

PUBLIC DISCLOSURE

March 1, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Oconee State Bank

Certificate Number: 18143

35 North Main Street
Watkinsville, Georgia 30677

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

10 10th Street NE, Suite 800
Atlanta, Georgia 30309-3849

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

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- The bank made a majority of the small business and home mortgage loans reviewed within the assessment areas.
- The geographic distribution of loans reflects poor penetration throughout the assessment areas, particularly to low- or moderate-income geographies in the assessment areas.
- The distribution of borrowers reflects an overall reasonable penetration of loans to businesses of different sizes and individuals of different income levels.
- The bank has not received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The bank demonstrated an overall adequate responsiveness to community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities for community development in arriving at this conclusion. The overall level of community development activities increased institution-wide since the last evaluation.

data for 2020 indicates 85 lenders reported 2,565 small business loans in the assessment area, demonstrating a high level of demand for this product. The top five institutions account for 52.7 percent of the small business market share by number of loans. Peer small business data was not yet available for 2021.

There is a high level of demand for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2020, 380 institutions reported 11,737 residential mortgage originations in this assessment area. Of these lenders, Oconee State Bank ranked 15th, with a market share of 1.7 percent by number of loans.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying area credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs and helps identify credit and community development opportunities available. During this evaluation, examiners used a recent community contact from Athens-Clarke County. The contact's organization promotes economic development in Clarke County.

The contact indicated that the area continues to be suppressed due to the Covid-19 Pandemic. While manufacturing has continued to thrive, retail services and entertainment continues with slow progression. The contact also indicated that the area has a high poverty rate amongst its permanent residents; however, employment opportunities remain high. The contact identified small business financial literacy workshops as a primary need within the community.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business loans represent a primary credit need in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ATHENS ASSESSMENT AREA

LENDING TEST

Oconee State Bank's lending performance within the Athens Assessment Area reflects reasonable performance. The bank's overall reasonable borrower profile performance supports this conclusion. Only loans originated within the assessment area were included for analysis purposes. Lending in the Athens Assessment Area represented 73.5 percent by number of small business loans and 92.8 percent by number of home mortgage loans analyzed during this evaluation.

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the Athens Assessment Area. The distribution of small business loans support this conclusion.

Small Business Loans

In 2020 and 2021, the bank’s small business lending within the low-income census tracts was significantly below demographics. Lending activity in moderate-income census tracts was also well below demographics in 2020 and 2021. The lower percentage of businesses located in these income census tracts coupled with competition from other financial institutions, limits the bank’s lending opportunities in these tracts. Refer to the following table for details.

| Geographic Distribution of Small Business Loans Athens Assessment Area | | | | | |
|--|------------------------|------------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | | | | | |
| 2020 | 12.0 | 10 | 3.4 | 1,396 | 6.7 |
| 2021 | 12.3 | 3 | 2.4 | 215 | 2.1 |
| Moderate | | | | | |
| 2020 | 6.6 | 1 | 0.3 | 75 | 0.4 |
| 2021 | 7.0 | 1 | 0.8 | 87 | 0.9 |
| Middle | | | | | |
| 2020 | 28.7 | 54 | 18.2 | 3,435 | 16.5 |
| 2021 | 29.0 | 24 | 19.2 | 2,251 | 22.3 |
| Upper | | | | | |
| 2020 | 51.5 | 227 | 76.7 | 15,623 | 75.1 |
| 2021 | 50.6 | 96 | 76.8 | 7,496 | 74.2 |
| Not Available | | | | | |
| 2020 | 1.2 | 4 | 1.4 | 275 | 1.3 |
| 2021 | 1.1 | 1 | 0.8 | 50 | 0.5 |
| Totals | | | | | |
| 2020 | 100.0 | 296 | 100.0 | 20,804 | 100.0 |
| 2021 | 100.0 | 125 | 100.0 | 10,099 | 100.0 |
| <i>Source: 2020 & 2021 D&B Data; January 1, 2020 through December 31, 2021 Bank Data; Due to rounding, totals may not equal 100.0%</i> | | | | | |

Home Mortgage Loans

The bank’s home mortgage lending performance in low-income census tracts was below demographics and aggregate lending, but considered reasonable. Lending performance in moderate-income census tracts was also below demographics and aggregate lending and considered reasonable. The majority of

owner-occupied housing units are located in the middle- and upper-income census tracts within this assessment area, reflecting limited lending opportunities. Refer to the following table for details.

| Geographic Distribution of Home Mortgage Loans – Athens Assessment Area | | | | | | |
|--|--|-------------------------------------|------------|--------------|-----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | 9.1 | 5.6 | 5 | 2.8 | 729 | 1.6 |
| Moderate | 6.8 | 5.1 | 5 | 2.8 | 657 | 1.5 |
| Middle | 30.1 | 29.3 | 31 | 17.2 | 6,309 | 14.0 |
| Upper | 53.9 | 60.0 | 138 | 76.7 | 37,201 | 82.5 |
| Not Available | 0.0 | 0.0 | 1 | 0.6 | 170 | 0.4 |
| Total | 100.0 | 100.0 | 180 | 100.0 | 45,065 | 100.0 |

Source: 2015 ACS Data; 2020 HMDA Data; 2020 HMDA Aggregate Data; Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration of businesses of different sizes and among individuals of different income levels, including low- and moderate-income individuals. The distribution of small business loans and loans to individuals of different income levels supports this conclusion.

Small Business Loans

In 2020, the small business loans sampled to businesses with gross annual revenue of \$1 million or less was significantly below demographics. In 2021, lending levels increased, but remained significantly below demographics. However, it was noted that 77.6 percent and 31.9 percent in 2020 and 2021, respectively, were PPP loans where revenue information were not required. Excluding PPP loans, lending performance to businesses with gross annual revenues of \$1 million or less increased to 66.7 percent and 85.1 percent, respectively, for 2020 and 2021. Refer to the table below for details.

| Distribution of Small Business Loans by Gross Annual Revenue Category – Athens Assessment Area | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | | | | | |
| 2020 | 86.6 | 10 | 14.9 | 1,378 | 22.3 |
| 2021 | 88.3 | 40 | 58.0 | 4,106 | 66.0 |
| >\$1,000,000 | | | | | |
| 2020 | 3.4 | 5 | 7.5 | 465 | 7.5 |
| 2021 | 2.8 | 7 | 10.1 | 478 | 7.7 |
| Revenue Not Available | | | | | |
| 2020 | 9.9 | 52 | 77.6 | 4,337 | 70.2 |
| 2021 | 8.9 | 22 | 31.9 | 1,639 | 26.3 |
| Totals | | | | | |
| 2020 | 100.0 | 67 | 100.0 | 6,180 | 100.0 |
| 2021 | 100.0 | 69 | 100.0 | 6,223 | 100.0 |
| <i>Source: 2020 & 2021 D&B Data; January 1, 2020 through December 31, 2021 Bank Data; Due to rounding, totals may not equal 100.0%</i> | | | | | |

Home Mortgage Loans

The bank's home mortgage lending performance to low-income borrowers is in line with aggregate performance, but significantly below demographics. However, examiners noted that 16.8 percent of families residing in the assessment area live below the poverty level. Home mortgage lending performance to moderate-income borrowers was comparable to aggregate lending levels and slightly below demographics. Refer to the table below for details.

| Distribution of Home Mortgage Loans by Borrower Income Level – Athens Assessment Area | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | 25.2 | 2.7 | 4 | 2.2 | 427 | 0.9 |
| Moderate | 13.8 | 10.3 | 17 | 9.4 | 2,577 | 5.7 |
| Middle | 16.9 | 17.6 | 39 | 21.7 | 8,657 | 19.2 |
| Upper | 44.1 | 54.9 | 109 | 60.6 | 31,026 | 68.8 |
| Not Available | 0.0 | 14.6 | 11 | 6.1 | 2,378 | 5.3 |
| Total | 100.0 | 100.0 | 180 | 100.0 | 45,065 | 100.0 |
| <i>Source: 2015 ACS; 2020 HMDA Data; 2020 HMDA Aggregate Data; Due to rounding, totals may not equal 100.0%</i> | | | | | | |

COMMUNITY DEVELOPMENT TEST

Overall, Oconee State Bank has demonstrated an adequate responsiveness to the community development needs of the Athens Assessment Area through community development loans, qualified investments, and community development services

Community Development Loans

The bank originated 22 community development loans totaling \$12.5 million within the assessment area. This represents 41.5 percent by number and 66.0 percent by dollar volume of the total community development loans made during the evaluation period. This performance is significantly higher by number when compared to the previous evaluation when 11 community development loans totaling \$10.6 million were made within the Athens Assessment Area. The following table details the bank’s community development lending activity by year and purpose during the evaluation period.

| Community Development Lending | | | | | | | | | | |
|-------------------------------|--------------------|---------|--------------------|---------|----------------------|---------|-------------------------|---------|-------|---------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Total | |
| | # | \$(000) | # | \$(000) | # | \$(000) | # | \$(000) | # | \$(000) |
| 2019 (Partial) | - | - | - | - | 1 | 1,778 | - | - | 1 | 1,778 |
| 2020 | - | - | - | - | 1 | 4,371 | 19 | 5,878 | 20 | 10,249 |
| 2021 | - | - | - | - | 1 | 480 | - | - | 1 | 480 |
| 2022 (YTD) | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | 3 | 6,629 | 19 | 5,878 | 22 | 12,507 |

Source: Bank Records from May 1, 2019 through March 1, 2022.

Below are notable details of the loans originated during the evaluation period:

- In 2019, the bank originated one loan totaling \$1,777,850 under the SBA’s Certified Development Company/504 Loan Program. The funds were used to construct a 17,500 square foot auto repair facility located in Athens (Clarke County), Georgia. The loan helped facilitate economic development through job creation for low- and moderate-income individuals in the Athens Assessment Area.
- In 2020, the bank originated one loan totaling \$4,371,500 under the SBA’s Certified Development Company/504 Loan Program. The funds were used to purchase and renovate an 8,000 square foot car wash facility located in Athens (Clarke County), Georgia. The loan helped facilitate economic development through job creation for low- and moderate-income individuals in the Athens Assessment Area.
- In 2021, the bank originated one loan totaling \$480,000 under the SBA’s Certified Development Company/504 Loan Program. The funds were used to purchase and renovate a 2,500 square foot restaurant building located in Watkinsville (Oconee County), Georgia. The loan helped facilitate economic development through job creation for low- and moderate-income individuals in the Athens Assessment Area.

- Nineteen PPP loans totaling \$5,877,884 were originated in the assessment area. The funds were used to revitalize and stabilize geographies within the Athens Assessment Area by financing small businesses operating under emergency protective measures resulting from the COVID-19 pandemic, particularly for small businesses operating in low- and moderate-income geographies.

Qualified Investments

Oconee State Bank's qualified investments within the Athens Assessment Area consisted of 11 donations totaling \$20,645. The donations were to nine organizations that provide community services for low- and moderate-income individuals. Community services provided by these organizations included counseling and education, health care services, assistance with meals and clothing, and other support services for low- and moderate-income families.

Community Development Services

As previously noted, Oconee State Bank employees conducted 80 instances of community development services that benefited the Athens Assessment Area. The following table details notable examples of community development services provided during the current evaluation period.

| Community Development Services | | | | |
|---|--------------------------------------|---|--|--------------------------------|
| Brief Service Description | Community Development Purpose | Bank Sponsored Event, Program or Seminar | Technical Assistance or Direct Involvement by Bank Employee | Bank Product or Service |
| Athens Assessment Area | | | | |
| Bank officer serves as Chairman of the Board of Directors of Mercy Health Center. The non-profit organization administers health and wellness assistance programs and provides various medical, dental, and pharmaceutical services to low- and moderate-income families within the Athens Assessment Area. The bank officer provides an array of financial advisory and budgeting expertise to the center. | Community Service | | 2019-2022 | |
| Bank officer serves on the Board of the Oconee County Chamber of Commerce. The Chamber is active in supporting small business growth and job creation in the Athens Assessment Area. Board responsibilities include, but are not limited to, reviewing and approving budgets. | Economic Development | | 2019-2022 | |
| Bank employee serves on the Board of Athens Made. This non-profit organization attracts small employers to the area by connecting entrepreneurs to financial resources and public-private conduits resulting in job creation within the Athens Assessment Area. Board responsibilities include, but are not limited to providing financial advisory and budgeting guidance to the organization. | Economic Development | | 2019-2022 | |

ATLANTA MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ATLANTA ASSESSMENT AREA

The Atlanta Assessment Area is comprised of Gwinnett County in its entirety. Oconee State Bank operates 1 full-service branch location (20 percent of operations) in this assessment area. The bank originated 19.1 percent of its lending in this assessment area during the lending activity review period and has approximately 7.4 percent of its total deposits in this assessment area (according to the *FDIC’s June 30, 2021 Summary of Deposit Market Report*.)

The following table represents 2015 ACS demographic data and 2020 and 2021 D&B data.

| Demographic Information of the Atlanta Assessment Area (Gwinnett County) | | | | | | |
|---|----------|-----------------------|------------------------------|--------------------------|-------------------------|-----------------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 113 | 5.3 | 29.2 | 38.9 | 26.5 | 0.0 |
| Population by Geography | 859,234 | 4.9 | 23.2 | 42.3 | 29.6 | 0.0 |
| Housing Units by Geography | 296,368 | 5.2 | 24.7 | 42.3 | 27.9 | 0.0 |
| Owner-Occupied Units by Geography | 181,829 | 2.1 | 15.9 | 45.3 | 36.8 | 0.0 |
| Occupied Rental Units by Geography | 92,188 | 10.6 | 40.6 | 36.2 | 12.6 | 0.0 |
| Vacant Units by Geography | 22,351 | 8.0 | 30.0 | 42.8 | 19.2 | 0.0 |
| Businesses by Geography (2020) | 129,043 | 4.4 | 24.6 | 41.0 | 30.0 | 0.0 |
| Businesses by Geography (2021) | 167,359 | 4.3 | 25.0 | 41.6 | 29.1 | 0.0 |
| Farms by Geography | 2,629 | 3.2 | 24.2 | 42.4 | 30.3 | 0.0 |
| Family Distribution by Income Level | 209,434 | 22.4 | 17.7 | 18.9 | 41.0 | 0.0 |
| Household Distribution by Income Level | 274,017 | 20.4 | 16.9 | 18.7 | 44.1 | 0.0 |
| Median Family Income MSA - 12060 Atlanta, GA MSA | | \$67,322 | Median Housing Value | | | \$168,905 |
| | | | Median Gross Rent | | | \$1,071 |
| | | | Families Below Poverty Level | | | 11.3% |
| <i>Source: 2015 ACS and 2020 & 2021 D&B Data; Due to rounding, totals may not equal 100.0%; (*) The NA category consists of geographies that have not been assigned an income classification.</i> | | | | | | |

The 2015 ACS Census data shows that a significant majority of owner-occupied housing units and businesses in the assessment area are in middle- and upper-income areas. Further, there is a high level of competition in the assessment area for small business and home mortgage loans. According to 2020 aggregate data for small business loans, there were 175 lenders reporting 33,364 loans. During the same period, 623 mortgage lenders reported 82,912 loans.

According to 2021 D&B data, service industries represent the largest portion of businesses at 33.6 percent, followed by non-classifiable establishments and retail trade at 28.8 percent and 9.3 percent,

respectively. In addition, 93.7 percent of businesses reported GARs of \$1 million or less, 2.1 percent reported GARs over \$1 million, and 4.2 percent did not report GAR information.

The Gwinnett County Board of Commissioners lists major employers in the county as Gwinnett County Public Schools, Gwinnett County Government, and Northside Hospital.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ATLANTA ASSESSMENT AREA

LENDING TEST

The institution's lending performance in the Atlanta Assessment Area is below the lending performance in the Athens Assessment Area that was reviewed using full scope procedures; however, it does not change the conclusion for Athens Assessment Area.

Geographic Distribution

The bank's overall geographic distribution of loans reflects poor dispersion throughout this assessment area. The bank encounters significant competition within the assessment area.

Small Business Loans

In 2020, the bank did not originate any small business loans in low-income census tracts, but originated three loans (5.3 percent) in low-income census tracts in 2021, which exceeded demographics (4.4 percent). In 2020, the bank originated three loans in moderate-income geographies (3.2 percent), which was well below demographics (24.6 percent). In 2021, the bank originated three loans in moderate-income geographies (5.3 percent), which was also well below demographics (25.0 percent).

Home Mortgage Loans

During 2020, of the 19 home mortgage loans originated, none was in low- or moderate-income census tracts. It should be noted that the majority of owner-occupied housing units are in the middle- and upper-income areas of the assessment area, indicating limited lending opportunities.

Borrower Profile

The distribution of borrowers reflects an overall reasonable penetration of businesses of different sizes.

Small Business Loans

During 2020, of the 21 small business loans sampled totaling \$2.7 million, 100.0 percent were PPP. Of the 11 small business loans sampled for 2021, 5 or 45.5 percent were PPP loans, totaling \$1 million where revenue was not required. The remaining loans included four with GARs over \$1 million and two with GARs less than \$1 million. This lending activity reflects the economic impact of the Covid-

19 pandemic on the assessment area. In addition, the bank encounters significant competition for small business loans in this assessment area.

Home Mortgage Loans

During 2020, the bank did not originate any home mortgage loans to low- or moderate-income borrowers. It is noted that 11.3 percent of families live below the poverty line, making it harder for these families to meet the minimum credit qualification requirements to obtain a loan from a financial institution.

COMMUNITY DEVELOPMENT TEST

The institution's community development performance in this assessment area is consistent with the institution's community development performance in the Athens Assessment Area that was reviewed using full-scope examination procedures.

Community Development Loans

The bank originated 26 community development loans totaling \$4.8 million within the assessment area. This represents 49.1 percent by number and 25.2 percent by dollar volume of the total community development loans made during the evaluation period. These loans promoted economic development through the SBA's Certified Development Company/504 Loan Program and helped stabilize low- and moderate-income geographies through participation in the PPP.

Qualified Investments

Oconee State Bank's qualified investments within the Atlanta Assessment Area consisted of four donations totaling \$1,622. The donations were to three organizations that provide community services for low- and moderate-income individuals and promote revitalization or stabilization in low- and moderate-income geographies. Community services provided by these organizations included counseling and education, assistance with meals and clothing, and other support services for low- and moderate-income families. Revitalization/stabilization promoted by a public-private partnership organization included attracting and retaining jobs and capital investment located in low- and moderate-income areas.

Community Development Services

None of the bank's Director or employee community development service activities impacted the Atlanta Assessment Area. However, as previously noted, the bank maintained Interest on Lawyers Trust Accounts where the interest earned by law firms on these accounts is used to fund pro bono legal services for low- and moderate-income individuals who cannot afford to pay for legal representation. The bank also offers a free checking account that has no minimum balance requirement and no maintenance or check charge fees, which benefits low- and moderate-income individuals.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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