



Now is the time to start planning for 2022.

On your list of tasks or things to do this year you need to carefully review the changing population characteristics of your market.

The recent release of 2020 census data shows that the United States is more diverse and more multiracial than ever before.

As the population changes so do the businesses in the communities you serve.

Here are some ideas to think about as you prepared for 2022.

Introduction

You need to understand the changing profile of your market.

The United States is more diverse and more multiracial than ever before, according to new 2020 Census data released on February 2, 2021

As the population changes so do the businesses in the communities you serve.

"Our analysis of the 2020 Census results show that the US population is much more multiracial, and more racially and ethnically diverse than what we measured in the past," said Nicholas Jones, the director and senior advisor of race and ethnic research and outreach in the US Census Bureau's population division.



People of color represented 43% of the total US population in 2020, up from 34% in 2010.

The non-Hispanic white share of the US population fell to 57% in 2020, shrinking by six percentage points since 2010, the largest decrease of any race or ethnicity. The share of those who identified as Hispanic or Latino or as multiracial grew the most.

Here are 10 key areas to review now – while you are planning for 2022

We can help!



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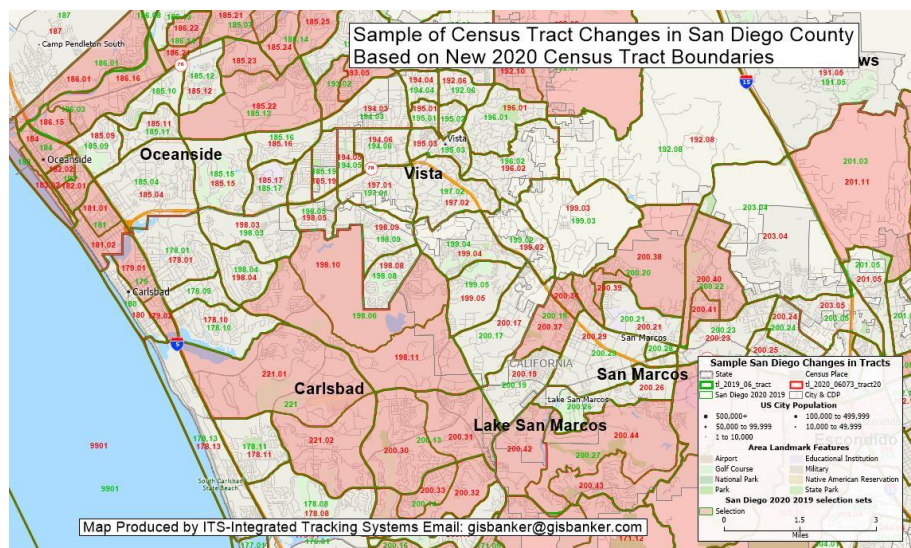
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What are the changes in 2020 census tract boundaries and how are those changes affect the market you serve?

You need to know the changes in your marketplace. This will affect your CRA performance, your marketing, and social media, officer calling effort, product offerings, etc.

This sample map shows the census tract changes in north San Diego County. The red highlighted areas represent census tracts that were modified highlighted by the red highlighted polygons. The red label in the tract boundary reflects the new 2020 census tract number and the green label reflects the old 2010 census tract number.



Identify the counties that define your assessment area.

CRA Modernization – It will be happening! Even though the OCC rescinded its proposed implementation of the CRA modernization, the current administration is proposing special accounts to serve the underbanked and those in LMI areas.

Get ready through your 2022 planning efforts and address the anticipated changes.



Plan ahead - What are the new 2020 demographics of the tracts in your assessment area(s).

There will be two specific areas where you can gather insights regarding population change – what are the tracts that have changed and how

- Current county census data and below is a sample County-based summary of population change from 2010 - 2020.
- Projected ACS (American Community Survey) How has the population changed – what are the tracts that have changed and how

Here is an example of a County level summary and changes.

Subject Matter Item	2010	2010%	2020	2020%	2010-20 Change	2010-20% Change
Total population	3,095,313	100	3,298,634	100	203,321	6.6
One race	2,936,888	94.9	2,776,942	84.2	-159,946	-5.4
White alone	1,981,442	64	1,633,129	49.5	-348,313	-17.6
Black alone	158,213	5.1	155,813	4.7	-2,400	-1.5
American India/Alaskan Native alone	26,340	0.9	40,968	1.2	14,628	55.5
Asian alone	336,091	10.9	410,752	12.5	74,661	22.2
Native Hawaiian and Other Pacific Islander alone	15,337	0.5	15,286	0.5	-51	-0.3
Other race	419,465	13.6	520,994	15.8	101,529	24.2
Two or more races	158,425	5.1	521,692	15.8	363,267	229.3
White, Non-Hispanic	1,500,047	48.5	1,422,205	43.1	-77,842	-5.2
Black Non-Hispanic	146,600	4.7	145,014	4.4	-1,586	-1.1
Hispanic (of any race)	991,348	32	1,119,629	33.9	128,281	12.9
Total population, 18 years or older	2,371,145	76.6	2,608,768	79.1	237,623	10
One race	2,284,083	73.8	2,250,239	68.2	-33,844	-1.5
White alone	1,584,271	51.2	1,361,055	41.3	-223,216	-14.1
Black alone	118,186	3.8	122,721	3.7	4,535	3.8
American India/Alaskan Native alone	19,450	0.6	31,748	1	12,298	63.2
Asian alone	269,216	8.7	337,925	10.2	68,709	25.5
Native Hawaiian and Other Pacific Islander alone	11,753	0.4	12,046	0.4	293	2.5
Other race	281,207	9.1	384,744	11.7	103,537	36.8
Two or more races	87,062	2.8	358,529	10.9	271,467	311.8
White, Non-Hispanic	1,254,403	40.5	1,210,351	36.7	-44,052	-3.5
Black Non-Hispanic	111,505	3.6	116,435	3.5	4,930	4.4
Hispanic (of any race)	661,362	21.4	807,212	24.5	145,850	22.1
Group Quarters population	101,966	3.3	115,098	3.5	13,132	12.9
Group Quarters, institutionalized population	24,210	0.8	25,725	0.8	1,515	6.3
Group Quarters, noninstitutionalized population	77,756	2.5	89,373	2.7	11,617	14.9
Housing Units	1,164,786	100	1,228,505	100	63,719	5.5
Occupied	1,086,865	93.3	1,158,764	94.3	71,899	6.6
Vacant	77,921	6.7	69,741	5.7	-8,180	-10.5

You will want to know the new tract-level changes as they become available.



What are the population components of change –

The main components of population change are **births, deaths, and migration**. “Natural increase” is defined as the difference between live births and deaths. “Net migration” is defined as the difference between the number of people moving into an area and the number of people moving out.

The question to be answered is, are your assessment areas growing or contracting? How and why?

Population & Components of Change

Based on Census Bureau model-based population estimates, the San Diego County, California population changed from 3,103,260 in 2010 to 3,332,427 in 2020, a change of 229,167 (7.4%).

Population/ Component	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Population	3,103,260	3,137,236	3,175,148	3,210,788	3,249,307	3,280,825	3,305,462	3,319,019	3,332,483	3,330,459	3,332,427
Births	10,719	44,686	43,831	43,743	44,247	44,442	43,311	42,315	40,513	39,369	39,080
Deaths	4,679	19,667	19,877	20,732	19,878	20,555	21,046	21,531	21,906	22,814	25,040
Natural Increase	6,040	25,019	23,954	23,011	24,369	23,887	22,265	20,784	18,607	16,555	14,040
Net Migration	2,173	9,043	14,495	13,067	14,619	8,045	2,528	-7,104	-4,991	-18,606	-12,220
International	2,377	8,863	14,054	13,571	14,072	16,772	13,468	9,188	4,645	2,756	2,458
Domestic	2,458	-204	180	441	-504	547	-8,727	-10,940	-16,292	-9,636	-21,362
Group Quarters	101,121	100,184	102,546	100,986	104,295	106,549	106,312	104,579	109,904	107,956	110,390

Where is your deposit and loan distribution by (loan type) within these new census boundaries?

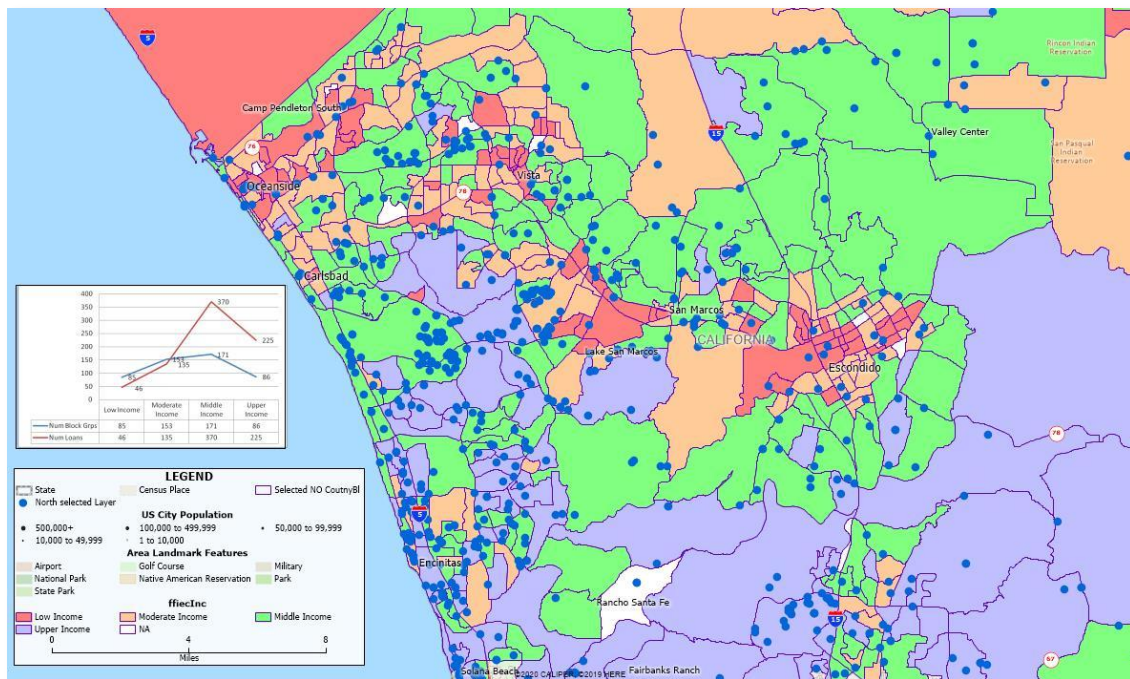
Evaluating CRA performance, many institutions are looking forward to more quantitative assessments of CRA performance and supported the use of more data in evaluations. All of this will begin with a comprehensive review and understanding of the origin of your deposit and loan customers.

Are there GAPS – based on the new census tracts, are there areas that are defined as LMI tracts that you have low or no loans or deposit



Are your current marketing programs reaching into the newly defined LMI tract?

Use the 2022 planning process to evaluate your marketing, social media, and officer calling programs to measure the results. To be forewarned is to be forearmed – be prepared for new regulatory guidelines and begin to adjust ASAP. Where are your new accounts (deposits and loans) originating from?



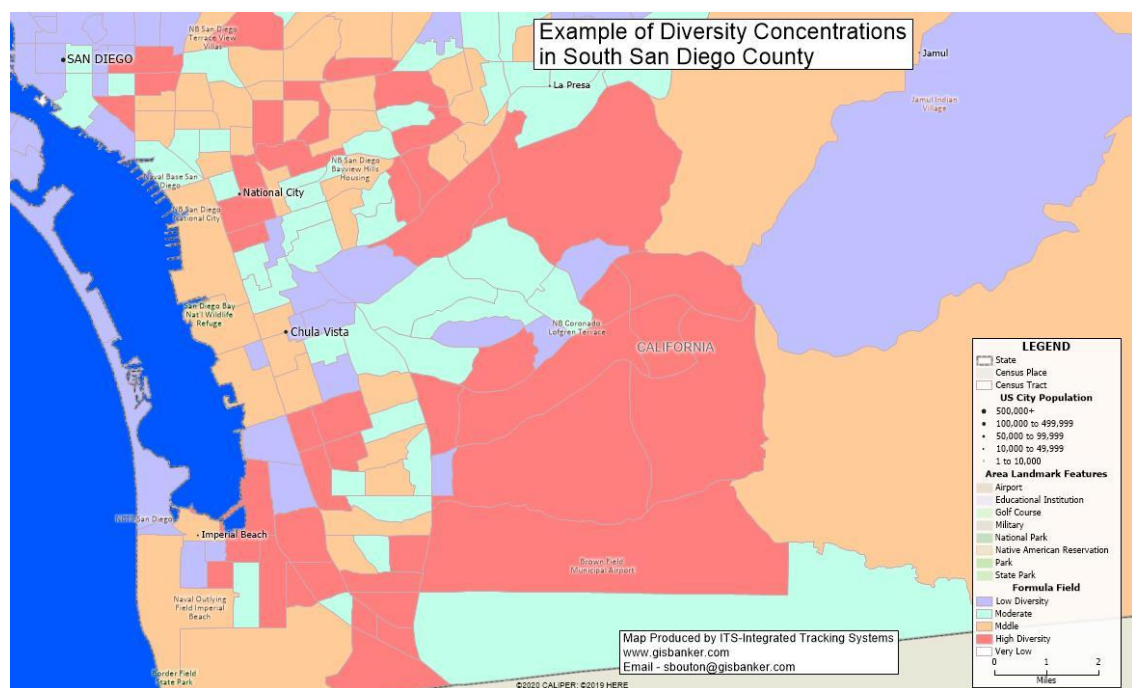
What is the new diversity index by census tract within your market areas?

Diversity in the planning of strategy delivers results that **reflect the various people that are being targeted by an organization**. It should be noted that in many areas of the country the populations have dramatically changed,

As the U.S. becomes more diverse through its people, tastes, customs, and beliefs, companies strive to target demographics using marketing styles that are sensitive to individual attitudes and practices. The importance of diversity in marketing has grown in response to the increasing diversity of the U.S. population. According to the U.S. Census, more than 50 percent of the American population is expected to be composed of minority groups by the year 2042.

Even if you are a business bank, as the population changes so do the businesses in the communities you serve.

This map is showing the areas in red as High Diversity – what does this look like for the Counties you serve?



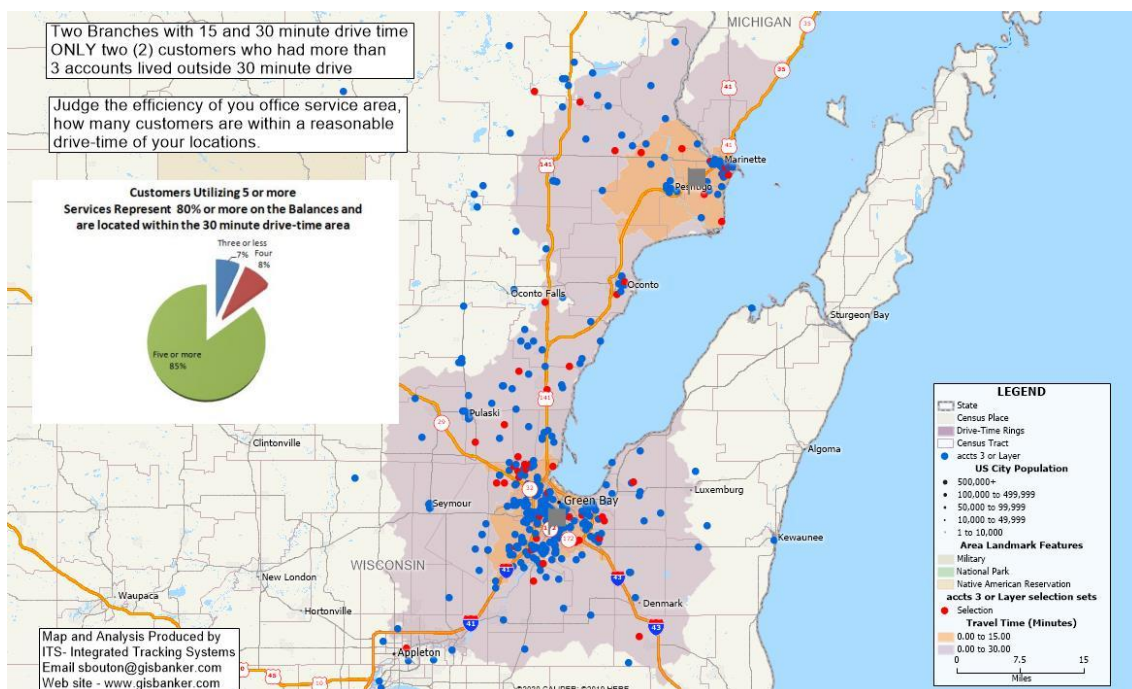
What are the business locations by NAICS, minority-owned and women-owned within the assessment area and in the new census tract boundaries within your market area?

Even if you are a business bank, as the population changes so do the businesses in the communities you serve.

The Business Market Analysis provides a clear understanding of the market factors for business banking by office. The business market data is based on third-party data sources, such as Hoovers D&B, and includes information at the business level which is summarized at the branch level. This information includes D&B number, annual revenue, NAICS or SIC, minority-owned, woman-owned, owned and address information, and more.

Do you know the effective drive time for customers for each office?

As you plan for 2021, understanding how far customers and target market segments will travel becomes a driving factor for increasing the efficiency of your marketing, site location analysis, customer proximity, and segments and calculations for market penetration. The following is an example of a drive time map based on 15, 30, and 45 minute drive time polygons.



This table highlights the data you need to know at the County and branch level. As an example, this data is presented for a specific branch (Vista Office) of this bank. Do you know and understand how this data is reflected for your offices?

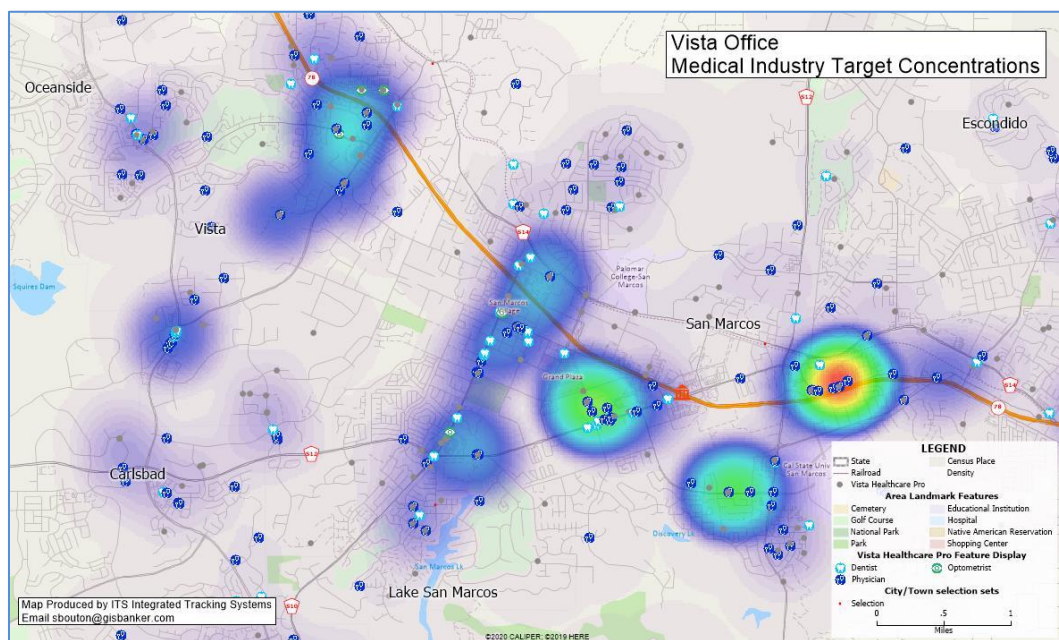
Vista Branch Office Market Analysis					
NAICS Summary by Industry					
Industry Types	Values		Market Penetration	PCT Market	
	Number of Businesses	Pct. Of Total Businesses			
Administrative	224	12.36%	0	0.00	
Ag	14	0.77%	2	14.29	
Arts	25	1.38%	0	0.00	
Construction	182	10.04%	5	2.75	
Educational	34	1.88%	0	0.00	
Finance	91	5.02%	0	0.00	
Food Service or Accommodations	96	5.30%	3	3.13	
Healthcare	163	8.99%	4	2.45	
Information	51	2.81%	1	1.96	
Management Co	2	0.11%	0	0.00	
Manufacturing	66	3.64%	0	0.00	
Other	220	12.13%	10	4.55	
Professional	246	13.57%	5	2.03	
Real Estate	88	4.85%	1	1.14	
Retail	221	12.19%	20	9.05	
Utility	2	0.11%	0	0.00	
Wholesale	88	4.85%	0	0.00	
(blank)		0.00%	0		
Grand Total	1813	100.00%	51	2.81	



Health care is a primary target market segment for this office. The following table provides summary-level data for the office.

Vista Branch Market Analysis NAICS Group by Annual Revenue										
Column L										
								Total Number Businesses	Total PCT Businesses	
1 - 5 million		500-1 million		Greater 5 million		Less than \$500,000				
Row Labels	Number Businesses	PCT Businesses	Number Businesses	PCT Businesses	Number Businesses	PCT Businesses	Number Businesses	PCT Businesses		
Administrative	1	8.33%	1	8.33%		0.00%	10	83.33%	12	100.00%
Arts		0.00%		0.00%		0.00%	3	100.00%	3	100.00%
Construction	4	40.00%	1	10.00%	1	10.00%	4	40.00%	10	100.00%
Educational		0.00%		0.00%		0.00%	4	100.00%	4	100.00%
Finance	1	14.29%	1	14.29%		0.00%	5	71.43%	7	100.00%
Food Service or Accommodations	1	7.14%	1	7.14%		0.00%	12	85.71%	14	100.00%
Healthcare	5	21.74%	1	4.35%	1	4.35%	16	69.57%	23	100.00%
Information		0.00%	1	33.33%		0.00%	2	66.67%	3	100.00%
Manufacturing		0.00%	2	18.18%	2	18.18%	7	63.64%	11	100.00%
Other	1	3.70%	2	7.41%		0.00%	24	88.89%	27	100.00%
Professional	5	16.13%	3	9.68%		0.00%	23	74.19%	31	100.00%
Real Estate	1	6.67%	2	13.33%		0.00%	12	80.00%	15	100.00%
Retail	3	7.50%	3	7.50%	1	2.50%	33	82.50%	40	100.00%
Wholesale	1	8.33%	5	41.67%	4	33.33%	2	16.67%	12	100.00%
Grand Total	23	10.85%	23	10.85%	9	4.25%	157	74.06%	212	100.00%

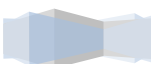
This map represents the concentration of the medical industry, one of the primary target market segments for this bank's Vista office. Easy visualization for the people in the office responsible for developing business as well as for Senior Management.



The following table summarizes the number of minority-owned businesses within the Vista branch market. This table helps the institution to understand the current concentration of minority-owned business for this branch. (You'll need to know this for each county assessment area). From this, you could develop special lending or community-based programs for education and entrepreneurship training, and more.

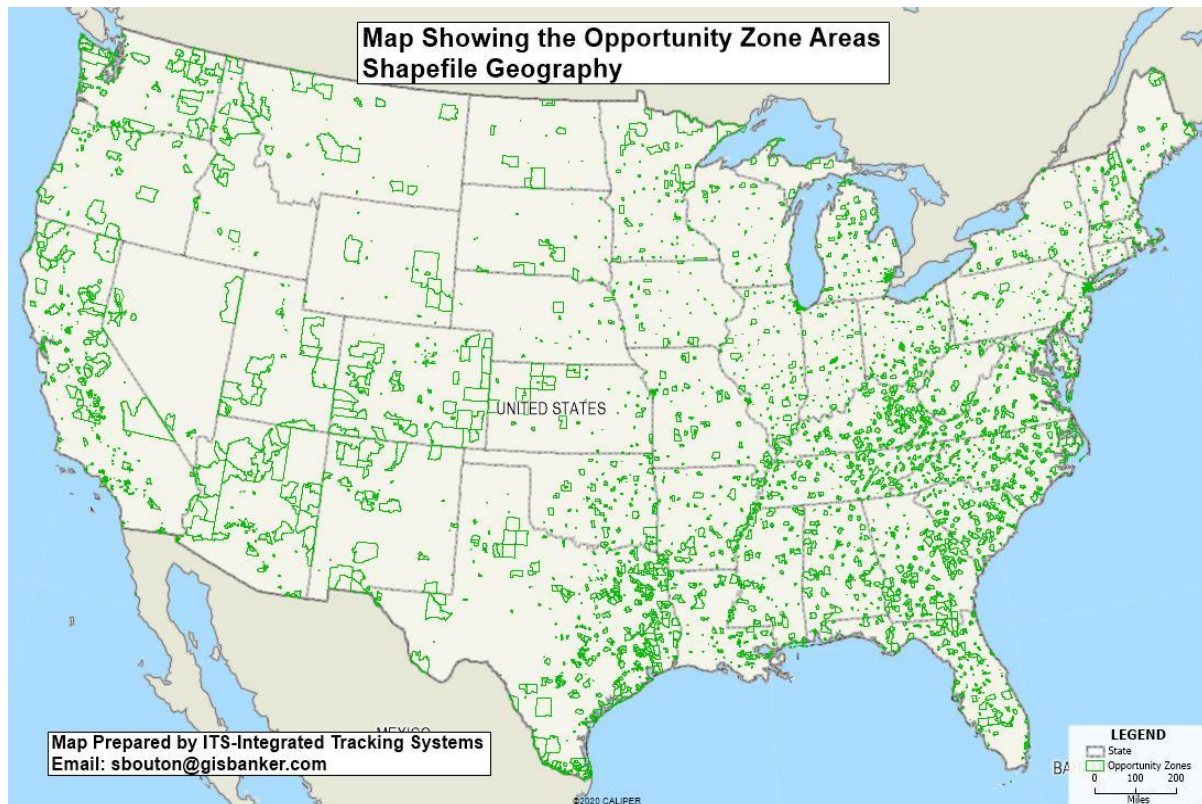
Vista Branch Minority Owned by Industry Type		
Count of Total minority Owned	Column Labels	
Industry Group	Yes	Grand Total
Administrative	5	5
Ag	1	1
Arts	1	1
Construction	2	2
Food Service or Accommodation:	8	8
Healthcare	1	1
Manufacturing	7	7
Other	6	6
Professional	12	12
Retail	3	3
Wholesale	1	1
Grand Total	47	47

Vista Branch Office Market Analysis - Lending Risk Summary				
Industry type:	Healthcare			
	Lending Risk			
Number of Businesses by Revenue Size	Column Labels			
Annual Revenue Size	High Risk	Low Risk	Medium Risk	Grand Total
1 - 5 million		9	1	10
500-1 million	1	3	1	5
Greater 5 million	1	1		2
Less than \$500,000	13	96	23	132
NA	1	9	3	13
Grand Total	16	118	28	162



Opportunity Zones

Banks and Credit Unions can gain investment credit under CRA by investing in opportunity zones (OZs). These areas are created to funnel money into projects in those census-designated and Treasury-approved areas.



A recent White House report pointed to the success of opportunity zones by providing the benefits including lists of diverse real estate investments that have improved access to affordable housing and helped revive commercial districts and access to health care in rural and urban areas alike.

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We can help – send an email to sbouton@gisbanker.com or

call Steve Bouton at (619) 917-7596

