



# **Pathward**

## **Community Reinvestment Act Strategic Plan**

**January 1, 2024 – December 31, 2026**

## Table of Contents

<b>SECTION I. INTRODUCTION .....</b>	<b>3</b>
<b>SECTION II. CRA STRATEGIC PLAN PROPOSAL .....</b>	<b>4</b>
<b>SECTION III. ASSESSMENT AREA .....</b>	<b>6</b>
<b>SECTION IV. NEEDS AND OPPORTUNITIES IN THE ASSESSMENT AREA.....</b>	<b>9</b>
<b>SECTION V. PUBLIC PARTICIPATION.....</b>	<b>12</b>
<b>SECTION VI. PATHWARD CRA STRATEGIC PLAN AND MEASURABLE GOALS.....</b>	<b>13</b>
<b>SECTION VII. REQUEST FOR APPROVAL AND CONTACT INFORMATION.....</b>	<b>21</b>
<b>Exhibits .....</b>	<b>22</b>
<b>Exhibit 1: Map of Sioux Falls MSA .....</b>	<b>23</b>
<b>Exhibit 2: Assessment Area Needs Assessment Participants .....</b>	<b>23</b>
<b>Exhibit 3: Assessment Area map with demographic information.....</b>	<b>24</b>
<b>Exhibit 4: Sioux Falls MSA Deposit Market Share Report.....</b>	<b>25</b>
<b>Exhibit 5: Public Notice and Proof of Publication .....</b>	<b>26</b>

## SECTION I. INTRODUCTION

Pathward, National Association (“Pathward” or “Bank”) is a national bank headquartered in Sioux Falls, South Dakota. Pathward is a wholly owned subsidiary of Pathward Financial, Inc., a financial holding company also headquartered in Sioux Falls, South Dakota. Pathward Financial is publicly traded on the NASDAQ global select market under the symbol “CASH.” As of June 30, 2023, Pathward had total assets of \$7.5 billion. Pathward is regulated at the federal level by the Office of the Comptroller of the Currency (“OCC”).

As a federally insured depository institution, Pathward is subject to the Community Reinvestment Act (“CRA”), which requires banks to help meet the credit needs of their entire community, including low- and moderate-income (LMI) individuals and those located in LMI geographies. Due to Pathward’s branchless business model, the Bank has elected to be evaluated under the “Strategic Plan” option as provided in 12 C.F.R. § 25.27 for the plan period January 1, 2024, through December 31, 2026.

### A. Pathward Product Offerings

Pathward is a leader in providing innovative financial solutions to consumers and businesses in under-served niche markets and believes in financial inclusion for all. Pathward includes the following business lines to serve our customer’s needs:

#### **Banking as a Service (BaaS) Business Line**

The Banking as a Service (BaaS) business line serves consumers often overlooked by traditional banks and strives to ensure everyone has access to the kind of financial products that most people take for granted. Pathward has Payments, Issuing, Credit, and Tax Solutions product lines.

The Payments Solutions product line includes ATM, ACH, merchant acquiring, and direct to debit solutions. Issuing Solutions product line includes DDA and Prepaid Accounts. Pathward is one of the largest issuers of prepaid cards in the U.S., having issued more than a billion cards in partnership with banks, program managers, payment providers and other businesses. Credit Solutions provides a total solution for marketplace lending, including underwriting and loan management in the direct-to-consumer credit business. The Tax Solutions product line offers free and interest-based refund advance loans, tax refund-transfer solutions, and commercial loans to tax preparers (software purchases, start-up costs, and loyalty cards).

#### **Commercial Finance (CF) Business Line**

The CF business line includes Commercial Finance and Insurance Premium Finance. Commercial Finance provides products such as Asset-Based Lending, Factoring, Lease Financing, Gov’t Guaranteed lending, and other commercial financing. Commercial Finance prides itself on lending in industries that require the bank to understand the risks of the industry, such as manufacturing, alternative energy, oilfield services, and transportation. Insurance Premium Finance provides short-term, collateralized financing to facilitate the purchase of insurance for commercial property, casualty, and liability risk through a nationwide network of over 850 independent insurance agencies.

### B. Pathward N.A. Financial Information

Pathward is profitable, growing, and well-capitalized. Pathward’s Consolidated Reports of Condition and Income (Call Report)<sup>1</sup> as of June 30, 2023, reflected the following:

- \$7.5 billion in total assets
- \$6.3 billion in total deposits
- \$4.1 billion in loans and leases held for investment
- \$586 million Tier 1 Capital

---

<sup>1</sup> Pathward’s Consolidated Reports of Condition and Income as of June 30, 2023: <https://cdr.ffiec.gov/public/ManageFacsimiles.aspx>  
(After accessing the link, in the Search function select “Call Report”, Report Date: Single Date “6/30/2023”, Institution Name “Pathward”)

- 1,186 full-time equivalent employees

## SECTION II. CRA STRATEGIC PLAN PROPOSAL

### A. Pathward's Commitment to CRA

We believe the core businesses at Pathward are structured to serve LMI consumers and small businesses. These core businesses, the Community Impact Program, past CRA performance, and the Pathward CRA program demonstrate the significant effort devoted to complying with both the letter and the spirit of the CRA.

#### Core Businesses

##### **Banking as a Service (BaaS) Business Line**

Pathward's BaaS business line has Payments, Issuing, Credit Solutions, and Tax Solutions product lines. Payments and Issuing Solutions specializes in providing deposit banking services for the unbanked and underbanked. According to a survey completed by the FDIC<sup>2</sup>, 5.9 million U.S. households are unbanked, and an additional 18.7 million are underbanked. Also, according to the survey, prepaid card use was most prevalent among unbanked households and was higher among lower-income households. As of June 30, 2023, the bank's deposit portfolio was \$6.3 billion, and a significant portion of those deposits are from prepaid cards. One of the most impactful products offered by Pathward and its partners is the general purpose reloadable (GPR) prepaid card which serves as a primary transaction account for many unbanked and underbanked individuals. GPR cards provide access to the financial system and offer the same kind of features, functionality, and safety as traditional banking products. Prepaid card customers often utilize GPR cards as a budgeting tool to control spending and stay out of debt. Direct deposit features allow cardholders to avoid expensive check cashing fees. Many LMI individuals utilize GPR cards to directly deposit their payroll, withdraw funds from an ATM, make point-of-sale purchases, and manage their finances. GPR cards issued by Pathward offer the same kind of consumer protections as traditional bank accounts including initial disclosures, FDIC insurance, error and dispute resolution under Regulation E, and comprehensive transaction and account information with 24/7 customer support. These accounts are available to everyone, regardless of their financial standing.

The ATM Sponsorship group sponsors freestanding ATMs across the U.S. Freestanding ATMs are located in non-bank locations such as malls, retail chains, convenience stores, and other small businesses which provide convenient access to funds when consumers need it. Access to cash is often a need among the unbanked/underbanked and Pathward is a sponsor of these services.

Pathward, through its Tax Solutions product line and its partnerships is able to provide small dollar loans (Refund Advances) to consumers nationwide. In 2022-2023 tax year<sup>3</sup>, Pathward originated over 1 million Refund Advance loans for a total of \$1.5 billion. This equates to an average loan amount of approximately \$1,400 per customer. Refund Advance loan amounts varied between \$200 - \$6,400. There was a total of 69% of loans that were free to the consumer (no interest or loan fees). Refund Advance loans provide borrowers with funds to meet their financial obligations prior to the disbursement of their Tax Refund, which is a common necessity for LMI individuals.

##### **Commercial Finance (CF) Business Line**

The CF business line includes Commercial Finance and Insurance Premium Finance. Commercial Finance has a variety of lending products that help businesses of all sizes. It specializes in helping businesses in niche industries that are often unable to access traditional financial solutions. The Asset-Based lending and Factoring products are two of the Commercial Finance products that help Pathward support small businesses in B2B industries facing

---

<sup>2</sup> 2021 FDIC National Survey of Unbanked and Underbanked Households: <https://www.fdic.gov/analysis/household-survey/2021report.pdf> (page 1 & page 7)

<sup>3</sup> Based on Pathward's analysis of Tax Solutions – Refund Advance loans originated: 2022/2023 tax totals

business growth or economic downturn. The Asset-Based lending product offers more flexibility than other methods of financing and is a fast and cost-efficient way to obtain working capital. Unlike certain types of structured financial products, with an asset-based lending relationship, the business owner does not need to give up equity in the company. Factoring is the sale of accounts receivable that allows the business to access cash based on the strength of its customer's credit. Due to the risk in these industries/products, most traditional banks are not willing to lend to these businesses.

Insurance Premium Finance originates loans to small businesses to finance insurance premiums. This financing allows these businesses to deploy capital to operate / grow their business instead of paying their insurance premium upfront. In 2022<sup>4</sup>, Pathward originated almost 30,000 loans for insurance premium financing through its Insurance Premium Finance business unit. The average loan size was approximately \$40,000 and 94% of loans were under \$100,000. Each year the Insurance Premium Finance business unit originates 80-90% of all CRA reportable loans (by number) originated by Pathward, which illustrates the significance of smaller loan amounts in Pathward's Commercial Finance Business Line.

### **Community Impact Program**

Pathward's Community Impact Team is proud to support the communities where we live and work by developing deep ties in the community, and is engaged with community members, with an emphasis on finding and developing new or expanded ways to help meet community needs. As part of the Community Impact Program, Pathward encourages employees to participate in volunteer activities by providing volunteer time off (VTO) of up to 16 hours per year. In conjunction with VTO, Pathward provides a Dollars for Doers Program. For every tracked volunteer hour, Pathward will donate \$20, minimum of 8 hours – maximum of 24 hours, to an eligible US non-profit organization of the employee's choice. Pathward also offers an Employee Matching Gifts Program (EMGP) and encourages employees to contribute to the causes they care most about by matching the employee's charitable donations to eligible nonprofits with matching gifts up to \$2,000 per participant, per calendar year.

### **Past CRA Performance**

Pathward's most recent CRA performance evaluation was as a Large Bank exam that was completed on February 3, 2020<sup>5</sup>. The Scope of the exam included lending activities in 2016-2018 and Community Development (CD) activities in 2017-2018. The bank received an overall rating of Outstanding, including Outstanding ratings on all three Performance Tests (Lending, Investments, and Services). In 2022, only 28% of OCC regulated institutions earned an Outstanding rating<sup>6</sup>. Earning an Outstanding CRA rating, speaks to Pathward's focus on meeting the needs of LMI individuals / families and small businesses in the communities it serves.

### **CRA Program**

Pathward's CRA Team (as part of the Compliance department) is led by the bank's VP, Risk and is responsible for the development, implementation, and oversight of the bank's CRA Strategic Plan. To develop goals for the CRA Strategic Plan, the CRA Team collaborated with various teams at Pathward including management within the Commercial Finance and BaaS business lines, Treasury department, Compliance department, Community Impact Team, and Executive Management. CRA performance is monitored, and progress reports are provided to various stakeholders on a regular basis and reviewed and discussed at quarterly CRA Working Group meetings. The CRA Team performs extensive due diligence regarding all proposed CRA loans and investments.

#### **B. Overview of Strategic Plan, Effective Date and Term**

Pathward's strong commitment to CRA is demonstrated by the extent and breadth of its measurable goals included in the Strategic Plan. There are three goals (Tier I): 1) CD Investments / Loans; 2) CD Donations; 3) CD

---

<sup>4</sup> Based on Pathward's analysis of Insurance Premium Finance - CML loans originated in 2022

<sup>5</sup> 2020 MetaBank CRA Performance Evaluation: <https://www.occ.gov/static/cra/craeval/Jun20/705902.pdf>

<sup>6</sup> According to data obtained from the OCC: <https://apps.occ.gov/crasearch/Default.aspx>

Service Hours specific to activities in the assessment area (AA), and one goal (Tier II) specific to CD Investments / Loans in the Broader Statewide Regional Area (BSRA). These goals will allow the bank to respond to critical community needs and implement responsive, flexible, and innovative loans and investments. In developing the Plan and goals, the bank received input from a wide array of community partners and peer data from The Bancorp Bank. The goals are described in greater detail in Section VI below.

The effective date of this Strategic Plan is January 1, 2024, and the term is three years: 2024-2026. If during the term of this Strategic Plan there is a material change in circumstance, Pathward may request an amendment to this Strategic Plan as provided for in 12 C.F.R. § 25.27(h).

**SECTION III. ASSESSMENT AREA**

The Community Reinvestment Act (CRA) requires a bank to delineate one or more assessment areas (AAs) within which the appropriate Federal banking agency evaluates the bank’s record of helping to meet the credit needs of its community. The AAs must include the geographies in which the bank has its main office, its branches, and its deposit-taking ATMs (12 C.F.R. § 25.41(c)(2)). Pathward operates no physical branches or deposit-taking ATMs; therefore, the Bank delineates its AA based on its main office in Sioux Falls, South Dakota. The Bank’s AA is the Sioux Falls MSA (MSA-43620), which includes all of Minnehaha, Lincoln, McCook, and Turner counties in South Dakota (see map in Exhibit 1). In compliance with 12 C.F.R. § 25.41(c) – (e), the AA includes only whole geographies or political subdivisions (counties), does not reflect illegal discrimination, does not arbitrarily exclude LMI geographies, and may not extend substantially beyond an MSA boundary or beyond a state boundary unless the assessment area is located in a multistate MSA.

**A. Population Data and Median Family Income**

As of 2021, the city of Sioux Falls had a population of 189,258<sup>7</sup>, which is 69% of the total population of 272,414 in the Sioux Falls MSA. The population and income breakdown of the Sioux Falls MSA’s 64 census tracts are included in Table 1. The MSA has 2 low-income tracts and 16 moderate income tracts. Table 2 Median Family Income Ranges indicates there has been an increase of 5% of Median Family Income (MFI) in the MSA over the last three years. Sioux Falls saw a 19.8% population increase between 2010 and 2020.<sup>8</sup> All of these data points indicate the population, and the MFI in Sioux Falls are on an upward trajectory.

**Table 1: Population and Income Breakdown**

Assessment Area: 2022 Sioux Falls MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	64	3.1	25.0	51.6	18.8	1.6
Population by Geography	276,730	1.7	22.8	54.2	20.7	0.5

**Table 2: Median Family Income Ranges**

<sup>7</sup> 2021 American Community Survey (ACS) - [Sioux Falls https://data.census.gov/table?q=040XX00US46\\_160XX00US4659020\\_310XX00US43620&d=ACS+5-Year+Estimates+Data+Profiles&tid=ACSDP5Y2021.DP05](https://data.census.gov/table?q=040XX00US46_160XX00US4659020_310XX00US43620&d=ACS+5-Year+Estimates+Data+Profiles&tid=ACSDP5Y2021.DP05)

<sup>8</sup> 2021 Sioux Falls Housing Needs Assessment by Augustana Research Institute: <https://www.augie.edu/sites/default/files/documents/2021-10/Housing%202021%20-%20Final%20Report.pdf> (page 182)

Sioux Falls, SD MSA Median Family Income (43620)				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$86,200)	<\$43,100	\$43,100 to <\$68,960	\$68,960 to <\$103,440	≥\$103,440
2021 (\$82,500)	<\$41,250	\$41,250 to <\$66,000	\$66,000 to <\$99,000	≥\$99,000
2022 (\$90,700)	<\$45,350	\$45,350 to <\$72,560	\$72,560 to <\$108,840	≥\$108,840

## B. Housing Data

Over the last decade, median home values in Sioux Falls have increased. From 2018 to 2019, Sioux Falls home values jumped 9.7%. Continuing an upward trend, from July 2020 to July 2021, the 12-month median sales price increased by 10.8%, from \$221,000 to \$244,900.<sup>9</sup> As home prices have increased and interest rates approaching 7%, housing affordability has decreased.

Housing data for the Sioux Falls MSA is available in Table A. This data indicates 37 percent of families in the AA are LMI. The area’s median housing value in the Sioux Falls MSA (\$244,900) is 2.8 times the Median Family Income in the MSA (\$84,874), 3.3 times the moderate-income demographic (\$72,560), and 5.4 times the low-income demographic (\$45,350) Table 2. This indicates a limited proportion of owner-occupied housing units are affordable to many low-income residents.

Since 2013, the balance of new construction activity has shifted toward multifamily. Previously multi-family programs relied on government subsidies and that has since shifted to tax credit programs. The federal government had prioritized public housing and subsidized housing that served extremely low-income households; these programs required deep subsidies, generally in the form of project-based assistance, and allowed tenants to pay rent based on 30% of their household income. The tax credit program marked a shift away from subsidized housing for extremely low-income people toward affordable rentals for a more moderate-income renter population. Instead of deep subsidies for renters, the tax credit program provides shallow financial assistance to developers.<sup>10</sup>

<sup>9</sup> 2021 Sioux Falls Housing Needs Assessment by Augustana Research Institute: <https://www.augie.edu/sites/default/files/documents/2021-10/Housing%202021%20-%20Final%20Report.pdf> (page 26)

<sup>10</sup> 2021 Sioux Falls Housing Needs Assessment by Augustana Research Institute: <https://www.augie.edu/sites/default/files/documents/2021-10/Housing%202021%20-%20Final%20Report.pdf> (page 62)

**Table A - Demographic Information of the Assessment Area**

Assessment Area: 2022 Sioux Falls MSA

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	64	3.1	25.0	51.6	18.8	1.6
Population by Geography	276,730	1.7	22.8	54.2	20.7	0.5
Housing Units by Geography	111,182	2.8	25.8	52.8	17.6	1.0
Owner-Occupied Units by Geography	69,174	1.0	19.1	56.9	23.0	0.0
Occupied Rental Units by Geography	35,356	6.1	35.5	46.0	9.2	3.1
Vacant Units by Geography	6,652	4.0	44.5	46.1	5.4	0.0
Businesses by Geography	36,684	9.4	24.1	43.0	20.8	2.6
Farms by Geography	1,831	2.2	13.8	65.9	17.8	0.3
Family Distribution by Income Level	66,662	18.6	18.1	25.0	38.3	0.0
Household Distribution by Income Level	104,530	22.5	16.9	19.6	41.0	0.0
Median Family Income MSA - 43620 Sioux Falls, SD MSA		\$84,874	Median Housing Value			\$203,781
			Median Gross Rent			\$826
			Families Below Poverty Level			5.3%

Source: 2020 U.S. Census and 2022 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.

In June 2023, the following year over year trends were identified for the Sioux Falls area housing market<sup>11</sup>:

- Mortgage interest rates remain high.
- Pending sales ↑ by 25.4%
- Inventory levels ↓ by 4.1%
- Median sales price ↑ 4.7% to \$326,950

These trends indicate limited existing-home inventory for buyers with higher mortgage rates and a low level of inventory. The increase in median sales prices continues to put a strain on the affordable housing inventory, which becomes a barrier to home ownership for LMI households.

C. Economic Outlook and Other Relevant Data

Sioux Falls is the largest city in South Dakota and is the main population hub in the Sioux Falls MSA. The top 10 largest employers in the area include: Sanford Health, Avera Health, Sioux Falls School District, Smithfield Foods, Hy-Vee Food Stores, Wells Fargo, Wal-Mart/Sam’s Club, and Citi<sup>12</sup>. According to Table 3 below, three of the top four occupations in terms of number of employees in the MSA all include annual median wages below the annual median wage for all occupations. Compared to the United States as a whole, the Sioux Falls MSA unemployment rate is very low. In June 2021, the MSA was tied for the 6th lowest unemployment rate among 389 ranked MSAs across the country. The 2.9% unemployment rate recorded that month was less than half the national rate of 6.1%.

**Table 3 - Employment by occupation group for the Sioux Falls MSA as of May 2020**

<sup>11</sup> Sioux Falls Housing Market Report – June 2023: [Market Data & News - RASE: REALTOR® Association of the Sioux Empire \(rase-inc.org\)](https://www.rase-inc.org/Market-Data-&-News)

<sup>12</sup> Major Employers | Sioux Falls Development Foundation: <https://siouxfallsdevelopment.com/talent-workforce/major-employers/page192>



## Employment by Occupational Group, Sioux Falls MSA, May 2020

Occupation	Employment	Annual Median Wage
All Occupations	153,530	\$39,050
Office and Administrative Support Occupations	22,690	\$35,390
Sales and Related Occupations	15,580	\$35,640
Healthcare Practitioners and Technical Occupations	14,960	\$59,320
Transportation and Material Moving Occupations	12,570	\$33,020
Food Preparation and Serving Related Occupations	12,300	\$23,080
Production Occupations	10,160	\$36,220
Business and Financial Operations Occupations	9,860	\$64,150
Construction and Extraction Occupations	7,980	\$41,370
Installation, Maintenance, and Repair Occupations	6,580	\$47,810
Educational Instruction and Library Occupations	6,300	\$42,830
Healthcare Support Occupations	5,230	\$29,670
Computer and Mathematical Occupations	5,190	\$68,780
Building and Grounds Cleaning and Maintenance Occupations	4,890	\$28,000
Management Occupations	4,760	\$106,880
Personal Care and Service Occupations	4,150	\$26,180
Community and Social Service Occupations	2,580	\$42,450
Protective Service Occupations	2,310	\$42,830
Arts, Design, Entertainment, Sports, and Media Occupations	2,060	\$41,870
Architecture and Engineering Occupations	1,570	\$68,750
Life, Physical, and Social Science Occupations	980	\$62,640
Legal Occupations	690	\$74,400
Farming, Fishing, and Forestry Occupations	140	\$31,230

Source: Bureau of Labor Statistics, Occupational Employment Statistics, May 2020 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates

Through 2026, projected job growth will be strongest in healthcare occupations, but is not expected to change existing income dynamics. Income projections through the year 2026 continue to forecast stronger growth in the higher income ranges and a relatively static number of households in the lower income ranges. As a result, by 2026, households with incomes of \$100,000 or above are projected to increase from about 28% of Sioux Falls households to about 32%. Over the same period, the number of lower income households (less than \$50,000) is expected to decrease from about 39% of households in 2021 to about 35% in 2026.<sup>13</sup> The low unemployment rate in the Sioux Falls area is positive; however, the growth in lower income ranges is not as strong as in higher income ranges. This may lead to the need for additional affordable housing options.

### SECTION IV. NEEDS AND OPPORTUNITIES IN THE ASSESSMENT AREA

At Pathward, we seek to partner with organizations that provide equitable access to resources for the unbanked / underbanked, promote economic mobility and help historically marginalized populations thrive. We recognize the importance of wraparound services in facilitating economic mobility. As a result, our community impact program focuses on four areas: 1) Financial Inclusion, 2) Personal and Family Empowerment, 3) Educational Support, and 4) Disaster Relief.

#### A. Needs in the Assessment Area

The needs in the AA were evaluated two ways: 1) Volunteer Service and Community Connections; 2) Community Needs Assessment.

<sup>13</sup> 2021 Sioux Falls Housing Needs Assessment by Augustana Research Institute: <https://www.augie.edu/sites/default/files/documents/2021-10/Housing%202021%20-%20Final%20Report.pdf> (page 2)

1. **Volunteer Service and Community Connections:** Historically, Pathward has performed a considerable number of CD Service hours within the Sioux Falls AA. In 2021, Pathward employees fulfilled 762 CRA qualified volunteer service hours, and 564 CRA qualified volunteer service hours were performed in 2022. We were able to surpass the outstanding goal for both years. We enable our employees to support the organizations and causes they care about through volunteer programs. Our performance has demonstrated the bank and its employees' commitment to volunteer service that helps to meet the needs of LMI individuals and families in the community. Pathward employees continue to serve on boards and committees of community service organizations, which gives the bank visibility into the needs and opportunities in the AA. Pathward employees are encouraged to communicate the needs of community service organizations to the Community Impact Team. These opportunities are evaluated by the Community Impact Team and reviewed by the CRA Team for CRA qualification. The Community Impact Team identifies and coordinates volunteer service projects in the Sioux Falls community for volunteer services focused on affordable housing, community services, and financial literacy.
  
2. **Community Needs Assessment:** For this CRA Strategic Plan, the Community Impact team conducted a needs assessment of the AA. This needs assessment consisted of discussions with four organizations that are integral in identifying and meeting the needs of the community. The discussions consisted of organizations focused on affordable housing, community services, and financial literacy. (Exhibit 2). The needs assessment focused on the following discussion points:
  - Organizational mission
  - Greatest needs within their primary service area
  - What can banks do to help the organization meet the needs of the community?

Needs Assessment Findings and Conclusions:

- a. Affordable Housing – Affordable Housing – One of the organizations that focuses on affordable housing noted its greatest need is providing access to affordable single-family housing (starter homes) and workforce development. Affordable housing is becoming less prevalent in the Sioux Falls area due to the cost increase to build new homes (\$175k to \$300k) during the pandemic along with an influx of residents moving in-state, soaring material costs, and interest rates. The organization noted that on average a wage earner must be earning at least \$20.95 an hour to afford a two-bedroom apartment in Sioux Falls. These conditions make it difficult for families to graduate from renting to homeownership. Another organization noted Veteran homelessness has increased. They noted their biggest need is to reduce the number of displaced veterans and provide wrap around services that provides support, builds confidence, and gets them back into becoming working class citizens.

When asked what banks can do to help, both organizations noted continued financial investment in affordable housing is key to ensuring the needs of the community are supported. The organizations also noted that, to ensure programming can be sustained, non-profits supporting affordable housing initiatives need continued financial support to offset additional costs that were incurred due to the pandemic.

- b. Community Services – The organization noted the greatest need is financial support of their wrap around services that support programs such as suicide prevention, childcare programs, care giver older adult programming, and more. The organization stated suicides increased approximately 70% during the pandemic and the need for psychiatric support has increased in LMI families and age ranges between 10-80. It also noted protections from evictions / foreclosures and utilities being shut off was winding down and there was a concern of the impact on LMI families.

When asked what banks can do to help, the organization noted long term financial commitments help non-profits better plan their budgets and provide them with the opportunity to create a closed-loop system for LMI families in

need of comprehensive services (e.g., childcare, utility assistance, suicide prevention, etc.). Non-profits often face financial constraints and limited resources, which can hinder their ability to develop and implement complex systems for service delivery and coordination.

- c. Financial Literacy – The organization noted there are two (2) greatest needs: 1). Volunteering resources and 2). Financial investments. Their organization reaches approximately 30,000 students annually, grades K-12 in the AA. Having volunteers sign up and deliver national financial literacy curriculum while weaving in their personal and professional experiences, helps students gain knowledge and develop a plan for their future career and the life they want to lead after graduating will help them reach their goals. By better understanding how to budget and save money, it allows the students to create plans that set expectations and a course of achieving unachievable goals. The financial investment to the organization allows them to maintain resources for the children and support overall operational cost.

When asked what banks can do to help, the organization stated that during the 2023/24 school year they will be launching a new program geared towards middle and high school students with a focus on budgeting (adult like experiences). They will need volunteers that are comfortable discussing budgeting and personal finance. They also noted financial investments, along with volunteering are important to the overall success of the program. These investments give students the permission to hope outside of their current circumstances.

## B. Opportunities in the Assessment Area

There are three driving factors that impact Pathward’s opportunities in the AA (Sioux Falls MSA). Those factors include: 1) Pathward’s Business model; 2) Small Population of the AA; 3) Number and Strength of Banks in the AA. These factors create an extraordinarily competitive environment for CRA qualified activities.

**1) Pathward’s Business Model:** Pathward is a branchless bank; therefore, focuses lending on its niche Commercial and Consumer lending products that are largely distributed by third parties nationwide. This business model limits the bank’s ability to generate small business loans and Community Development (CD) loans in the AA. Due to the small population base in the Sioux Falls area, the target market for third-party niche product offerings does not overlap with our main office AA. Given this business model, Pathward aggressively pursues CD investments in the AA.

**2) Small Population:** The population of Pathward’s AA (Sioux Falls MSA) is 272k and the state population is 882k, making it one of the least populous states in the country<sup>14</sup>. A small population means fewer federal / state affordable housing subsidies and CD investment opportunities. Sioux Falls has a significant housing gap for extremely low-income households. Although this population segment is not expected to grow in absolute terms, the existing housing gap amounts to about 4,500 units; there are an estimated 28 affordable units available for every 100 households below 30% of the area median family income which creates the highest housing cost burden of any group in the city. There is a significant need for housing units affordable on an annual income under \$20,000, there is a growing need for units affordable to households with incomes in the \$20,000 to \$35,000 range. The housing cost burden among this group has steadily increased over time.<sup>15</sup>

CD Investment opportunities are often highly correlated to the number of LMI tracts and the percentage of LMI households. Much of the population growth in the Sioux Falls MSA is in the communities surrounding Sioux Falls (e.g., Harrisburg, Tea, Brandon). For example, between July 1, 2021, to July 1, 2022, the city of Harrisburg saw a growth rate of 10.5%<sup>16</sup>. All of the LMI census tracts are located in the middle of the Sioux Falls city limits (Exhibit

<sup>14</sup> States by Population: <https://wisevoter.com/state-rankings/states-by-population/>

<sup>15</sup> 2021 Sioux Falls Housing Needs Assessment by Augustana Research Institute: <https://www.augie.edu/sites/default/files/documents/2021-10/Housing%202021%20-%20Final%20Report.pdf> (Exec Summary)

<sup>16</sup> The Dakota Scout: [Harrisburg, Spearfish fastest growing cities \(thedakotascout.com\)](https://www.thedakotascout.com/harrisburg-spearfish-fastest-growing-cities)

3 – AA Map). The additional growth in population within the Sioux Falls MSA is happening in areas on the outskirts or outside of the Sioux Falls city limits, which constrains the CD investment opportunities.

**3) Number and Strength of Banks in the AA:** Since the 1980's Sioux Falls has been an attractive location for banks to establish headquarters due to the favorable banking laws and regulations. The FDIC Summary of Deposits report from June 30, 2023<sup>2</sup> (Exhibit 4 – Sioux Falls MSA Market Share report) demonstrates how competitive the Sioux Falls market is with its mix of National Bank main offices (Citi and Wells Fargo), National Credit Card issuers (First Premier Bank and Department Stores National Bank (issuer for Macy's), and Regional Banks with a heavy concentration of branches in the MSA (First Interstate Bank and The First National Bank of Sioux Falls). There are 41<sup>9</sup> institutions in the market with 132<sup>5</sup> branches / main offices that contain \$771<sup>6</sup>90 billion in deposits. A large number of those deposits are from Wells Fargo and Citibank, which identify most of their deposits as non-retail branch deposits. The non-retail branch deposits do not reflect traditional retail customer relationships, rather they are wholesale funds. These deposits do not reflect where customers are located, where they work, or where they conduct business. This is similar to Pathward's deposit base, although Wells Fargo and Citibank are much larger institutions.

Pathward's highest CRA priority has always been – and will continue to be – to demonstrate responsiveness to the needs and opportunities in the AA. The combination of the Sioux Falls MSAs small population and a large number of banks competing for the same CD loans / investments has led to the Sioux Falls MSA becoming known as a CRA “hot spot”. This has led to significantly higher pricing on the limited number of CRA qualified activities. In short, the AA and the state of South Dakota do not have enough capacity to absorb the amount of CD loans and investments banks seek to deploy.

## **SECTION V. PUBLIC PARTICIPATION**

### **A. Informal Public Suggestions**

Pathward has sought informal suggestions and input from members of the public in the Sioux Falls MSA, as required by 12 C.F.R. § 25.27(d)(1). The Bank collaborates with numerous community partners in the development and refinement of its overall strategy to provide responsive investments / donations, loans, and services. Many of those community partners participated in the Bank's needs assessment discussed above. A common theme among those surveyed was that the local / state government, corporations, and individuals contribute a significant amount of time and money to address the needs of LMI individuals. The gaps tend to be with the low-income individuals in the community. Affordable homeownership and subsidized rental units are extremely difficult to come by for low-income individuals.

Community organizations urged the bank to adapt to the ever-changing needs of the community by finding ways to continue supporting the needs of the community. Non-profits noted the continued need for financial support to sustain programs and services. Additionally, non-profits noted the need for businesses to encourage and promote employee volunteerism which is important for the success of their programs.

### **B. Formal Public Comment Solicitation**

Pathward solicited formal public comment on this Strategic Plan for 30 days by publishing notice in at least one newspaper of general circulation in the AA, as required by 12 C.F.R. § 25.27(d)(2). A copy of the Notice and proof of publication is included in Exhibit 5 – Public Notice. Pathward's CRA Strategic Plan is available to the public on its website at: [www.pathward.com/cra-plan](http://www.pathward.com/cra-plan)

The public was provided the bank's physical address, VP, Risk contact information, and the e-mail address of its CRA department ([CRA@Pathward.com](mailto:CRA@Pathward.com)) to request a copy of the CRA Strategic Plan. Commenters were directed to provide comments regarding the Plan to Pathward's main office (Attn: Kevin Topolinski) 5501 S. Broadband Ln

Sioux Falls, SD 57108 or the e-mail address listed above. The Bank's request for comment was published on August 31, 2023, and the 30-day public comment period ended on September 30, 2023.

The bank did not receive any public comments regarding the CRA Strategic Plan.

## **SECTION VI. PATHWARD CRA STRATEGIC PLAN AND MEASURABLE GOALS**

Pathward's CRA Strategic Plan reflects the Regulatory guidance described in §25.27 CRA Strategic plan<sup>17</sup> that is currently in place as of the date of the Plan submission. Pathward's measurable goals reflect the regulatory flexibility, both in how the goals are expressed and the three performance categories (loans, investments, and services), described in the OCC's Community Reinvestment Act: Guidelines for Requesting Approval of a Strategic Plan ("OCC Bulletin 2019-39")<sup>18</sup>, which provides as follows:

*Generally, a bank's strategic plan must address all three performance categories (i.e., lending, investments, and services), with an emphasis on lending and lending-related activities; the strategic plan nevertheless need not specify measurable goals in all three categories if the bank chooses a different emphasis. A focus on one or more performance categories may be appropriate if responsive to the characteristics and credit needs of the bank's assessment area(s), considering public comment and the bank's capacity and constraints, product offerings, and business strategy.*

Pathward has developed three measurable Community Development (CD) goals (Tier I) specific to the AA:

### **Tier I: Community Development Goals: 1) CD Investments / Loans; 2) CD Donations; 3) CD Service Hours**

The CD Investments / Loans goal demonstrates the bank's dedication to significant financial commitments to support LMI individuals/ families and small businesses in the AA. The CD Donations goal specific to the AA exhibits the bank's determination to make high impact donations to non-profits in the community. The CD Service Hours goal for the AA was determined because of the bank's main office in the AA and the impact volunteer service hours have on the community.

### **Pathward also developed a fourth goal: Tier II: CD Investments / Loans in the Broader Statewide or Regional Area (BSRA)**

The BSRA for Pathward was determined by including states in the same Region as South Dakota (West North Central region<sup>19</sup>). The BSRA includes the following states: South Dakota, Iowa, Minnesota, Nebraska, North Dakota, Kansas, and Missouri. Given the competition for limited opportunities in the AA (as described in Section IV. Needs / Opportunities), having a CD Investments / Loans goal in the BSRA will provide the bank with more opportunities to meet the needs of LMI individuals and small businesses.

### **Goal Methodology / Strategy**

All goals reflect a thorough analysis of the needs and opportunities in Pathward's AA / BSRA, the bank's business model, strategy, past CRA performance, and peer CRA performance / goals.

#### **A. CRA Strategic Plan Goals**

---

<sup>17</sup> Part 25 Community Reinvestment Act Regulations: [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=415967a14c90b33f47d467b5f7df6e92&ty=HTML&h=L&mc=true&n=pt12.1.25&r=PART#se12.1.25\\_127](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=415967a14c90b33f47d467b5f7df6e92&ty=HTML&h=L&mc=true&n=pt12.1.25&r=PART#se12.1.25_127)

<sup>18</sup> OCC CRA - Guidelines for Requesting Approval of a Strategic Plan: <https://www.occ.treas.gov/news-issuances/bulletins/2019/bulletin-2019-39.html>

<sup>19</sup> Census Regions and Divisions of the US: [https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us\\_regdiv.pdf#lending](https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf#lending)

**1. Tier I – CD Investments / Loans in the AA**

**Business Model:** Pathward’s focus will be on Investments within the “CD Investments / Loans” goal. This focus is due to the bank’s niche Commercial lending products (e.g., Insurance premium financing, Tax business loans, Factoring/ABL, etc.), which constrains the bank from pursuing CD loans in the natural course of business.

**Strategy:** Through its relationships in the community and with national brokers, Pathward will target a variety of investment types including:

- **Affordable Housing** – investing in bonds that include loans to LMI individuals and specifically investments that serve low-income individuals and those located in LMI geographies, as these areas have the greatest need in the AA.
- **Community Services** - investments in activities, such as childcare, education, workforce development, health / housing services, and job training programs that serve LMI individuals.
- **Economic Development** – investments in small businesses (e.g., Community Development Financial Institutions (CDFI), Community Development Entity, etc.) for the primary purposes of job creation / job retention of LMI individuals
- **Revitalization Projects** – investments in Federal, State, Local, or Tribal government programs, projects, or initiatives that serve LMI individuals / families or revitalize LMI geographies, designated disaster areas, or Native / Tribal lands.

**Pathward Past CRA Performance:** Pathward’s performance in its current CRA Strategic Plan (’21 - ’23) is noted in the table below. Pathward always strives for an Outstanding rating for each goal; however, in 2022 we fell short of the Outstanding goal. As noted in Section IV. B 3, there is significant competition for CRA qualified opportunities in the AA. We believe the bank will exceed the Outstanding goal in 2023.

Pathward - CD Lending / Investment Goals January 1, 2021 - December 31, 2023			
Plan Year	Tier I - AA (Sioux Falls MSA)		
	Satisfactory Goal	Outstanding Goal	Actual Performance
2021	\$2MM	\$3MM	Outstanding \$3.4MM
2022	\$2MM	\$3MM	Satisfactory \$2.1MM
2023	\$4MM	\$5MM	\$4.6MM*

\*Total investments through 6.30.2023 and includes a forecast (as of 12.31.23) of \$2M in prior period investments.

**Peer CRA Performance / Goals:** Pathward has determined the prior performance / goals of The Bancorp Bank, N.A. should be considered as we developed our goals for the Strategic Plan because we are both headquartered in Sioux Falls, have a similar asset size, and have a history of Outstanding CRA performance ratings. The goals for the Bancorp CRA Strategic Plan are highlighted below:

<b>Bancorp - CD Lending / Investment Goals 2023 – 2025</b>
----------------------------------------------------------------

Plan Year		
	Satisfactory Goal	Outstanding Goal
2023	\$4MM	\$5MM
2024	\$4MM	\$5MM
2025	\$5MM	\$6MM

**Pathward’s – 2024 - 2026 CRA Strategic Plan - CD Investment / Lending Goals**

Pathward - CD Lending / Investment Goals January 1, 2024 - December 31, 2026		
Plan Year	Tier 1 - AA (Sioux Falls MSA)	
	Satisfactory Goal	Outstanding Goal
2024	\$3MM	\$4MM
2025	\$3MM	\$4MM
2026	\$5MM	\$6MM

**Conclusion**

Pathward’s future CRA Strategic Plan (’24 - ’26) CD Investment / Lending Goals are noted in the table above. Both the “Satisfactory” and “Outstanding” goals are all higher than Pathward’s goals in the current CRA Strategic Plan which exceeds our past CRA performance and is comparable to one of Pathward’s peers, (See table above). It is difficult to predict the availability of CRA qualified investments in the AA and the competition for those investments is extremely high; therefore, the Bank opted for static goals in ’24 and ’25. The 2026 goals were increased as prior period investments (purchased before the start of the scope period and still outstanding) will be combined with the 2026 results. The bank will continue to pursue CD Investment opportunities at the local level by building relationships in the community, which will assist the bank in gaining access to these highly sought-after investments.

**2. Tier I – CD Donations in the AA**

**Business Model:** Given the limited availability and competition for CD investments in the AA, the bank felt it was important to have separate CD donation goals specific to the AA. Pathward wants to ensure it makes an impact by providing financial support for Affordable Housing, Community Services and Economic Development activities in the community.

**Strategy:** Pathward has a Community Impact team to enhance relationships with non-profits, evaluate, and approve donations. The team will evaluate donations based on several factors including if the donation fits with the bank’s financial inclusion platform and if the donation is CRA qualified. The types of donations targeted will be the same as detailed in the Tier 1- CD investments / Loans goal. These donation initiatives will range from small non-profits to local chapters of national non-profits. Pathward will look to pair donations with employee volunteer service projects to further connections between bank staff and the community. The financial support for these donations will vary; however, the bank will strive to make large and small commitments to support the community.

**Pathward Past CRA Performance:** Pathward’s performance in its current CRA Strategic Plan (’21 – ’23) is noted in the table below. The bank surpassed the Outstanding goals outlined due to the creation and advancement of the Community Impact program. The program includes the Dollars for Doers Program, Employee Matching Gifts

Program, and the continued engagement with the non-profits within our community. Pathward has already surpassed the 2023 goal, without the projected \$75k donation.

<b>Pathward - CD Donation Goals January 1, 2021 - December 31, 2023</b>			
<b>Plan Year</b>	<b>Tier I - AA (Sioux Falls MSA)</b>		
	<b>Satisfactory Goal</b>	<b>Outstanding Goal</b>	<b>Actual Performance</b>
2021	\$50,000	\$60,000	Outstanding \$149,900
2022	\$60,000	\$70,000	Outstanding \$172,400
2023	\$70,000	\$80,000	\$155,308*

\*Total donations through 6.30.2023 and includes a projected donation of \$75k.

**Peer CRA Performance / Goals:** Pathward has determined that the prior performance / goals of The Bancorp Bank, N.A. should be considered as we developed our goals for the Strategic Plan because we are both headquartered in Sioux Falls, have a similar asset size, and have a history of Outstanding CRA performance ratings. The goals for the Bancorp CRA Strategic Plan are highlighted below:

<b>Bancorp - CD Lending / Investment Goals 2023 – 2025</b>		
<b>Plan Year</b>		
	<b>Satisfactory Goal</b>	<b>Outstanding Goal</b>
2023	\$160,000	\$180,000
2024	\$180,000	\$200,000
2025	\$200,000	\$220,000

**Pathward’s – 2024 - 2026 CRA Strategic Plan - CD Donation Goals**

<b>Pathward - CD Donation Goals January 1, 2024 - December 31, 2026</b>		
<b>Plan Year</b>	<b>Tier 1 - AA (Sioux Falls MSA)</b>	
	<b>Satisfactory Goal</b>	<b>Outstanding Goal</b>
2024	\$150,000	\$170,000
2025	\$170,000	\$190,000
2026	\$190,000	\$210,000

**Conclusion**

Pathward’s future CRA Strategic Plan (’24 - ’26) CD Donation Goals are noted in the table above. Both the “Satisfactory” and “Outstanding” goals are significantly higher than Pathward’s goals in the current CRA Strategic Plan due to the past performance and the Community Impact Team’s ability to seek high impact CRA



qualified donations. Pathward employees will continue their involvement with non-profits to better understand the needs of the community and how the bank can make financial commitments to help the community thrive.

**3. Tier I – CD Service Hours in the AA**

**Business Model:** Since the pandemic, Pathward, N.A. has moved to a work-from-home environment and is focused on hiring talent nationwide. This new work-from-home environment has decreased the total number of employees located in the Sioux Falls assessment area. These employees are not traditional bank branch employees that need to be engrained in the community to seek business opportunities. This requires a focus by the Community Impact team to facilitate volunteerism within the community by seeking individual and team volunteer opportunities for Sioux Falls employees. All employees have been tasked with bringing volunteer service opportunities to the Community Impact team.

**Strategy:** Pathward encourages employees to volunteer not only at team events secured by our Community Impact Team, but also individually with service organizations focused on the following:

- **Affordable Housing** – services to provide affordable rental and owner-occupied housing to LMI individuals and families.
- **Community Services** – services to provide activities, such as childcare, education, workforce development, health / housing services, and job training programs that serve LMI individuals and families.
- **Financial Literacy** - services in financial education or homebuyer counseling programs, which includes LMI individuals and families.
- **Economic Development** – services that provide technical assistance and supportive services for businesses that meet the Small Business Investment Company (SBIC) program standards.
- **Revitalization Projects** – services in Federal, State, Local, or Tribal government programs, projects, or initiatives, which benefit LMI individuals / families or revitalize LMI geographies, designated disaster areas, or Native / Tribal lands.

Through Pathward’s Community-Involvement Standards, the Management team feels strongly that through volunteerism Pathward can help create a positive work environment, improve the communities it serves, and continue to develop positive customer relationships. Pathward encourages volunteerism by honoring all reasonable requests and providing employees with volunteer time off (VTO) to complete volunteer activities during business hours.

**Pathward Past CRA Performance:** Pathward’s performance in its current CRA Strategic Plan ('21 -'22) is noted in the table below. Pathward always strives for an Outstanding rating for each goal and in '21 & '22 exceeded those goals. As noted above, Pathward has fewer employees working in the AA; however, strives to exceed the Satisfactory goal in 2023.

<b>Pathward - CD Service Hour Goals January 1, 2021 - December 31, 2023</b>			
<b>Goals based on # of FTEs in Sioux Falls MSA at the end of the prior calendar year</b>	<b>Satisfactory Goal @ 1 hour per FTE</b>	<b>Outstanding Goal @ 1.25 hours per FTE</b>	<b>Actual Performance (Hours)</b>
2021	471	589	762
2022	418	523	564

2023	373	466	207*
------	-----	-----	------

\*Total service hours through 6.30.2023.

**Peer CRA Performance / Goals:** Pathward has determined that the prior performance / goals of The Bancorp Bank, N.A. should be considered as we developed our goals for the Strategic Plan because we are both headquartered in Sioux Falls, have a similar asset size, and have a history of Outstanding CRA performance ratings. The goals for the Bancorp CRA Strategic Plan are highlighted below:

<b>Bancorp - CD Service Hour Goals 2023 - 2025</b>				
Goals based on 156 FTEs in SF, SD, or remote employees in communities within Bancorp AA.	Satisfactory Goal	Satisfactory Goal @ 1 hour per FTE	Outstanding Goal	Outstanding Goal @ 1.25 hours per FTE
2023	1 hr. / employee	156	1.25 hr. / employee	195
2024	1 hr. / employee	156	1.25 hr. / employee	195
2025	1 hr. / employee	156	1.25 hr. / employee	195

**Pathward’s – 2024 - 2026 CRA Strategic Plan - CD Service Hour Goals**

<b>Pathward - CD Service Hour Goals January 1, 2024 - December 31, 2026</b>		
Goals based on # of FTEs in Sioux Falls MSA at the end of the prior calendar year	Satisfactory Goal @ 1 hour per FTE	Outstanding Goal @ 1.25 hours per FTE
2024	362	453
2025	362	453
2026	362	453

**Conclusion**

Pathward’s future CRA Strategic Plan (’24 – ’26) CD Service Hour Goals are noted in the table above. Both the “Satisfactory” and “Outstanding” goals, 1 hour per FTE and 1.25 hours per FTE, remained the same as Pathward’s past CD Service Hour performance goals. Pathward’s work-from-home environment has decreased the number of employees working in the AA; however, the bank will continue to promote volunteerism through team events, virtual events and will strive to be a leader in serving non-profits within the AA.

**4. Tier II – CD Investments / Loans in the Broader State Regional Area (BSRA)**

As previously indicated, due to competition and limited opportunities in the AA the bank has included a secondary CD Investments / Loans goal (Tier II). This goal is based on CD activities in Pathward’s BSRA (West

North Central region<sup>20</sup>), which includes South Dakota, Iowa, Minnesota, Nebraska, North Dakota, Kansas, and Missouri. The goals below reflect a thorough analysis of the bank’s business model, strategy, past CRA performance, and the CRA performance of peer banks.

**Business Model:** Pathward’s focus will be on Investments within the “CD Investments / Loans” goal. This focus is due to the bank’s niche Commercial lending products (e.g., Insurance premium financing, Tax business loans, Factoring/ABL, etc.), which hinders the banks pursuit of CD loans in the natural course of business. The bank will pursue CD lending opportunities in the BSRA through its Commercial Finance business unit.

**Strategy:** Through its relationships with state housing financial agencies, national brokers, and national community service organizations, Pathward will target a variety of investment types in the BSRA including:

- **Affordable Housing** – investing in bonds that include loans to LMI individuals and specifically investments that serve low-income individuals, those located in LMI geographies, and LMI individuals located in distressed/underserved census tracts.
- **Community Services** - investments in activities, such as childcare, education, workforce development, health / housing services, and job training programs that serve LMI individuals.
- **Economic Development** – investments in small businesses (e.g., Community Development Financial Institutions (CDFI), Community Development Entity, etc.) for the primary purposes of job creation / job retention of LMI individuals
- **Revitalization Projects** – investments in Federal, State, Local, or Tribal government programs, projects, or initiatives that serve LMI individuals / families or revitalize LMI geographies, designated disaster areas, or Native / Tribal lands.

**Pathward Past CRA Performance:** Pathward’s performance in its current CRA Strategic Plan (’21 –’22) is noted in the table below. Pathward has surpassed the “Outstanding” rating for ’21 and ’22 and is expected to surpass the “Outstanding” goal for ’23. Historically, the bank utilized new loans originated and investments purchased within each calendar year of the plan.

Pathward - Broader Statewide Regional Area (BSRA) Investment / Lending January 1, 2021 - December 31, 2023						
Plan Year	Tier II - CD Investments / Lending (BSRA)					
	Tier One Capital*	Satisfactory Goal	Satisfactory % of Tier One Capital	Outstanding Goal	Outstanding % of Tier One Capital	Actual Performance
2021	12/31/2020 \$526MM	8%	\$42.0MM	10%	\$52.5MM	Outstanding \$54.3MM
2022	12/31/2021 \$569.2MM	8%	\$45.5MM	10%	\$56.9MM	Outstanding \$59.3MM
2023	12/31/2022 \$554.6MM	11%	\$61.0MM	13%	\$72.0MM	\$59.6MM**

\*The goal was based on the % of Tier One Capital at the end of the prior year.  
 \*\*Total investments through 06.30.2023 and includes a forecast (as of 12.31.23) of \$37.5M in prior period investments.

**CRA Performance of Peer Banks:** Pathward has determined that the goals of The Bancorp Bank, N.A. should be considered as we developed our goals for the Strategic Plan because we are both headquartered in Sioux Falls,

<sup>20</sup> Census Regions and Divisions of the US [https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us\\_regdiv.pdf](https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf)

have a similar asset size, and have a history of Outstanding CRA performance ratings. The goals for the Bancorp CRA Strategic Plan are highlighted below:

<b>Bancorp - Broader Statewide Regional Area (BSRA) Investment / Lending 2023 - 2025</b>				
<b>Plan Year</b>	<b>Tier 1 Capital as of 9/30/2022 \$776MM</b>			
	<b>Satisfactory Goal</b>	<b>Satisfactory % of Tier One Capital</b>	<b>Outstanding Goal</b>	<b>Outstanding % of Tier One Capital</b>
2023	11%	\$85,360,000	13%	\$100,880,000
2024	13%	\$100,880,000	14%	\$108,640,000
2025	15%	\$116,400,000	17%	\$131,920,000

**Pathward’s – 2024 - 2026 CRA Strategic Plan - CD Investments / Lending Goals**

<b>Pathward - Broader Statewide Regional Area (BSRA) Investment / Lending January 1, 2024 - December 31, 2026</b>					
<b>Plan Year</b>	<b>Tier II - CD Investments / Lending (BSRA)</b>				
	<b>Tier One Capital *</b>	<b>Satisfactory Goal</b>	<b>Satisfactory % of Tier One Capital</b>	<b>Outstanding Goal</b>	<b>Outstanding % of Tier One Capital</b>
2024	12/31/2023 \$586MM	13%	\$76.2MM	15%	\$87.9MM
2025	12/31/2024 \$586MM	14%	\$82MM	16%	\$93.8MM
2026	12/31/2025 \$586MM	15%	\$87.9MM	17%	\$99.6MM

\*Tier One Capital utilized was from 6/30/23. The goals for each Plan year will be based on Tier One Capital at the end of the prior calendar year.

**Conclusion**

Pathward’s goals are scalable and will adjust based on the Tier One Capital at the end of each calendar year. This will ensure that the bank’s goals are aligned with the size of the bank. ~~If the bank exceeds its Tier I (AA) CD Investments / Lending goal for Outstanding performance in a particular year, the excess dollar amount will roll into the Tier II (BSRA) actual performance. This will encourage the bank to continue its pursuit of CD activities in the AA, even after it has achieved an Outstanding rating.~~ Investing in the BSRA allows Pathward to make material loans, and investments in a broader region where the need is greater, and the concentration of financial institutions is less. The Bank is utilizing a year over year percentage increase approach towards investing a growing percentage of assets on balance sheet into the CRA qualified investment and lending goals.

For illustration purposes, Pathward utilized the 6/30/2023 Tier 1 Capital of \$586MM to calculate annual goals. That equates to approximately \$76.2MM – \$87.9MM of lending and investments held on the balance sheet in year 1, \$82MM - \$93.8MM in year 2, and \$87.9MM - \$99.6MM in year 3. These numbers are conservative and assume no growth in Tier 1 capital over the life of the plan.

## **B. Alternate Evaluation Method**

Pathward is committed, at the very minimum, to meeting this Strategic Plan’s measurable goals for a “Satisfactory” rating. However, as provided for in 12 C.F.R.§ 25.27(f)(4) if the Bank does not “meet substantially its plan goals for a satisfactory rating,” Pathward may elect to be evaluated under the Lending, Investment and Service tests for Large Banks.

## **SECTION VII. REQUEST FOR APPROVAL AND CONTACT INFORMATION**

### **A. Regulatory Criteria for Approval**

Pathward submits that it has fulfilled all of the regulatory requirements for CRA strategic plans, including those governing development of the plan, requesting public participation in the plan, and the plan’s measurable goals. The bank’s measurable goals met the requirements of the CRA performance context (12 C.F.R. § 25.21(b)(1) – (7)).

The extent and breadth of Pathward’s Tier I and Tier II measurable goals met these requirements in a number of ways, including the goals being at or above Pathward’s past performance and comparable to the goals and performance of its peers. Pathward will continue to seek out and create new CD investment, donation, and service opportunities that will benefit the AA and the BSRA.

### **B. Request for Approval of Pathward CRA Strategic Plan 2024-2026**

For the reasons described above, Pathward respectfully requests OCC approval of the 2024-2026 CRA Strategic Plan, prior to January 1, 2024.

Questions regarding this Strategic Plan may be directed to the following:

Kevin Topolinski  
VP, Risk  
Pathward  
5501 S. Broadband Ln.  
Sioux Falls, SD 57108  
Phone: (605) 362-2426  
Email: [CRA@pathward.com](mailto:CRA@pathward.com)

## Exhibits

**Exhibit 1:** Map of Sioux Falls MSA

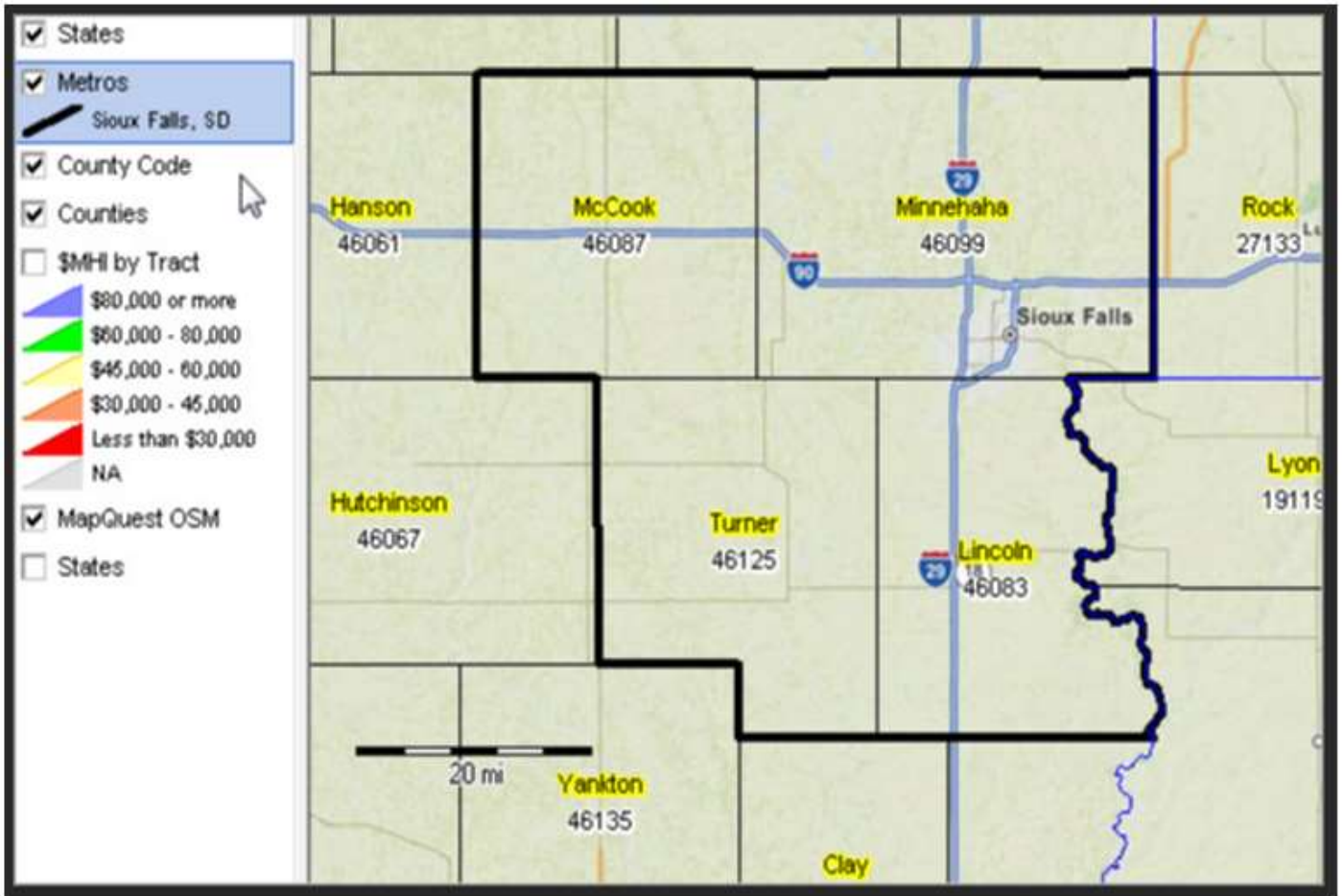
**Exhibit 2:** Assessment Area Needs Assessment Participants

**Exhibit 3:** Assessment Area map with demographic information

**Exhibit 4:** Sioux Falls MSA Market Share Report June 30, 202~~2~~<sup>3</sup>

**Exhibit 5:** Public Notice and Proof of Publication

**Exhibit 1: Map of Sioux Falls MSA**

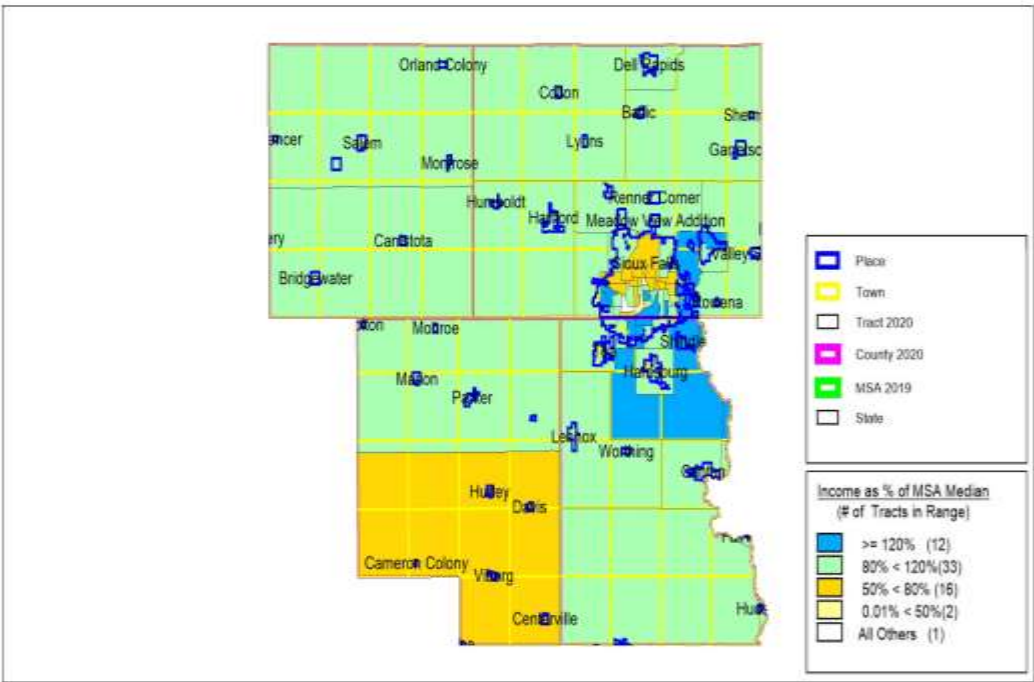


**Exhibit 2: Assessment Area Needs Assessment Participants**

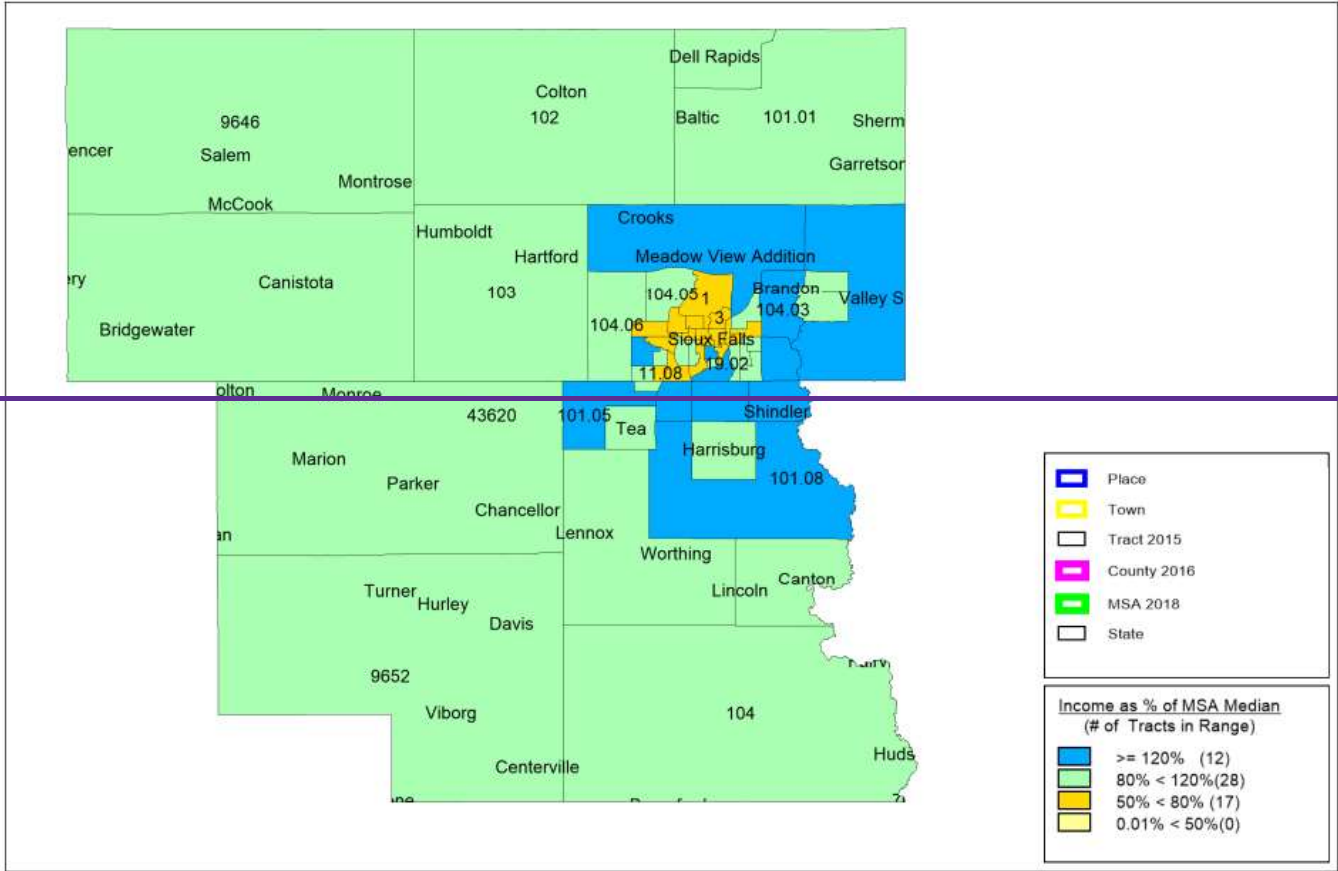
Organization	CD Service
Habitat for Humanity	Affordable Housing
Veteran Community Project	Affordable Housing/Community Services
Helpline	Community Services
Junior Achievement of South Dakota	Financial Literacy

**Exhibit 3: Assessment Area map with demographic information**

2023 Sioux Falls MSA 43620 CRA Assessment Area







Sioux Falls MSA Census Tracts by County

Minnehaha County Census Tracts									
<a href="#">0001.00</a>	<a href="#">0002.01</a>	<a href="#">0002.02</a>	<a href="#">0003.00</a>	<a href="#">0004.01</a>	<a href="#">0004.05</a>	<a href="#">0004.06</a>	<a href="#">0004.07</a>	<a href="#">0004.08</a>	<a href="#">0005.00</a>
<a href="#">0006.00</a>	<a href="#">0007.01</a>	<a href="#">0007.02</a>	<a href="#">0009.00</a>	<a href="#">0010.01</a>	<a href="#">0010.02</a>	<a href="#">0011.05</a>	<a href="#">0011.07</a>	<a href="#">0011.08</a>	<a href="#">0011.09</a>
<a href="#">0011.10</a>	<a href="#">0011.11</a>	<a href="#">0011.12</a>	<a href="#">0012.00</a>	<a href="#">0015.01</a>	<a href="#">0015.02</a>	<a href="#">0016.00</a>	<a href="#">0017.00</a>	<a href="#">0018.01</a>	<a href="#">0018.04</a>
<a href="#">0018.05</a>	<a href="#">0018.06</a>	<a href="#">0019.01</a>	<a href="#">0019.02</a>	<a href="#">0101.01</a>	<a href="#">0101.02</a>	<a href="#">0102.00</a>	<a href="#">0103.00</a>	<a href="#">0104.01</a>	<a href="#">0104.02</a>
<a href="#">0104.03</a>	<a href="#">0104.04</a>	<a href="#">0104.05</a>	<a href="#">0104.06</a>	<a href="#">0105.01</a>	<a href="#">0105.02</a>	<a href="#">0106.00</a>			

Lincoln County Census Tracts									
<a href="#">0101.03</a>	<a href="#">0101.07</a>	<a href="#">0101.09</a>	<a href="#">0101.10</a>	<a href="#">0101.11</a>	<a href="#">0101.12</a>	<a href="#">0101.13</a>	<a href="#">0101.14</a>	<a href="#">0101.15</a>	<a href="#">0101.16</a>
<a href="#">0102.00</a>	<a href="#">0103.00</a>	<a href="#">0104.00</a>							

McCook County Census Tracts	
<a href="#">9646.00</a>	<a href="#">9647.00</a>

Turner County Census Tracts	
<a href="#">9651.00</a>	<a href="#">9652.00</a>

Minnehaha County Census Tracts									
0001.00	0002.01	0002.02	0003.00	0004.01	0004.05	0004.06	0004.07	0004.08	0005.00
0006.00	0007.01	0007.02	0009.00	0010.01	0010.02	0011.05	0011.07	0011.08	0011.09
0011.10	0011.11	0011.12	0012.00	0015.01	0015.02	0016.00	0017.00	0018.01	0018.04
0018.05	0018.06	0019.01	0019.02	0101.01	0101.02	0102.00	0103.00	0104.01	0104.02
0104.03	0104.04	0104.05	0104.06	0105.01	0105.02	0106.00			
Lincoln County Census Tracts									
0101.03	0101.07	0101.09	0101.10	0101.11	0101.12	0101.13	0101.14	0101.15	0101.16
0102.00	0103.00	0104.00							
McCook County Census Tracts									
9646.00	9647.00	9999.99							
Turner County Census Tracts									
9651.00	9652.00	9999.99							

## Exhibit 4: Sioux Falls MSA Deposit Market Share Report

Offices and Deposits of all FDIC-Insured Institutions  
 Deposit Market Share Report  
 Deposits as of: June 30, 2022  
 Sorted By: Market Share

Selected Market					June 30, 2022					
Metropolitan Statistical Area(s): SIOUX FALLS, SD					Outside of Market		Inside of Market			
Institution Name	CERT	State (Hqtrd)	Bank Class	State/Federal Charter	No. of Offices	Deposits (\$000)	No. of Offices	Deposits (\$000)	Market Share	
Citibank, National Association	7213	SD	N	Federal	675	319,488,000	2	443,818,000	64.32%	
Wells Fargo Bank, National Association	3511	SD	N	Federal	4,766	1,212,791,995	10	229,242,005	33.22%	
Metabank, National Association	30776	SD	N	Federal	0	0	1	5,712,359	0.83%	
First Premier Bank	6085	SD	SM	State	7	364,858	9	2,804,044	0.41%	
The First National Bank In Sioux Falls	4016	SD	N	Federal	1	100,413	17	1,448,186	0.21%	
First Interstate Bank	1105	MT	SM	State	299	25,571,245	12	1,292,680	0.19%	
First Bank & Trust	3973	SD	NM	State	17	2,694,706	5	999,375	0.14%	
First Dakota National Bank	4028	SD	N	Federal	12	1,528,529	5	814,369	0.12%	
U.S. Bank National Association	6548	OH	N	Federal	2,243	454,557,115	8	754,062	0.11%	
One American Bank	6078	SD	NM	State	0	0	3	347,322	0.05%	
Plains Commerce Bank	1678	SD	NM	State	6	566,811	3	277,761	0.04%	
Department Stores National Bank	58180	SD	N	Federal	0	0	1	250,208	0.04%	
Dacotah Bank	17437	SD	SM	State	28	2,983,752	4	232,740	0.03%	
Cortrust Bank National Association	6063	SD	N	Federal	32	1,224,748	5	221,954	0.03%	
American Bank & Trust	1117	SD	NM	State	14	1,028,625	3	191,567	0.03%	
Central Bank	15555	IA	SM	State	20	1,428,744	4	161,458	0.02%	
Minnwest Bank	16958	MN	NM	State	36	2,247,579	2	129,968	0.02%	
Reliabank Dakota	16221	SD	NM	State	6	588,450	4	123,889	0.02%	
Rivers Edge Bank	9935	SD	NM	State	3	109,624	3	123,999	0.02%	
Security National Bank of South Dakota	34394	SD	N	Federal	1	102,521	2	120,280	0.02%	
Liberty National Bank	57505	IA	N	Federal	6	334,257	3	117,316	0.02%	
Security Savings Bank	15734	SD	NM	State	6	359,528	2	113,621	0.02%	
Frontier Bank	33922	SD	SB	Federal	3	168,198	2	90,910	0.01%	
Merchants State Bank	1125	SD	SM	State	2	119,127	2	79,690	0.01%	
Security Bank Midwest	485	SD	NM	State	3	167,519	2	72,370	0.01%	
Valley Exchange Bank	9947	SD	NM	State	0	0	2	68,919	0.01%	
Farmers State Bank of Canton	11133	SD	NM	State	0	0	1	53,918	0.01%	
American State Bank	228	IA	NM	State	9	902,394	1	48,825	0.01%	
First Savings Bank	32629	SD	SB	Federal	22	1,098,973	2	42,707	0.01%	
Bank Midwest	5170	IA	SM	State	10	1,000,727	1	40,811	0.01%	
Quoin Financial Bank	15629	SD	NM	State	2	148,589	1	39,092	0.01%	
Security State Bank	16448	SD	NM	State	1	59,681	2	35,149	0.01%	
First International Bank & Trust	10248	ND	NM	State	30	4,627,828	2	32,916	0.00%	
Cornerstone Bank	13198	ND	NM	State	11	1,130,124	1	32,552	0.00%	
Jpmorgan Chase Bank, National Association	628	OH	N	Federal	4,815	2,128,433,356	3	28,644	0.00%	
Premier Bank	34384	IA	NM	State	4	418,510	1	27,558	0.00%	
The Security State Bank	15749	SD	NM	State	1	37,339	1	21,789	0.00%	
Heritage Bank National Association	19254	MN	N	Federal	6	344,379	1	6,017	0.00%	
First Western Bank & Trust	19123	ND	SM	State	15	1,686,756	1	158	0.00%	
Sunrise Banks, National Association	18561	MN	N	Federal	4	1,697,161	1	0	0.00%	
<b>Number of Institutions in the Market: 40</b>					<b>TOTALS</b>	<b>13,106</b>	<b>4,170,112,161</b>	<b>135</b>	<b>690,018,594</b>	<b>100.00</b>

Offices and Deposits of all FDIC-Insured Institutions  
Deposit Market Share Report  
Deposits as of: June 30, 2023  
Sorted By: Market Share

Selected Market					June 30, 2023					
					Outside of Market		Inside of Market			
Metropolitan Statistical Area(s): SIOUX FALLS, SD					No. of Offices	Deposits (\$'000)	No. of Offices	Deposits (\$'000)	Market Share	
Institution Name	CERT	State (Hq'd)	Bank Class	State/Federal Charter						
Citibank, National Association	7213	SD	N	Federal	668	305,027,000	2	452,108,000	58.59%	
Wells Fargo Bank, National Association	3511	SD	N	Federal	4,546	1,063,428,877	9	296,786,123	38.46%	
The Bancorp Bank, National Association	35444	SD	N	Federal	0	0	1	6,635,432	0.86%	
Pathward, National Association	30776	SD	N	Federal	0	0	1	6,308,501	0.82%	
First Premier Bank	6085	SD	SM	State	7	287,241	8	2,045,000	0.27%	
The First National Bank In Sioux Falls	4016	SD	N	Federal	1	90,551	17	1,411,033	0.18%	
First Interstate Bank	1105	MT	SM	State	296	22,688,130	12	1,061,881	0.14%	
First Bank & Trust	3973	SD	NM	State	17	2,989,230	5	842,891	0.11%	
First Dakota National Bank	4028	SD	N	Federal	12	1,756,550	5	809,888	0.10%	
U.S. Bank National Association	6548	OH	N	Federal	2,334	525,999,421	8	742,301	0.10%	
Plains Commerce Bank	1678	SD	NM	State	5	550,736	3	366,279	0.05%	
One American Bank	6078	SD	NM	State	0	0	3	263,985	0.03%	
Dacotah Bank	17437	SD	SM	State	31	2,981,587	4	236,032	0.03%	
American Bank & Trust	1117	SD	NM	State	13	1,119,858	3	219,538	0.03%	
Cortrust Bank National Association	6063	SD	N	Federal	32	1,157,626	5	207,267	0.03%	
Central Bank	15555	IA	SM	State	20	1,533,061	4	161,449	0.02%	
Rivers Edge Bank	9935	SD	NM	State	2	106,741	3	126,194	0.02%	
Reliabank Dakota	16221	SD	NM	State	6	517,128	4	123,292	0.02%	
Minnwest Bank	16958	MN	NM	State	36	2,378,278	2	107,657	0.01%	
Liberty National Bank	57505	IA	N	Federal	6	291,811	2	108,417	0.01%	
First International Bank & Trust	10248	ND	NM	State	27	4,186,258	1	105,435	0.01%	
Security Savings Bank	15734	SD	NM	State	6	333,502	2	101,266	0.01%	
Security National Bank of South Dakota	34394	SD	N	Federal	1	79,842	2	91,673	0.01%	
Frontier Bank	33922	SD	SB	Federal	3	201,398	2	83,477	0.01%	
Merchants State Bank	1125	SD	SM	State	2	100,743	2	77,029	0.01%	
Security Bank Midwest	485	SD	NM	State	3	168,998	2	69,231	0.01%	
Jpmorgan Chase Bank, National Association	628	OH	N	Federal	4,872	2,067,980,335	3	61,685	0.01%	
Valley Exchange Bank	9947	SD	NM	State	0	0	2	60,056	0.01%	
Farmers State Bank of Canton	11133	SD	NM	State	0	0	1	53,202	0.01%	
American State Bank	228	IA	NM	State	10	1,044,042	1	52,795	0.01%	
Bank Midwest	5170	IA	SM	State	10	1,018,794	1	45,683	0.01%	
First Savings Bank	32829	SD	SB	Federal	22	1,077,614	2	41,087	0.01%	
Security State Bank	16448	SD	NM	State	1	53,089	2	32,703	0.00%	
Cornerstone Bank	13198	ND	NM	State	13	1,202,045	1	32,408	0.00%	
Quoin Financial Bank	15629	SD	NM	State	2	144,484	1	29,936	0.00%	
Premier Bank	34384	IA	NM	State	4	454,055	1	28,336	0.00%	
Heritage Bank National Association	19254	MN	N	Federal	6	389,870	1	27,696	0.00%	
The Security State Bank	15749	SD	NM	State	1	35,604	1	22,150	0.00%	
First Western Bank & Trust	19123	ND	SM	State	16	1,748,552	1	4,881	0.00%	
First State Bank Southwest	9770	MN	SM	State	5	330,555	1	2,309	0.00%	
Sunrise Banks, National Association	18561	MN	N	Federal	4	1,979,073	1	0	0.00%	
<b>Number of Institutions in the Market: 41</b>					<b>TOTALS</b>	13,040	4,015,432,679	132	771,693,178	100.00

## Exhibit 5: Public Notice and Proof of Publication

Pathward solicited formal public comment on this CRA Strategic Plan by publishing notice in at least one newspaper of general circulation in the Bank's AA, as required by 12 C.F.R. § 25.27(d)(2). This notice was published on August 31, 2023, in the Argus Leader newspaper, which is in general circulation in the Bank's assessment area. The public comment period expired on September 30, 2023. See the Public Notice and Proof of publication below.

### A. Public Notice

#### **Pathward®, N.A. Community Reinvestment Act Strategic Plan Comments Invited**

Pathward®, N.A. (the "Bank") intends to file a Community Reinvestment Act ("CRA") strategic plan ("Strategic Plan") with the Office of the Comptroller of the Currency ("OCC"). The Bank is required to publish notice of the Strategic Plan and solicit formal public comment for at least a 30-day period. In conformance with this requirement, the Bank hereby provides notice to the public of its plan to submit a three (3) year CRA Strategic Plan to the OCC.

The CRA Strategic Plan is available for viewing at: [www.pathward.com/cra-plan](http://www.pathward.com/cra-plan)

The Strategic Plan is also available for public inspection from 9 a.m. to 5 p.m. CDT Monday through Friday at the Bank's office at 5501 S. Broadband Ln, Sioux Falls, SD 57108, by contacting Kevin Topolinski (VP, Risk) at 605-362-2426, or by sending a request to [CRA@pathward.com](mailto:CRA@pathward.com).

All written comments regarding the Strategic Plan can be directed to the physical or e-mail address listed above (Attn: Kevin Topolinski). All comments will be accepted until September 30, 2023, following which time the Strategic Plan will be submitted to the OCC for approval. The Bank will review all comments and incorporate suggestions to the Strategic Plan at its discretion.

## B. Proof of Publication

---

**Text of Ad:** **08/29/2023**

Pathward®, N.A.  
Community Reinvestment  
Act Strategic Plan  
Comments Invited

Pathward®, N.A. (the "Bank") intends to file a Community Reinvestment Act ("CRA") strategic plan ("Strategic Plan") with the Office of the Comptroller of the Currency ("OCC").

The Bank is required to publish notice of the Strategic Plan and solicit formal public comment for at least a 30-day period. In conformance with this requirement, the Bank hereby provides notice to the public of its plan to submit a three (3) year CRA Strategic Plan to the OCC.

The CRA Strategic Plan is available for viewing at: [www.pathward.com/cra-plan](http://www.pathward.com/cra-plan)

The Strategic Plan is also available for public inspection from 9 a.m. to 5 p.m. CDT, Monday through Friday at the Bank's office at 5501 S. Broadband Ln, Sioux Falls, SD 57108, by contacting Kevin Topolinski (VP, Risk) at 605-362-2426, or by sending a request to [CRA@pathward.com](mailto:CRA@pathward.com).

All written comments regarding the Strategic Plan can be directed to the physical or e-mail address listed above (Attn: Kevin Topolinski). All comments will be accepted until September 30, 2023, following which time the Strategic Plan will be submitted to the OCC for approval. The Bank will review all comments and incorporate suggestions to the Strategic Plan at its discretion.

Published Aug. 31, 2023, at the total approximate cost of \$24.52 and may be viewed free of charge at [www.sdpublicnotice.com](http://www.sdpublicnotice.com)

---