



PUBLIC DISCLOSURE

June 12, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Goldwater Bank, National Association
Charter Number: 24671

2525 East Camelback Road, Suite 1100
Phoenix, Arizona 85016

Office of the Comptroller of the Currency

550 North Brand Boulevard, Suite 500
Glendale, California 91203-1985

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

Table of Contents

OVERALL CRA RATING	3
DEFINITIONS AND COMMON ABBREVIATIONS	3
DESCRIPTION OF INSTITUTION	7
SCOPE OF THE EVALUATION.....	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	8
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....	10
LENDING TEST	10
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS.....	B-1

Overall CRA Rating

The Lending Test is rated: **Needs to Improve.**

- Lending in the AA is less than reasonable. The majority of the bank's home mortgage loans were originated outside its AA.
- Lending to borrowers of different incomes, including low- and moderate-income individuals is less than reasonable.
- Geographic distribution of residential home loans in the AA reflects less than reasonable dispersion throughout the AA.

Definitions and Common Abbreviations

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

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

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

Census Tract (CT): Small, relatively permanent statistical subdivisions of a county delineated by local participants as part of the U.S. Census Bureau's Participant Statistical Areas Program. The primary purpose of CTs is to provide a stable set of geographic units for the presentation of decennial census data. CTs generally have between 1,500 and 8,000 people, with an optimum size of 4,000 people.

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

assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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

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

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

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

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

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

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

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

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

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

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

Median Family Income (MFI): The median income derived from the United States Census Bureau's American Community Survey data every 5 years and used to determine the income level category of geographies. Also, it is the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level of individuals within a geography. For any given geography, the median is the point at which half of the families have income above it and half below it.

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

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

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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

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

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

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

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

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

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

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

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

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

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

Description of Institution

Goldwater Bank, National Association (GBNA) is an intrastate full-service community bank headquartered in Phoenix, Arizona. GBNA was chartered in Scottsdale, Arizona on April 2, 2007. The bank moved to its present location in Phoenix, Arizona on October 1, 2016. The bank does not have a holding company. However, it is affiliated by ownership to Weststar Mortgage Corporation, which is located in Albuquerque, New Mexico.

GBNA operates one full-serve branch located in an upper-income census tract. Currently, the bank does not operate automated teller machines (ATMs) or offer drive-up teller access. However, up to September 30, 2016, the bank operated an ATM at its previous location in Scottsdale, Arizona.

Since the acquisition of Affiliated Financial Group in June 2009, GBNA has operated retail loan production offices (LPOs) both in its home state of Arizona as well as other markets. Prior to the change of control to Kent Wiechert, the bank operated 10 LPOs, including two located in Arizona. The two LPOs were located in Chandler, Arizona and Lake Havasu, Arizona. During this review, the Chandler, Arizona LPO was closed due to low production. Following the change in control, the mortgage division grew to include about 70 LPOs located across the United States. Currently, the bank operates approximately 60 LPOs. The LPOs are located in Alabama, Arizona, California, Colorado, Florida, Iowa, Idaho, Illinois, Kentucky, Louisiana, Massachusetts, Maryland, Michigan, Missouri, Mississippi, Montana, North Carolina, New Mexico, Nevada, Ohio, Oklahoma, Texas, Virginia, West Virginia, Washington, and Wisconsin. The LPOs strictly originate residential mortgages; some in their immediate markets and some on a national basis.

During the review period, about 62 percent of the bank’s deposits consisted of internet-sourced Quick Rate Certificates of Deposit, which were used to fund LPO activity. Escrow deposits also provided some of the funding for the loan activity generated by the LPOs.

As of December 31, 2016, the bank had total assets of \$131.2 million, total deposits of \$115.3 million, total loans of \$98 million and tier one capital of \$12.1 million. Total loans represent 75 percent of total assets. The bank’s primary loan product is residential mortgage loans.

Loan Portfolio by Loan Product	
Loan Category	% of Outstanding Dollars
1-4 Family Residential	82.81%
Commercial Real Estate	8.43%
Commercial & Industrial	1.82%
Consumer	4.85%
Construction & Land Development	1.76%
Agricultural	0.33%
Total	100.00%

The bank has no financial impediments that would affect its ability to meet the credit needs of its AA. GBNA received a “Satisfactory” rating under the small bank CRA procedures at the prior CRA examination, dated February 6, 2012.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This performance evaluation (PE) assesses the Community Reinvestment Act (CRA) performance of Goldwater Bank, N.A., using small bank CRA examination procedures. We performed a full-scope examination of the bank’s single assessment area, the Maricopa County assessment area (AA). We evaluated all of the bank’s home purchase and home refinance loans reported on the Home Mortgage Disclosure Act Loan Application Registers (HMDA LARs) from January 1, 2015 through December 31, 2016. The bank did not originate any home improvement loans during this review period.

Data Integrity

Prior to this CRA evaluation, we tested the accuracy of GBNA’s publicly filed information on home mortgage loans. The data we reviewed was collected and reported by the bank over the evaluation period. The testing revealed substantial errors in one key field in the 2016 HMDA data. However, the errors were corrected and we concluded that the data we relied upon for this examination is substantially accurate.

Selection of Areas for Full-Scope Review

We performed a full-scope review of the bank’s single assessment area – the Maricopa County AA. See appendix A for additional information.

Ratings

The bank’s overall rating is based on a full-scope review of the bank’s Maricopa County AA.

Discriminatory or Other Illegal Credit Practices Review

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

Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices.

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

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the lending test is "Needs to Improve". The bank meets the standard for satisfactory performance in one test, but does not meet the standard for satisfactory performance in three tests.

Loan-to-Deposit Ratio

GBNA's loan-to-deposit (LTD) ratio meets the standard for satisfactory performance. The bank's LTD ratio is reasonable given its size, financial condition and the credit needs of its AA. The quarterly LTD ratio for the previous 22 quarters ending March 31, 2017 was 71.76 percent.

The bank's average LTD ratio compares adequately to other financial institutions of similar size, AA demographics, and/or lending products. For the purpose of this evaluation, we compared six similarly situated banks. The average LTD ratio for these institutions was 83.13 percent. The average LTD ratios for similarly situated banks ranged from 49.33 percent to 97.24 percent.

Lending in Assessment Area

GBNA's lending in the AA is less than reasonable and does not meet the standard for satisfactory performance. A substantial majority of the bank's loans were originated outside the bank's AA. Less than one percent of the bank's home purchase loans and just over three percent of the bank's home refinance loans were originated in the Maricopa County AA. GBNA's level of lending in the AA is partially mitigated by past lending restrictions, the bank's focus on mortgage lending throughout the U.S., and the fact that management was focused on strengthening the bank's financial condition and generating income. Nevertheless, the portion of the bank's lending in both number and dollar amount of loans in its AA is substantially below the portion of deposits (approximately 38 percent) sourced from the AA. See Table 1 for details regarding the number and dollar volume of loans inside and outside the AA.

Table 1 - Lending in the Maricopa County AA										
Loan Type	Number of Loans					Dollars of Loans (\$000's)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Home Purchase	45	0.92	4,837	99.08	4,882	12,150	1.23	972,482	98.77	984,632
Home Refinance	95	3.08	2,991	96.92	3,086	21,125	2.91	704,147	97.09	725,272
Totals	140	1.76	7,828	98.24	7,968	33,275	1.95	1,676,629	98.05	1,709,904

Source: 2015 and 2016 HMDA data.

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

Lending to borrowers of different incomes, including low- and moderate-income individuals is less than reasonable and does not meet the standard for satisfactory performance. The bank did not originate any home purchase loans to low-income borrowers, demonstrating very poor performance. In addition, the ratio of home purchase loans to moderate-income borrowers is significantly below the ratio of moderate-income families, and is also very poor. The ratio of home refinance loans to low-income borrowers is significantly below the ratio of low-income families, which is very poor. However, the ratio of home refinance loans to moderate-income borrowers is near to the ratio of moderate-income families, and is adequate. See Table 2 below.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.93	0.00	17.44	6.67	20.15	26.67	41.48	66.67
Home Refinance	20.93	3.16	17.44	13.68	20.15	17.89	41.48	30.53

Source: 2015 and 2016 data reported under HMDA; U.S. Census data.

Geographic Distribution of Loans

The geographic distribution of residential home loans in the Maricopa County AA reflects less than reasonable dispersion throughout the AA. The ratio of home purchase loans in low-income census tracts is below the ratio of owner occupied housing units and is poor. The ratio of home purchase loans in moderate-income census tracts is significantly below the ratio of owner occupied housing units in these census tracts, and is very poor. The bank did not originate any home refinance loans in low-income census tracts, demonstrating very poor performance. The ratio of home refinance loans in moderate-income census tracts is below the ratio of owner occupied housing units, which is poor. See Table 3 below.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans
Home Purchase	3.61	2.22	20.72	8.89	35.75	33.33	39.90	53.33
Home Refinancing	3.61	0.00	20.72	14.74	35.75	25.26	39.90	60.00

Source: 2015 and 2016 data reported under HMDA; U.S. Census data.

Responses to Complaints

The bank did not receive any CRA related complaints during the evaluation period.

Appendix A: Scope of Examination

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

Time Period Reviewed	Lending Test (excludes CD loans): 1/1/2015 – 12/31/2016 Investment and Service Tests and CD Loans: None	
Financial Institution	Products Reviewed	
GBNA Phoenix, AZ	HMDA Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Arizona Maricopa County #38060	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Maricopa County Assessment Area

GBNA has designated Maricopa County, Arizona as its AA. Maricopa County is located within the Phoenix-Mesa-Glendale Metropolitan Statistical Area (MSA) and is one of the largest counties in the U.S. stretching 100 miles in diameter and covering over 9,200 square miles. Maricopa County encompasses the city of Phoenix, which is the county seat as well as the state's capital. Some of the other cities and towns include Avondale, Buckeye, Casa Grande, Chandler, Gila Bend, Gilbert, Glendale, Goodyear, Litchfield Park, Mesa, Paradise Valley, Peoria, Scottsdale, Surprise, and Tempe. There are several Native American communities located in the county, including the Fort McDowell Yavapai Nation and the Salt River Pima-Maricopa Indian Community. The AA consists of 916 census tracts; of these census tracts, 9 percent are low-income and 24 percent are moderate-income. The following chart provides demographic information for the Maricopa County AA. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies or individuals.

Maricopa County AA

Demographic Information for Full Scope Area: Maricopa County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	916	9.39	23.91	31.99	33.62	1.09
Population by Geography	3,817,117	8.42	24.46	33.25	33.69	0.18
Owner-Occupied Housing by Geography	916,515	3.61	20.72	35.75	39.90	0.02
Business by Geography	313,943	6.51	15.38	29.41	48.12	0.57
Farms by Geography	5,938	5.46	15.54	31.98	46.60	0.42
Family Distribution by Income Level	913,798	20.93	17.44	20.15	41.48	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	350,618	13.75	36.07	32.18	18.00	0.00
Median Family Income		64,408	Median Housing Value		258,903	
FFIEC Adjusted Median Family Income for 2016		62,900	Unemployment Rate (2010 US Census)		3.48%	
Households Below Poverty Level		12%				

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

Source: 2010 US Census and 2016 FFIEC updated MFI

Economy

The top industries in Maricopa County are healthcare, retail, education, manufacturing, hospitality, finance and insurance, professional, construction, administrative, other services, government, and transportation. The top employers are the state of Arizona; Wal-Mart Stores, Inc.; Banner Health; city of Phoenix; Wells Fargo Bank, N.A; Bank of America, N.A.; Maricopa County; Arizona State University; Apollo Group, Inc.;

JPMorgan Chase Bank, N.A.; Intel Corporation; U.S. Airways; Mesa Public Schools; and the U.S. Postal Service. The unemployment rate as of December 2016 was 4.0 percent. This is lower than the unemployment rate for the state of Arizona which was at 4.7 percent and the U.S., which was also at 4.7 percent for this same time period. This also represents a decline from December 2015 when the unemployment rate was at 4.60 percent.

Housing and Opportunities for Home Mortgage Lending

Maricopa County has nearly recovered from the housing market crash which occurred in 2008. As of May 2017, the median home value in Maricopa County was \$240,000. However, the median housing value varies among the various cities and towns in Maricopa County. For example, the median housing value in Casa Grande is \$138,716; in Phoenix it is \$174,900; and in Paradise Valley, it is \$1,271,982. Consequently, there are some cities and towns where a single family residence is more affordable for LMI individuals than others. Community contacts reported that homes under \$250,000 do not last long on the market, indicating there is competition for affordable single family residences.

Competition

Competition for deposits is intense with 57 financial institutions, operating 826 branches in the AA competing for \$84 billion of insured deposits. GBNA operates one branch located in Phoenix, Arizona and has a deposit market share of 0.17 percent. The four largest banks in the AA hold a combined deposit market share of 77 percent, which represents \$64 billion of insured deposits. The major competing institutions in the AA include JPMorgan Chase Bank, N.A.; Wells Fargo Bank, N.A.; Bank of America, N.A.; and Western Alliance Bank. Competition for loans is also intense since there are numerous large and mid-size banks that operate in this AA. In addition, there are a number of institutions that focus only on lending, which increases competition for loans in the AA.

Community Contacts

We performed one community contact and reviewed four other recent contacts. The contacts confirmed there are many community development and credit needs as well as opportunities in the AA. These include the following:

- Affordable home mortgage loan products for LMI individuals.
- Affordable commercial loans for small businesses.
- Business loans under \$250,000.
- Technical assistance for small businesses.
- Foreclosure counseling.
- Financing for community development projects.
- Affordable bank accounts for LMI individuals.