Nelnet, Inc. capitalized the Bank with an initial capital contribution of $100,000, consisting of $55,872 of cash and $44,128 of student loan asset-backed securities. On an ongoing basis, the Bank has raised core deposits by leveraging relationships within certain other Nelnet business lines and external business relationships and CDs to other financial institutions through rate posting sites. The Bank has also obtained brokered deposits and contingency funding options such as Fed Funds lines, FHLB advances, and the Federal Reserve Discount Window. To date, the Bank has not had to utilize any of the contingency funding options to the growth of the Bank.

The Bank has access to capital to meet the measurable goals related to the CRA Plan. Management of the Bank, through its designated CRA Officer, will develop an annual plan to meet the measurable goals outlined in this plan.

The Bank's AA is heavily competitive in the market for financial services. Per the FDIC Deposit Market Share data as of June 30, 2022, there were 49 financial institutions that operated 293 full-service branches within the Salt Lake City, UT MSA and Ogden-Clearfield, UT MSA, with $813B in deposits. The market also includes other financial institutions, including credit unions.

The opportunities to compete for community development loans, qualified investments, and community development services are limited. The AA for the Bank, especially in the Salt Lake City, UT MSA, is a mature community development market. Due to the highly competitive nature in the Bank's AA, especially among banks seeking community development loans, qualified investments, and community development services, the Bank will strive to meet the needs within the Bank's AA first before considering activities on a statewide or regional basis.[31] The statewide area includes all geographic areas within the State of Utah. The regional area consists of the states of Colorado, Kansas, Missouri, Montana, Nebraska, Utah, and Wyoming (collectively known as the Mountain Plains regional area), in addition to all states bordering the State of Utah, including Arizona, Colorado, Idaho, Nevada, New Mexico, and Wyoming.[32]

Due to the size of the Bank, its de novo status, and the small size of bank staff, there are limited resources and expertise for community development underwriting. As such, the Bank will look to third-party community development organizations, including CDFIs, third party participations, and consortium lending products to participate in community development loans and qualified CRA investments. The Bank will also look to affiliates that specialize in certain industries for assistance in underwriting qualified investments. This may include innovative initiatives focused on climate resilience and other programs.

The Bank also recognizes additional business constraints. This plan is based on the Bank's financial health, current economic factors, and the current banking environment. The Bank is still operating under a de novo charter and as such its capacity is limited in the volume of qualified investments it can make within the community. In the event of changes, the Bank may have difficulty in maintaining the levels of commitment outlined herein. Unforeseen changes that could affect the ability of the Bank to administer the plan as presented are:

1. **Deterioration in the Bank's Ability to Lend.** This could occur by such things as abruptly rising interest rates, an increase in regulatory requirements, or an unfavorable business climate. In addition, changes in student loans and student loan forgiveness may reduce the supply of student loans.

[31] If the Bank achieves the goals for a satisfactory rating for an interim year, then the Bank will also receive credit for amounts deployed in that same interim year in the Bank's AA, statewide, or regional area that may contribute to a satisfactory or outstanding rating, even if the activity does not benefit the Bank's primary AA. These activities may be performed or conducted by the Bank or an affiliate, assuming it is not allocated to another affiliate bank.

[32] The CRA Q&A outlines what a regional area is: II.12(h)—7: What is meant by the term "regional area"? A7. A "regional area" may be an intrastate area or a multistate area that includes the financial institution's AA(s). Regional areas typically have some geographic, demographic, and/or economic interdependencies and may conform to commonly accepted delineations, such as "the tri-county area" or the "mid-Atlantic states." Regions are often defined by the geographic scope and specific purpose of a CD organization or initiative. The United States Department of Labor's Bureau of Labor Statistics categorizes the states of Colorado, Kansas, Missouri, Montana, Utah, and Wyoming as the Mountain Plains regional area. Nebraska, an adjoining state, was added to the defined regional area as its economic and labor statistics more closely align with the Plains states of Kansas and Missouri than the Midwest states stretching from Minnesota to Ohio. In addition, states bordering the State of Utah are also part of the broader regional area and include the states of Arizona, Colorado, Idaho, Nevada, New Mexico, and Wyoming.

2. **Decreased Supply of Qualified CRA Investments.** If there is a significant reduction in the supply of qualified CRA investments, the Bank would inherently have a difficult time in attaining the investment levels of the plan. Therefore, as mentioned previously, the Bank would seek to identify investments on a statewide or regional basis.

3. **Staff Reduction.** If the Bank experiences a downturn in lending, there is a possibility of a reduction in staff. This may impede the ability to produce the number of service hours required under this plan.

4. **De Novo Status of the Bank.** The Bank is currently operating under the de novo status. Under this status, the Bank is identifying core lending and deposit products in consultation with federal and state regulators that best assist the communities it serves. As new initiatives, products, and services are formed, this may affect asset growth of the institution and the types of community development products the company provides for CRA.

5. **Legislation that May Affect the Student Loan Industry.** Recent federal legislation, including the CARES Act, or loan forgiveness, and the attributes of this legislation may affect the Bank. The CARES Act, the sweeping stimulus legislation enacted in March 2020, includes relief for student loan borrowers. Under the new law, no payments are required on federal student loans owned by ED between March 13, 2020 and an undetermined date in 2023 pending judicial review of the Biden administration's most recent loan forgiveness proposal. In addition, the interest on these federal student loans is automatically zero percent since March 13, 2020.

Performance (12 C.F.R. § 345.21(b)(5))

The Bank's past performance and the performance of similarly situated lenders (12 C.F.R. § 345.21(b)(5))

Bank's Past CRA Performance

As a de novo institution, the Bank has had a limited period of community development investment and service activity since its formation on November 2, 2020. However, the Bank was successful in meeting all four goals in its initial plan and achieving an "Outstanding" rating at its first CRA Performance Evaluation in November 2022. While the report is pending publication on FDIC's website, refer to Appendix E for a copy of the report.

Community development activity since the Bank's inception on November 2, 2020–September 30, 2022 are as follows.

New CD Loans and Investments					
	Bank Established Goals		Bank Performance		
Plan Year	Satisfactory (%)	Outstanding (%)	CD Loans and Investments ($000)	Average Total Assets ($000)	Actual Performance (%)
2021	1.20	1.45	5,545	305,570	1.81
2022	0.50	0.60	7,560	672,409	1.12
Source: Bank records, Plan, and Call Reports					

New CD Loans and New and Prior Period Investments					
	Bank Established Goals		Bank Performance		
Plan Year	Satisfactory (%)	Outstanding (%)	CD Loans and Investments ($000)	Average Total Assets ($000)	Actual Performance (%)
2021	1.20	1.45	5,545	305,570	1.81
2022	1.20	1.45	11,147	672,409	1.66
Source: Bank records, Plan, and Call Reports					

Learn to Dream Utah Scholarship Funding			
	Bank Established Goals		Bank Performance
Plan Year	Satisfactory	Outstanding	Amount Funded
2021	$30,000	$50,000	$50,000
2022	$35,000	$55,000	$55,000
Source: Bank records and Plan			

Community Development Service Hours			
	Bank Established Goals		Bank Performance
Plan Year	Satisfactory	Outstanding	Qualified Service Hours
2021	80	100	186
2022	140	168	225.5
Source: Bank records and Plan			

Table 6. FDIC CRA PE community development tables

Performance of Similarly Situated Lenders

The Bank has performed an extensive analysis of similarly situated lenders.

In summary, the Bank reviewed its performance against five similarly situated lenders in Utah, which operate under a CRA strategic plan. All peers have a similar product mix in offering consumer loans. All five banks offer their products on a nationwide basis with a small portion originated in their AA. All banks are regulated by FDIC.

Similarly Situated FDIC Insured Lender Analysis								
			New Originations			New Originations Plus Balance of Prior Periods Investments		
Institution	CRA Designation	Total Assets ($000) as of 06/30/2022	Past Performance	Satisfactory	Outstanding	Past Performance	Satisfactory	Outstanding
Utah Banks								
Sallie Mae	Strategic Plan	27,374,022	0.53%	0.31%	0.40%	1.34%	1.20%	1.45%
BMW	Strategic Plan	11,763,730	0.49%	0.40%	0.60%	1.32%	1.25%	1.75%

Similarly Situated FDIC Insured Lender Analysis								
			New Originations			New Originations Plus Balance of Prior Periods Investments		
Institution	**CRA Designation**	**Total Assets ($000) as of 06/30/2022**	**Past Performance**	**Satisfactory**	**Outstanding**	**Past Performance**	**Satisfactory**	**Outstanding**
Optum	Strategic Plan	15,069,762	0.65%	0.40%	0.60%	1.06%	1.00%	1.30%
Medallion	Strategic Plan	1,799,486	0.88%	0.40%	0.60%	2.17%	1.30%	1.75%
Merrick	Strategic Plan	4,822,568	0.98%	0.50%	0.75%	1.82%	N/A	N/A
Performance Metrics for All Banks								
Average	N/A	14,001,750	0.71%	0.40%	0.59%	1.54%	1.19%	1.56%
Median	N/A	11,763,730	0.65%	0.40%	0.60%	1.34%	1.23%	1.60%
Nelnet Bank	**Strategic Plan**	**864,659**	**1.12[33]%**	**0.50%**	**0.60%**	**1.66[34]%**	**1.2%**	**1.45%**

Table 7. Similarly situated FDIC insured lender analysis

New Combined Community Development Loans and Qualified Investment Originations

The five banks that operate under a strategic plan have goals ranging from 0.31% to 0.50% for a satisfactory rating and from 0.40% to 0.75% for an outstanding rating for new community development loans and qualified investments. The average among all five peers is 0.40% and the median is 0.40% for a satisfactory rating, and the average for the five peers is 0.59% and the median is 0.60% for an outstanding rating.

An analysis to identify how the Bank may consider adjusting goals for its five-year plan to effectively compete with peers in the Utah market was done to understand their past performance. Using the last two CRA performance evaluations provided for each bank, four of the five banks received outstanding ratings. Their performance in this category shows they exceeded current plan targets by 5bp to 42bp higher than the goal in their current CRA strategic plan. This type of performance is expected since a bank targeting an outstanding rating will far exceed the goal to ensure it is met.

New Community Development Loans and Qualified Investments Plus Balance of Prior Period Investments

Four strategic plan banks have goals ranging from 1.00% to 1.30% of current period loans and investments plus the outstanding balance of prior period investments measured against average assets for a satisfactory rating. For an outstanding rating, the range is from 1.30% to 1.75%. The limited purpose and wholesale designated banks originated on average 0.58% and 0.70% for a satisfactory rating. The average among all four peers is 1.01%, and the median is 1.10% for a satisfactory rating. For an outstanding rating, the average for all four strategic plan peers is 1.56%, and the median is 1.60%.

[33] Past performance for New CD Loans and Investments (goal 1) was intentionally above the goal target due to the Bank's de novo status and need to originate substantial activity in year 1 relative to the Bank's projected asset size to establish performance for year 2's New and Prior Period Loans and Investments (goal 2). This level of new origination activity is not sustainable.

[34] Past performance for New and Prior Period Loans and Investments (goal 2) was above the goal target due to the Bank's de novo status and need to originate substantial activity relative to the Bank's asset size for the establishment of the portfolio.

Historical performance of the four strategic plan peers shows a wide variety of numbers that doesn't trend as a whole. All five of the banks are well established banks and have an established CRA portfolio of fixed income investments, including mortgage-backed securities and bonds. These types of investments have a long average life and tend to stay on the books of banks over several CRA examination cycles. When the individual performance is looked at, percentage of average assets range from 1.06% to 2.17%. However, the median and average normalize between 1.34% and 1.54%, respectively. When taken as a whole, the median and average are within existing goals for outstanding ratings from the peer analysis.

In looking at the Bank's past performance, the Bank exceeds almost all peer performance. The reason for the high performance was the need to build the Bank's CRA portfolio from scratch and such things as credit received for committed investments vs. actual commitments. One of the investments for the Bank was a $2.5MM commitment in a CRA-qualified venture capital fund. For year one, the Bank received credit for the full commitment of $2.5MM, but in succeeding years it will only receive credit for the outstanding drawn balance, which at the end of year 2 was approximately $1.9MM. Equity investments tend to have a high commitment made initially, but the actual balance increases over a three-to-seven-year period, whereas fixed income investments have an inverse relationship due to the full value of the investment being purchased upfront and the balance declines over time based on paydown and/or payoff of loans in the security.

The Bank's goals of 0.50% for a satisfactory rating and 0.60% for an outstanding rating are in line with similarly situated lenders with new originations; however, the Bank will likely need to continue to initially exceed these targets during the plan periods in order to establish its prior period investment balance and meet goal 2. For new community development loans and qualified investments plus balance of prior period investments (goal 2), the Bank has a goal of 1.20% for a satisfactory rating and 1.45% for an outstanding rating. For the outstanding rating, the Bank's goals are slightly below peer median and average percentages. To justify the lower rating, the Bank strives to invest in more complex investments (e.g., venture capital funds and bank-lead affordable housing mission driven loan funds) than typical peers. Three of the peers are meeting investment goals through an investment in a local affordable housing CDFI, mortgage-backed securities, housing bonds, or community development mutual funds. Due to the Bank's investment portfolio and the additional complex activities it is committed to, such as venture capital investments and its goals around innovative programs such as the new goal focused climate resiliency and the continuation of the Learn to Dream Utah program, the percentage of 1.45% is an appropriate goal level for the Bank.

Community Development Services

Similarly Situated Lender Analysis for Community Development Service				
			Community Development Service	
Institution	**CRA Designation**	**Total Assets ($000) as of 06/30/2022**	**Satisfactory**	**Outstanding**
Utah Banks				
Sallie Mae	Strategic Plan	27,374,022	3.0	4.0
BMW	Strategic Plan	11,763,730	17.0	26.0
Optum	Strategic Plan	15,069,762	4.0	5.0
Medallion	Strategic Plan	1,799,486	5.0	6.0
Merrick	Strategic Plan	4,822,568	3.5	4.5
Performance Metrics				
Average	N/A	14,001,750	6.5	9.1
Median	N/A	11,763,730	4.0	5.0

Similarly Situated Lender Analysis for Community Development Service				
			Community Development Service	
Institution	CRA Designation	Total Assets ($000) as of 06/30/2022	Satisfactory	Outstanding
Nelnet Bank	**N/A**	**864,659**	**4.0**	**5.0**

Table 8. Similarly situated lender analysis for community development service

Outside the state of Utah, community development services are generally evaluated by the number of community development service activities. For most banks within Utah, especially those operating under a CRA strategic plan, community development service is measured by hours. For the five peers operating in Utah, the number of service hours annually ranged from 3 hours/employee to 17 hours/employee annually for a satisfactory rating. For an outstanding rating, the range was 4 hours/employee to 26 hours/employee annually. The averages per employee annually were 6.5 hours/employee for a satisfactory rating and 9.1 hours/employee for an outstanding rating. In reviewing the data, one peer had goals significantly higher than other peers and appeared to be an outlier. In removing this peer, the average for a satisfactory rating was 3.9 hours per employee per year, and the average for an outstanding rating was 4.9 hours per employee per year.

Data from the peer analysis was used to help inform the measurable goals for the Bank under this CRA Plan; however, the Bank also recognizes the pandemic played a role in lower-than-normal average hours in recent history for many institutions and benchmarking for the Services goal is challenging.

The Bank has faced unique new business challenges post-pandemic with regards to its workforce. Only 1/3 of the Bank's workforce resides in Utah, and many new hires originally planned in the Bank's business plan for the assessment area are working remotely, both locally and nationwide. Therefore, the Bank plans to proceed with past performance levels of service hours and will rely primarily on officers and other key associates based in Utah to perform the majority of the hours.

Public File and Written Comments (12 C.F.R. § 345.21(b)(6))

The Bank's public file and any written comments (12 C.F.R. § 345.21(b)(6))

The Bank's public file will be maintained in compliance with the requirements of 12 C.F.R. § 345.43. The Bank's CRA Notice will be prominently displayed in the lobby of its main office, as required by 12 C.F.R. § 345.44.

The Bank’s CRA Strategic Plan and Measurable Goals

Proposed Effective Date

The proposed effective date of this CRA Plan is January 1, 2024.

Plan Term

The term of the Bank’s CRA Plan covers five interim plan periods beginning January 1, 2024 through December 31, 2028. The Bank’s CRA Plan sets forth measurable goals for interim periods under which FDIC can evaluate the Bank’s performance, as required by 12 C.F.R. § 345.27(c)(1).

Measurable Goals

FDIC’s strategic plan regulations provide flexibility regarding a bank’s measurable goals, both in how the goals are expressed and regarding the three performance categories.

This Plan and its interim measurable goals reflect: thorough analyses of the credit needs and opportunities in the Bank’s AA (including public input); the Bank’s business strategy, capacity, and constraints; and the CRA performance of peer banks. The Bank’s interim measurable goals reflect the latitude described in the FDIC Guidelines for Requesting Approval for a Strategic Plan under CRA, which provide as follows.

> *The strategic plan enables the institution to tailor its CRA goals and objectives to address the needs of its community consistent with its business strategy, operational focus, and capacity and constraints. Therefore, not all the factors described in the regulation would necessarily apply to each strategic plan. A bank has a great deal of latitude in constructing a strategic plan, but it is expected that public participation in development of the plan will provide a bank access to the fullest possible information about the needs of its community and how those needs might be met.*

The Bank’s measurable goals also reflect the regulatory flexibility regarding a bank’s measurable goals, both in how the goals are expressed and regarding the three performance categories (loans, investments, and services). For example, although the regulations provide that a bank should address in its plan all three performance categories and emphasize lending and lending-related activities, they also provide the following.

> *Nevertheless, a different emphasis, including a focus on one or more performance categories, may be appropriate if responsive to the characteristics and credit needs of its AA(s), considering public comment and the bank’s capacity and constraints, product offerings, and business strategy. 12 C.F.R. § 228.27(f)(ii).*

The Bank has established goals under the community development test in its CRA Plan. Under the community development test, a bank is measured by three main components.

- The number and amount of community development loans, qualified investments, and community development services.
- The use of innovative or complex qualified investments, community development loans, or community development services and the extent to which the investments are not routinely provided by private investors.
- The bank’s responsiveness to credit and community development needs.

Community Development Test

Goal 1

Goal #1 commentary. In developing goal #1, the Bank identified the best way to meet community needs was to measure the percentage of new qualified investments and community development loans originated, by dollars, divided by the average assets of the Bank during the interim period. Since the Bank is a de novo institution and has a limited history of community development lending and investments, the Bank relied heavily on data from similarly situated lenders, past performance, and information from the performance context to determine the metrics for this goal.

As is noted in the capacity and constraints section of the performance context, there are two primary challenges the Bank faces in originating community development loans. First, the Bank does not have personnel with community development lending underwriting expertise available to offer community development lending products as a small bank financial institution. Second, the Bank will operate in a mature community development market where the opportunity for community development loans and qualified investments is limited. In addition, in reviewing similarly situated lenders in the Bank's AA, almost all non-retail banks are measured under the community development test by the origination of combined investments and community development loans, by dollar amount, as a percentage of bank assets. Based on these limiting factors, and to be in line with peer banks in the Utah market, the Bank believes that having a combined goal of new investments and community development loans is appropriate.

In determining the level of performance, the Bank evaluated five similarly situated lenders in the Salt Lake market that operate under a CRA strategic plan, offer consumer loans, and are also regulated by FDIC. All five peers are much larger than the Bank in terms of assets; however, their performance targets are measured as a percentage of assets, which provides a comparable metric for the Bank to use for its own target goals. The performance by these five peers for new qualified investments and community development loans originated annually ranged from 0.31% to 0.50% of average assets, with a median of 0.40% and an average of 0.40% for a satisfactory rating. For an outstanding rating, the range was from 0.40% to 0.75% of average assets, with a median of 0.60% and an average of 0.59%. Using these metrics as a guide, the performance context for the Bank, and the Bank's past performance, the Bank identified goals of 0.50% for a satisfactory rating (slightly above the peer benchmark median of .40%) and 0.60% for an outstanding rating.

The Bank has provided a forecast of its assets over the next five years, shown as a table in Confidential Appendix E. This is informational only, to provide a sense of growth for the Bank and subsequent growth in community development investments in the community. The achievement of goals #1 and #2 will be based on average assets in the interim plan years and will use the formula described in the goals to figure out performance percentages. The percentage for this metric is the combined new commitments of community development loans and qualified investments made during an interim plan year divided by the Bank's average assets for any given plan (interim) period. Average assets are determined using the average of the number of assets from line 9 of Schedule RC-K of the Bank's four call reports during an interim period.

Measurable goal #1. A percentage of new qualified investments, new community development loans, and other new CRA qualifying grants and charitable donations, measured by dollars[35], divided by the average assets for four quarters of the Bank during the interim plan year period. Average assets are determined using the average of the total assets from line 9 of Schedule RC-K of the Bank's four call reports during an interim plan period.

	Period 1	Period 2	Period 3	Period 4	Period 5
Satisfactory Goal	0.50%	0.50%	0.50%	0.50%	0.50%
Outstanding Goal	0.60%	0.60%	0.60%	0.60%	0.60%

Table 9. Satisfactory and outstanding percentages for measurable goal #1

[35] *Any amount in excess of the designated "annual interim goal" amount in one calendar year for a certain asset category may be applied toward the next calendar year's "annual interim goal" for that same asset category. This will allow the Bank the flexibility to meet needs that may arise late in a calendar year without concern about significantly exceeding the annual interim goal amount for that year.*

Goal 2

Goal #2 commentary. In developing goal #2, the Bank desires to create a goal to reflect the current balance of community development investments from prior plan years at the end of the current interim period plus new commitments made for community development loans and qualified investments for the current interim period. The goal is referenced as new originations of community development loans and qualified investments (including grants and contributions) during an interim period plus the balance of prior period investments at the end of the interim period divided by the Bank's average assets for any given plan (interim) period. Average assets are determined using the average of the total assets from line 9 of Schedule RC-K of the Bank's four call reports during an interim plan period.

The Bank measured similarly situated lenders that used this same metric and found the spread of performance ranged from 1.00% to 1.30% of average assets with a median of 1.23% and an average of 1.19% for a satisfactory rating. The spread for an outstanding rating was 1.30% to 1.75% of average assets, with a median of 1.60% and an average of 1.56%. Like goal #1, the Bank used information from the similarly situated lender analysis, performance context, and past performance to determine metrics for this goal.

One of the challenges for the Bank is that it is operating as a de novo bank and does not yet have a meaningful CRA portfolio of investments. In reviewing peers such as BMW Bank, Merrick Bank, and Medallion Bank, the types of investments they are making include an investment in a local affordable housing CDFI, and the remainder of their investments are housing bonds, mortgage-backed securities, and fixed income mutual funds. In looking at the Bank's investment strategy and model, they are investing in similar investments but also more complex and innovative investments, such as venture capital funds and, in the future, climate resiliency focused projects. Most complex investments receive full credit for their commitment in the first year; however, these types of investments generally have capital calls over the first three to five years, and the balance at the end of subsequent interim periods makes it difficult to meet the higher percentage of investments. The Bank realizes that over time as they make new investments, their CRA investment portfolio will continue to grow to achieve the higher percentage goals, like their more established peers. Footnotes 35 and 36 provide the Bank some much needed flexibility to achieve its goals during the early years of operation.

Measurable goal #2. A percentage of new originations of qualified investments (including grants and charitable donations) and community development loans, measured by dollars[36], plus the current balance of prior period investments at the end of the current interim period divided by the average assets of the Bank during the year for the interim measurable goal. Average assets are determined using the average of total assets from line 9 of Schedule RC-K of the Bank's four call reports during an interim plan period.

	Period 1	**Period 2**	**Period 3**	**Period 4**	**Period 5**
Satisfactory Goal	1.2%	1.2%	1.20%	1.20%	1.20%
Outstanding Goal	1.45%	1.45%	1.45%	1.45%	1.45%

Table 10. Satisfactory and outstanding percentages for measurable goal #2

Goal 3 & 4 – Innovative Programs

Goal #3 commentary. The Bank desires to set goals to assist the Bank to be a leader in the community by developing innovative solutions for the community. One of the ways it has done this in the past is the implementation of the Learn to Dream Utah Scholarship Program. The Bank plans to continue operating this program and funding scholarships at technical and community colleges across the state of Utah.

[36] Any amount in excess of the designated "annual interim goal" amount in one calendar year for a certain asset category may be applied toward the next calendar year's "annual interim goal" for that same asset category. This will allow the Bank the flexibility to meet needs that may arise late in a calendar year without concern about significantly exceeding the annual interim goal amount for that year.

Measurable goal #3. Funding and deployment dollars to support the scholarship program per interim plan year. The funds going towards the Learn to Dream Utah Scholarship Program will be counted towards measurable goal #3 only and will not be included as grants included in measurable goal #1 or #2. These dollars will be contributed on behalf of the Bank by the Parent Company's Nelnet Foundation and deployed in the Bank's stated CRA AA.

	Period 1	Period 2	Period 3	Period 4	Period 5
Satisfactory Goal	$40,000	$50,000	$60,000	$70,000	$80,000
Outstanding Goal	$60,000	$70,000	$80,000	$90,000	$100,000

Table 11. Satisfactory and outstanding dollar amounts for measurable goal #3

Goal #4 Commentary. To be innovative and to take a leadership role in the community, the Bank proposes to focus an effort on climate resilience. Over the years, federal bank regulators have shown increased interest in the role of banks in disaster recovery and pre-disaster hazard mitigation, including climate resilience.[37] In the 2016 CRA Q&A, regulators cited examples of community development loans that include climate resilience. For example, "borrowers *can* finance renewable energy, energy-efficient, or water conservation equipment or projects that support the development, rehabilitation, improvement, or maintenance of affordable housing or community facilities, such as a health clinic that provides services for low- or moderate-income individuals. For example, the benefit to low- or moderate-income individuals may result in either a reduction in a tenant's utility cost or the cost of providing utilities to common areas in an affordable housing development. Further, a renewable energy facility may be located on-site or off-site, so long as the benefit from the energy generated is provided to an affordable housing project or a community facility that has a community development purpose."

In the Joint Notice of Public Rulemaking, a request for public comment on the CRA was issued on May 5, 2022. The agencies propose to replace the current revitalization and stabilization activities component of the community development definition with six new categories of activities. The agencies intend for this new category of definitions to clarify the types of activities that qualify and to better tailor the types of activities that qualify in different targeted geographies. Each of the categories focuses on place-based activities that benefit residents of targeted geographic areas and may include: (i) revitalization; (ii) essential community facilities; (iii) essential community infrastructure; (iv) recovery activities in designated disaster areas; (v) disaster preparedness and climate resiliency activities; and (vi) qualifying activities in Native Land Areas.

The Bank recognizes that the direction regulators seek under the May 5, 2022 NPR is not currently in effect. However, the Bank believes that developing a goal around climate resilience demonstrates innovation and creativity. It allows the Bank to take a leadership role within its community in leading in the origination of investments ("qualified investments, grants, or CD loans") related to the climate. With that in mind, any investments made by the Bank and/or its affiliates in this area will meet current CRA regulations. If future changes to the regulations occur due to the May 2022 NPR, any subsequent investments will comply with the changes in the regulations.

An affiliate of the Bank, Nelnet Renewable Energy (NRE), focuses on making climate resilience investments in four areas.

1. **Solar Tax Equity:** Invests in high-quality, mid-sized solar projects and reputable developers throughout the United States.

2. **Net Zero Solutions:** Decarbonizes a variety of entities through collaborative partnerships and implements solutions such as solar and battery storage, electric vehicles (EV) and EV charging infrastructure, decarbonized heating and cooling systems, sustainability literacy training, and curated carbon offsets.

3. **Venture Capital:** Deploys resources aimed at helping early-stage companies raise capital and develop solutions in CleanTech, ClimateTech, and other high-impact ecosystems.

[37] *Community Resilience: Climate Adaptation and the Community Reinvestment Act (https://crsreports.congress.gov/product/pdf/IN/IN11727)*

4. **Solar Development:** Finances, constructs, owns, and operates residential, commercial, and utility scale solar projects.

Through these areas, NRE works to address climate resilience challenges across the United States. The Bank proposes over the next five years to make strides in investing $1MM in climate resilience initiatives that benefit the Bank's assessment area or broader regional area as previously defined in this plan. These to-be-determined initiatives and associated qualified activities will count toward goals #1 and #2 outlined above. The Bank will work with affiliates (NRE and Nelnet Venture Group, specifically) of the Bank to identify opportunities that fall under the category of climate resilience. The Bank expects this effort will take significant effort and may take up to the full five years to fulfill its commitment. By doing so, the Bank hopes to demonstrate its leadership capability in the climate resilience space and encourage future investments by other banks within the realm of climate resilience.

Measurable goal #4. Over five years, the Bank will commit to allocating $1MM or more to climate resilience initiatives through qualified investments, grants, and/or community development loans (a.k.a. "qualified activities"). The Bank may utilize expertise from its affiliates, NRE, and/or Nelnet Venture Group to underwrite these qualified activities. Then, the Bank will originate and maintain the qualified activities. Interim period goals are graduated from $25,000 in the first year to $500,000 in the fifth year for an overall investment of $1,000,000 over the five years.

Any amount above the designated "annual interim goal" amount in one calendar year for this asset category may be applied toward the remaining calendar years' "annual interim goals" for that same asset category. This will allow the Bank the flexibility to meet the goal of this category. Flexibility is needed since climate resilience qualified activities are not typical in the CRA investment space and will require staff, both the Bank and affiliates, to identify qualifying activities to meet the annual goals for this category.

All investments, grants, and/or community development loans made under this innovative climate resilience goal will count towards goals #1 and #2 while also fulfilling the five-year commitment under goal #4. (If the Bank fulfills its commitment before the five years, any qualified activity made will count towards the remaining interim periods identified in the strategic plan goals and will also be noted in subsequent regulatory exams conducted during the five-year plan as applicable results for subsequent exam period(s).)

Period 1	Period 2	Period 3	Period 4	Period 5
$25,000	$75,000	$100,000	$300,000	$500,000

Table 12. Dollar amount targets for measurable goal #4. Satisfactory = 75% - 99.99% of dollar amounts; Outstanding = 100% or more of dollar amounts.

Goal #5

Goal #5 commentary. As noted in the similarly situated lender analysis, community development service is generally evaluated across the United States by FDIC-evaluated institutions by considering the number of service activities each institution performs during the evaluation period. However, most CRA strategic plans for banks within Utah that are approved by FDIC measure community development service by hours. To be consistent with the data obtained from similarly situated lenders and with CRA strategic plans operating within the State of Utah, community development service activity is measured in hours vs. the number of community development service activities.

In evaluating similarly situated lender performance, the Bank evaluated five peers on the number of hours per employee performed annually. For a satisfactory rating, the number of hours per employee ranged from 3 hours to 17 hours. The median was 4 hours per employee performed annually, and the average was 6.5 hours per employee performed annually. For an outstanding rating, the number of hours per employee annually ranged from 4 hours to 26 hours. The median was 5 hours per employee performed annually, and the average was 9.1 hours per employee performed annually.

In reviewing the methodology for service hours in the Bank's prior plan, the Bank used the average of two peers to determine their goals. The Bank recognizes that the number of peers in its previous plan was limited, and this was one of the reasons why the number of peers was expanded in this plan's similarly situated lender analysis. This allowed greater insight to what is happening in the Utah market regarding service hours performed by employees of peer banks.

Like the Bank's prior CRA strategic plan, the Bank is measuring performance of service hours by the total number of hours performed annually by estimating employees that may live within or near the Bank's assessment area. The Bank recognizes that a significant number of its employees work across the United States and that service for the AA should be measured and performed by those employees, affiliate employees, and even Board members living within or near the AA. Currently, only 33% of the Bank's workforce lives near or within the Bank's assessment area. Remote home office locations have become more prevalent in a post-COVID-19 era and since the Bank opened. Additionally, the Bank is forecasting growth of the Bank in asset size but doesn't necessarily forecast an increase in proportionate staff. As such, the Bank is recommending service hour goals that are static year over the year and reflective of its most recent "Outstanding" past performance. If the projections for assets and staff (living in or near the AA) increase or decrease significantly over the term of the plan, the Bank, in consultation with regulators, will seek to amend the plan to more accurately reflect appropriate service hours goals.

Measurable goal #5. Community development service hours**

	Period 1	Period 2	Period 3	Period 4	Period 5
Satisfactory Goal	150 hours	150 hours	150 hours	150 hours	150 hours
Outstanding Goal	225 hours	225 hours	225 hours	225 hours	225 hours

Table 13. Satisfactory and outstanding community development service hours for measurable goal #5

*** Service hours from qualifying Bank or affiliated employees, + service hours from the Bank Board (if needed) to qualified nonprofit organizations and/or providing financial education to LMI individuals in the AA will be included in interim plan period totals. Like Goal 1 and 2, when the Bank adequately meets the satisfactory goal for community development service hours, qualified service hours by Bank employees (or members of the Bank Board), or an affiliate, performed in the broader statewide or regional area (as defined in Footnote 32) will contribute to the total service hours to meet the outstanding rating goal.*

Rating Methodology

As described in the following table, the Bank will receive a predetermined number of points based on its periodic performance under each performance goal. The maximum total points the Bank may receive in an interim plan period is 24.

Goal	Maximum Annual Points	Annual Points Received For:		
		Outstanding	Satisfactory	Needs Improvement
New CDL/CDI	8	8	5	0
New CDL/CDI Plus Balance of Prior Period CDI	5	5	4	0
Learn to Dream Utah Scholarships	4	4	2	0
Climate Resiliency Investments	3	3	2	0
CD Service	4	4	2	0
Total	24	24	15	0

Table 14. Number of points based on periodic performance for each performance goal

The Bank will receive a composite CRA rating by the end of each interim plan period or year based on its point total during that period or year. The following table outlines the points required for each composite rating.

Composite Rating	Points Required
Outstanding	20 or more
Satisfactory	11–19
Needs Improvement	10 or less

Table 15. Points required for composite ratings

Election if Satisfactory Goals Not Substantially Met

Statements about the expected future activity of the Bank and all other statements in this Plan other than historical facts constitute forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, actual results may differ materially from expectations by the Bank. Additionally, the Bank has identified business constraints that may affect performance under this plan. However, if the Bank fails to substantially meet the satisfactory goals under the CRA Strategic Plan Test, the Bank elects to be measured under the appropriate retail test or special designation test, if applicable.

Request for Approval of Strategic Plan

Regulatory Criteria for Approval

The Bank respectfully submits that it has fulfilled all the regulatory requirements for CRA strategic plans, including those governing development of the plan, public participation in the plan, and the plan's measurable goals. As established herein, the Bank's CRA performance context (12 C.F.R. § 228.21(b)(1) – (7)) thoroughly supports the Bank's measurable goals. The Bank believes that FDIC approval of the Bank's CRA Plan and its measurable goals as set forth in the Measurable Goals section are appropriate under the FDIC's criteria for evaluation of a strategic plan outlined in 12 C.F.R. § 345.27(g)(3)(i) – (iii) as follows.

> (3) *Criteria for evaluating plan.* FDIC evaluates a plan's measurable goals using the following criteria, as appropriate:
>
> > (i) The extent and breadth of lending or lending-related activities, including, as appropriate, the distribution of loans among different geographies, businesses and farms of different sizes, and individuals of different income levels, the extent of CD lending, and the use of innovative or flexible lending practices to address credit needs.
> >
> > (ii) The amount and innovativeness, complexity, and responsiveness of the bank's qualified investments; and
> >
> > (iii) The availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of the bank's CD services.

Based on the process of developing a strategic plan by analyzing the Bank's history, an analysis of similarly situated lenders, public input, and data from the performance context, the Bank feels that its suggested goals meet the credit needs of the Bank's AA.

Request for Approval

For the reasons set forth above, the Bank respectfully requests FDIC approval of this five-year 2024-2028 CRA Strategic Plan.

Contact information

Information regarding this plan, or any questions or comments, may be addressed to the following.

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Appendices

Public Appendices

- Appendix A: Consolidated Report of Condition and Income
- Appendix B: Summary of Outreach to Determine Community Needs
- Appendix C: Proof of Publication of Request for Public Comment
- Appendix D: Nelnet Bank Community Reinvestment Act Performance Evaluation, as of November 1, 2022

Public Appendices A through D

Appendix A: Consolidated Report of Condition and Income

The Bank's most current "Call Report" may be accessed at the Federal Financial Institutions Examination Council (FFIEC) Central Data Repository's Public Data Distribution online location. Please go to the following link, and then select *Call Report* from the *Reports* drop-down list. To locate the Nelnet Bank Call Report, please note the FDIC Certificate number 59205, as well as 9/30/2022 (the most recent report).

[View or download data for individual institutions - FFIEC Central Data Repository's Public Data Distribution]

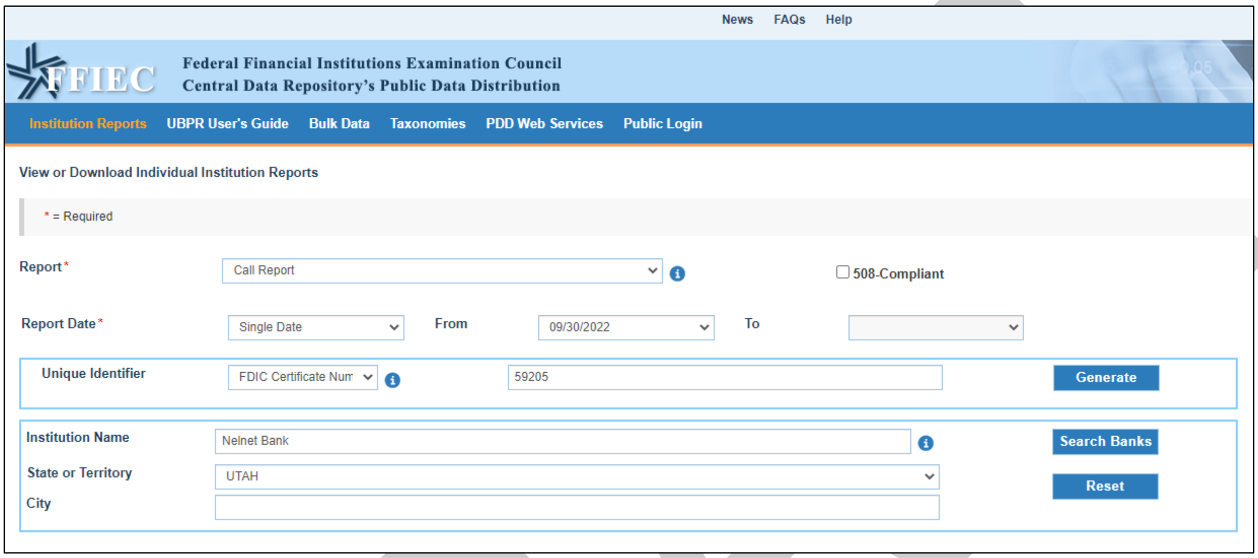

Figure 2. Example of the FFIEC Central Data Repository's Public Data Distribution online location

Appendix B: Summary of Outreach to Determine Community Needs

The Bank used three methods to identify community needs in the Bank's AA.

- Organic Nelnet Bank Needs Assessment through a community survey
- Identification of credit needs of similarly situated lenders using CRA performance evaluations
- Review of publicly available HUD consolidated plans for cities, counties, and the State of Utah in the Bank's AA

The Bank sent surveys to 22 organizations representing a cross section of industries from affordable housing, economic development, essential community service, and education-related organizations. Of the 22 surveys sent, 17 organizations responded and 12 approved listing their names in the strategic plan. Those organizations are as follows.

- Community Development Corporation of Utah
- Utah Housing Corporation
- Utah Housing Coalition
- Davis Community Housing Authority
- Davis Technical College
- Opportunity Scholars Eccles School of Business, University of Utah
- Rocky Mountain Community Reinvestment Corporation
- Salt Lake Community College Foundation
- Small Business Administration
- Utah Community Action
- NeighborWorks Salt Lake
- AAA Fair Credit Foundation

The following are a list of banks whose CRA performance evaluations identified credit needs within the State of Utah.

1. BMW Bank of North America (https://CRAPES.FDIC.gov/Publish/2021/35141_210315.PDF)
2. Celtic Bank (https://CRAPES.FDIC.gov/Publish/2020/57056_201019.PDF)
3. Comenity Capital Bank (https://CRAPES.FDIC.gov/Publish/2020/57570_200511.PDF)
4. Medallion Bank (https://CRAPES.FDIC.gov/Publish/2021/57449_210111.PDF)
5. Sallie Mae Bank (https://CRAPES.FDIC.gov/Publish/2020/58177_200803.PDF)
6. UBS Bank (https://CRAPES.FDIC.gov/Publish/2021/57565_210111.PDF)
7. WebBank (https://CRAPES.FDIC.gov/Publish/2020/34404_201130.PDF)

CRA performance evaluations for these banks can be referenced at the links noted above.

HUD Consolidated Plans used to assess community needs are as follows.

1. The State of Utah (https://www.Utah.gov/pmn/files/592121.pdf)

2. Davis County (https://www.DavisCountyUtah.gov/docs/librariesprovider28/grants-library/public-notices/davis_county_py19_caper_(draft)-10-9-2020-(1).pdf?sfvrsn=52053f53_4)

3. The Wasatch Front Regional Council representing Morgan, Tooele, and Weber Counties (https://WFRC.org/Programs/CommunityDevelopmentBlockGrant/ConsolidatedPlanAnnualActionPlan/2021AnnualActionPlan2020_2025Final.pdf)

4. Salt Lake County (https://SLCO.org/globalassets/1-site-files/housing-community-development/files/public-notices/salt-lake-county-fy21-draft-action-plan---executive-summary.pdf)

5. Clearfield City (https://Clearfield.city/wp-content/uploads/2021/05/Clearfield-CP-04.19.21-FINAL.pdf)

6. Ogden City (https://www.OgdenCity.com/DocumentCenter/View/20870/06-21-22-CC-FY2023-AAP-PH-Report)

7. Salt Lake City (https://www.SLC.gov/hand/wp-content/uploads/sites/12/2020/09/Consolidated-Plan-with-Appendices-2020-2024-Sept-2020-1.pdf)

Appendix C: Proof of Publication of Request for Formal Public Comment

Placeholder for notice of public comment

Appendix D: Nelnet Bank Community Reinvestment Act Performance Evaluation, as of November 1, 2022

The following is a Portable Document Format (PDF) copy of the performance evaluation.

PUBLIC DISCLOSURE

November 1, 2022

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Nelnet Bank
Certificate Number: 59205

13907 South Minuteman Drive, Suite 250
Draper, Utah 84020

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding.**

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

Nelnet Bank operated under an FDIC-approved Community Reinvestment Act (CRA) Strategic Plan (Plan) during the evaluation period. The evaluation covers two interim Plan years; please refer to the Scope of Evaluation section for additional information. The Plan defines four measurable performance criteria to address the institution's responsibilities under the CRA consistent with its business strategy, capacity, and operational focus. The following factors support the overall CRA rating.

- New community development loans and qualified investments exceeded the bank's established goals for outstanding performance in both interim Plan years.

- Combined new community development loans and new and prior period qualified investments exceeded the bank's established goals for outstanding performance in both interim Plan years.

- Funding for the bank's Learn to Dream Utah scholarship program met the bank's established goals for outstanding performance in both interim Plan years.

- Community development service hours exceeded the bank's established goals for outstanding performance in both interim Plan years.

DESCRIPTION OF INSTITUTION

Nelnet Bank is an industrial bank headquartered in Draper, Utah, which provides financial products and services to the education market. The bank is a wholly-owned subsidiary of Nelnet, Inc., a conglomerate headquartered in Lincoln, Nebraska, that specializes in student loan servicing, tuition payment processing, and school information systems and communications. Nelnet Bank began operations on November 2, 2020, and this is the bank's first CRA performance evaluation.

The institution is an internet-only bank that operates without physical branches. The bank's primary product offering is student loans, both private student loans and student loan refinances. Consumer deposit products are currently not offered at the time of this evaluation.

As of the September 30, 2022, Consolidated Reports of Condition and Income (Call Report), assets totaled $884.1 million, deposits totaled $751.4 million, and loans totaled $435.4 million. The following table summarizes the bank's loan portfolio distribution.

Loan Portfolio Distribution as of 9/30/2022		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	0	0.0
Secured by Multifamily (5 or more) Residential Properties	390	0.1
Secured by Nonfarm Nonresidential Properties	0	0.0
Total Real Estate Loans	**390**	**0.1**
Commercial and Industrial Loans	0	0.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	435,044	99.9
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	**435,434**	**100.0**
Source: Reports of Condition and Income.		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the assessment area's credit and community development needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas in which its CRA performance will be evaluated. Nelnet Bank has defined its assessment area as the Salt Lake City Metropolitan Statistical Area (MSA) #41620 and the Ogden-Clearfield MSA #36260.

To establish the bank's performance context, examiners relied on bank records, public financial information, demographic data from the 2015 American Community Survey (ACS), D&B, and other public sources, as well as information obtained from a community contact.

Economic and Demographic Data

The assessment area consists of 340 census tracts: 13 low-, 83 moderate-, 143 middle-, 97 upper-income, and 4 census tracts where income information is not available. The following table shows select demographic, housing, and business information of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	340	3.8	24.4	42.1	28.5	1.2
Population by Geography	1,763,174	2.7	22.1	45.1	29.6	0.6
Housing Units by Geography	603,519	2.9	24.1	44.7	27.8	0.4
Owner-Occupied Units by Geography	395,421	1.3	17.7	47.3	33.5	0.3
Occupied Rental Units by Geography	172,577	6.3	38.0	39.9	15.1	0.8
Vacant Units by Geography	35,521	4.3	28.5	40.3	26.8	0.1
Businesses by Geography	189,632	3.2	19.4	40.7	36.0	0.6
Farms by Geography	3,838	2.6	17.0	46.3	33.9	0.2
Family Distribution by Income Level	416,622	18.9	18.4	22.9	39.8	0.0
Household Distribution by Income Level	567,998	21.7	16.9	21.2	40.2	0.0
Median Family Income MSA - 36260 Ogden-Clearfield, UT MSA		$71,742	Median Housing Value			$229,713
Median Family Income MSA - 41620 Salt Lake City, UT MSA		$71,849	Median Gross Rent			$928
			Families Below Poverty Level			8.5%

Source: 2015 ACS and 2021 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.

The economy in the assessment area has recovered well since the COVID-19 recession. Assessment area unemployment rates are below pre-pandemic levels. As detailed in the following table, the unemployment rates in the Salt Lake City and Ogden-Clearfield MSAs have been generally consistent with the State of Utah and below the national average over the review period.

Unemployment Rates			
Area	**2020**	**2021**	**YTD 2022**
	%	**%**	**%**
Salt Lake City MSA	5.1	2.8	2.2
Ogden-Clearfield MSA	4.4	2.6	2.1
State of Utah	4.7	2.7	2.2
National Average	8.1	5.3	3.8
Source: Bureau of Labor Statistics, Year-to-Date (YTD) 2022 includes unemployment rates from January to August 2022, the most recent data available			

Examiners obtained the following economic information from Moody's Analytics as of July 2022.

Salt Lake City MSA

The Salt Lake City MSA is a center for the technology and financial services industries, and the area continues to attract businesses relocating from Silicon Valley. There have been job gains across all labor sectors, with the greatest increase in manufacturing. Average hourly earnings have increased faster than the national average due to the tight labor market. However, low housing affordability is expected to negatively impact migration to the area. Major economic strengths of the area include a high concentration of high-paying jobs and stable employment from local universities. The area's top employers are the University of Utah, Intermountain Healthcare, and Walmart.

Ogden-Clearfield MSA

The Ogden-Clearfield MSA's economy is driven by the public sector. Hill Air Force Base is the largest employer in the area, followed by the Department of Treasury and McKay-Dee Hospital Center. The healthcare industry is driving job growth. Population growth across all age groups has increased demand for health services. The housing market has cooled with rising interest rates, and as a result new-home construction has slowed. Major economic strengths of the area include favorable migration patterns, high median household income, and low business costs. Weaknesses include high employment volatility.

Competition

The assessment area is a highly competitive market for financial services that includes a large number of national and industrial banks. According to the June 30, 2022 FDIC Deposit Market Share Report, 49 FDIC-insured institutions operate 293 branches throughout the Salt Lake City and Ogden-Clearfield MSAs.

Community Contact

Examiners reviewed a recent community contact interview with an economic development organization that serves the assessment area. The contact stated that while the local economy is strong, rising cost of living expenses have put financial strain on families and individuals. In particular, there is a shortage in affordable housing that has contributed to rising housing and rental costs. Additionally, higher home prices have narrowed the path to homeownership for renters in the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that the most significant credit and community development need in the assessment area is affordable housing. Affordable housing includes both funding to construct new affordable housing and assistance to LMI families in pursuit of homeownership.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the date Nelnet Bank began operations on November 2, 2020 to the date of the current evaluation, November 1, 2022. Examiners used the Interagency Strategic Plan Examination Procedures to evaluate Nelnet Bank's CRA performance. The bank's approved Plan establishes goals for four performance criteria for each interim year the Plan is in effect. References to the bank's performance in Plan year 2021 relate to activities conducted from November 2, 2020, to September 30, 2021. References to Plan year 2022 relate to activities conducted from October 1, 2021, to September 30, 2022.

Activities Reviewed

Examiners reviewed Nelnet Bank records and documentation of qualified investments, donations, scholarship grants, and community development service hours to evaluate the institution's performance with respect to the Plan goals. In evaluating the bank's performance, examiners also considered the current economic environment, credit and community development opportunities in the assessment area, and the bank's financial capacity and constraints.

CONCLUSIONS ON PERFORMANCE CRITERIA

Nelnet Bank's CRA performance under the Plan reflects outstanding performance in helping to meet the needs of its designated assessment area in a manner consistent with its resources and capabilities. The following information details the measurable goals delineated in the Plan compared to the bank's actual performance.

New Community Development Loans and Qualified Investments

The first performance criterion is the total amount of new community development loans and qualified investments, grants, and donations expressed as a percentage of average total assets. The bank's average total assets are calculated using the total assets figure found on line nine of Schedule RC-K of the four quarterly Call Reports included in the Plan year. Nelnet Bank exceeded the goals for outstanding performance related to new community development lending and investment activities in Plan years 2021 and 2022. The following table summarizes the goals established in the Plan and the bank's actual performance.

New Community Development Loans and Investments					
Plan Year	Bank Established Goals		Bank Performance		
	Satisfactory (%)	Outstanding (%)	CD Loans and Investments (000s)	Average Total Assets (000s)	Actual Performance (%)
2021	1.20	1.45	$5,545	$305,570	1.81
2022	0.50	0.60	$7,560	$672,409	1.12
Source: Bank records, Plan, and Call Reports					

The majority of qualified activity supported affordable housing for LMI individuals and families, which was identified as the primary community development need in the assessment area. The bank made the following notable qualified investments and donations over the review period.

- In Plan year 2021, the bank purchased a mortgage-backed security (MBS) totaling $2.0 million. In Plan year 2022, the bank purchased 3 MBSs totaling approximately $5.3 million. The MBSs are composed of mortgage loans to LMI borrowers throughout Utah, including the bank's assessment area.

- In Plan year 2021, the bank originated a $1.0 million line of credit to an organization that funds affordable housing projects in the assessment area. In Plan year 2022, the bank increased the line of credit by $2.0 million.

<u>Cumulative Community Development Loans and Qualified Investments</u>

The second performance criterion is the total amount of new CD loans and new and prior period qualified investments expressed as a percentage of each year's average total assets. As this is Nelnet Bank's first performance evaluation, Plan year 1 does not include any prior period investments. Prior period investments in Plan year 2022 consist of the current balance of qualified investments made in Plan year 2021. Nelnet Bank exceeded the established goals for outstanding performance related to cumulative community development lending and investment activities. The following table summarizes the goals established in the Plan and the bank's actual performance.

New Community Development Loans and New and Prior Period Investments					
Plan Year	Bank Established Goals		Bank Performance		
	Satisfactory (%)	Outstanding (%)	CD Loans and Investments ($000)	Average Total Assets ($000)	Actual Performance (%)
2021	1.20	1.45	$5,545	$305,570	1.81
2022	1.20	1.45	$11,147	$672,409	1.66
Source: Bank records, Plan, and Call Reports					

In addition to the affordable housing activities discussed under the first performance criterion, the bank made the following notable qualified investments and donations over the review period.

- In Plan year 2021, the bank supported economic development by investing $2.5 million in a fund used to provide financing to 36 startup businesses throughout Utah, primarily within the bank's assessment area.

- Over the review period, the bank donated a total of $60,000 to an organization that distributes grants with a primary purpose of community development. Based on the organization's most recent annual report, the majority of grants supported community services targeted to LMI families and individuals.

Scholarship Funding

The third performance criterion is the bank's annual funding of its Learn to Dream Utah scholarship program. Nelnet Bank developed the program to provide LMI students in its assessment area with the opportunity to attend local community colleges and trade schools. As illustrated in the following table, the bank met its goals for outstanding performance related to scholarship funding in Plan years 2021 and 2022.

Learn to Dream Utah Scholarship Funding			
Plan Year	Bank Established Goals		Bank Performance
	Satisfactory	Outstanding	Amount Funded
2021	$30,000	$50,000	$50,000
2022	$35,000	$55,000	$55,000
Source: Bank records and Plan			

Over the review period, 85 scholarships were awarded to students, reducing the financial barrier for recipients to pursue a postsecondary education.

Community Development Services

The fourth performance criterion is the total amount of community development service hours provided by bank employees. As illustrated in the following table, the bank exceeded its goals for outstanding performance related to community development service hours in both plan years.

Community Development Service Hours			
Plan Year	Bank Established Goals		Bank Performance
	Satisfactory	Outstanding	Qualified Service Hours
2021	80	100	186
2022	140	168	225.5
Source: Bank records and Plan			

The following are notable examples of community development services provided during the review period.

- A Nelnet Bank officer provided a total of 66 hours of community development service hours as a Board member of an organization that addresses affordable housing needs in the assessment area. The organization's programs include homebuyer education courses and down payment assistance for LMI individuals and families.

- In 2022, Nelnet Bank and Nelnet, Inc. employees provided a total of 121.5 hours of qualified community development service hours during two bank-wide service event days held to benefit Learn to Dream Utah scholarship recipients. Event activities focused on financial literacy through interactive lessons and budgeting simulations.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal practices.

GLOSSARY

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

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms; or
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

(1) Has as its primary purpose community development; and
(2) Except in the case of a wholesale or limited purpose bank:
   (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
   (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

(1) Has as its primary purpose community development;
(2) Is related to the provision of financial services; and
(3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) An unemployment rate of at least 1.5 times the national average;
(2) A poverty rate of 20 percent or more; or
(3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

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

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

About This Document

Document History

Date	Revision	Owner	Approver
09/29/2022	NB CRA Management Committee approved draft plan and recommended for NB Board of Directors approval.	Nelnet Bank	CRA Management Committee
09/30/2022	NB Board of Directors approved draft plan and recommended submission to FDIC Regional Office.	Nelnet Bank	Board of Directors
TBD	FDIC approval.	Nelnet Bank	FDIC