

# **PUBLIC DISCLOSURE**

October 5, 2015

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Independence Bank  
Certificate Number: 57379

1370 South County Trail  
East Greenwich, Rhode Island 02818

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

350 Fifth Avenue  
New York, New York 10118

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. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The rating is supported by the following conclusions:

- **Loan-to-Deposit Ratio** – The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs.
- **Assessment Area Concentration** – A majority of loans and other lending activities are outside the institution's assessment area.
- **Geographic Distribution** – The geographic distribution reflects reasonable dispersion throughout the assessment area.
- **Borrower Profile** – The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes.
- **Response to Complaints** – The bank has not received any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

## SCOPE OF EVALUATION

### ***General Information***

This evaluation covers the period from the previous evaluation dated June 10, 2009 to the current evaluation dated October 5, 2015. Examiners used the Interagency Small Institution Examination Procedures to evaluate Independence Bank's CRA performance.

The evaluation considered the institution's performance according to the following criteria:

- Loan-to-deposit (LTD) Ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

### ***Loan Products Reviewed***

The evaluation considered small business lending, as this represents the bank's major product line. As of 2013, management focused on originating government guaranteed small business loans. Independence Bank discontinued originating home mortgage loans in 2009. Therefore, home mortgage loans were not considered. There were no small farm loans originated during the review period.

Conclusions were based entirely on small business lending, with emphasis on 2014 performance, as this represents the most recent full year of available data. The evaluation analyzed small business loans originated from January 1, 2013 through June 30, 2015. Examiners reviewed year-to-date (YTD) 2015 data for trends; however, with the exception of the Assessment Area Concentration section, performance tables only include 2013 and 2014 data.

Examiners compared the bank's small business lending performance to D&B demographic data for 2013 and 2014. The analysis included a review of both the number and dollar volume of loans originated. Emphasis was placed on the number of loans since it is a better indicator of the number of businesses served.

The following table shows the bank's small business loans originated within each respective year, beginning January 1, 2013 through June 30, 2015. All loans originated were included in this evaluation.

<b>Loan Products Reviewed</b>		
<b>Loan Category</b>	<b>Universe</b>	
	<b>#</b>	<b>\$(000s)</b>
Small Business 2013	18	15,740
Small Business 2014	78	21,876
Small Business 2015	76	16,215
<b>Total Small Business Loans</b>	<b>172</b>	<b>53,831</b>

*Source: Bank Records*

## DESCRIPTION OF INSTITUTION

### *Background*

Headquartered in East Greenwich (Kent County), Rhode Island, Independence Bank operates from one branch location. The bank's two affiliates do not offer products or services to the general public. Independence Bank received a Satisfactory rating at its previous FDIC performance evaluation, which also utilized the Interagency Small Institution Examination Procedures.

### *Operations*

Independence Bank offers limited loan and various deposit products and services. Loan products are mostly limited to small business loans guaranteed by the Small Business Administration (SBA). The bank specifically offers 7(a) loans, including the Small Loan Advantage (SLA) program. The SBA created the SLA program to encourage lenders to offer business loans of smaller amounts, particularly in underserved communities. The program allows approved lenders to perform streamlined underwriting and obtain a guarantee of up to 85 percent of the loan amount. The streamlined application process reduces the burden on small businesses to access capital. Through the combined efforts of the bank, local brokers, and independent selling organizations, Independence Bank has become a top SBA lender within Rhode Island. In addition, Independence Bank is an approved United States Department of Agriculture (USDA) Business and Industry loan program lender.

The bank's deposit products include checking, savings, certificates of deposit, and money market accounts. At 60.2 percent of total deposits, a majority of the banks products are for consumer purposes (personal checking, personal savings, and certificates of deposit). Business checking is also a major product at 34.2 percent of total deposits. The bank also offers internet banking, electronic bill pay, and telephone banking.

### *Ability and Capacity*

During the previous evaluation, the bank reported total assets of approximately \$84.1 million; however, as of June 30, 2015, the bank reported total assets of \$38.7 million, total deposits of \$29.9 million, and total net loans of \$27.5 million. The reduction in assets since the last evaluation is due to a shift in lending strategy and the elimination of a business line. The bank discontinued originating home mortgage loans, so only residual home mortgage loans are reflected in the one-to-four family residential loan category. The loan portfolio is illustrated in the following table.

<b>Loan Portfolio Distribution as of 06/30/2015</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	436	1.6
Secured by Farmland	0	0.0
1-4 Family Residential	5,914	21.5
Multi-family (5 or more) Residential	0	0.0
Non-Farm/Non-Residential Real Estate	8,800	32.1
<b>Total Real Estate Loans</b>	<b>15,150</b>	<b>55.2</b>
Commercial and Industrial	13,117	47.8
Agricultural	0	0.0
Consumer	223	0.8
Other	0	0.0
Less: Unearned Income	(1,045)	(3.8)
<b>Total Loans</b>	<b>27,445</b>	<b>100.0</b>
<i>Source: Reports of Income and Condition</i>		

The bank's financial condition affected its ability to meet community credit needs during the review period. The bank is under a formal enforcement action that includes provisions to improve asset quality and increase earnings. The bank's efforts to address these concerns included eliminating other lending products and focusing solely on small business lending, particularly the SBA's SLA program. Independence Bank also expanded its assessment area and marketing area to increase loan volume. According to management, increased loan volume was critical to addressing enforcement action provisions given the lower dollar amounts associated with the SLA program.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas in which its CRA performance will be evaluated. Independence Bank has designated all of Rhode Island as its assessment area, which is within the Providence-Warwick, RI-MA Metropolitan Statistical Area (MSA). The bank serves this area through its only branch in East Greenwich, which is just southeast of the center of Rhode Island. The assessment area includes all five counties that comprise the State of Rhode Island. The following section discusses demographic and economic information for the assessment area.

### ***Demographic and Economic Data***

The assessment area consists of 243 census tracts, including 26 low-, 49 moderate-, 93 middle-, 72 upper-, and 3 undefined-income census tracts. The City of Providence contains the largest portion of the area’s low- and moderate-income census tracts. The vast majority of low- and moderate-income tracts are within Providence, Pawtucket, and Woonsocket, all of which are in the northeastern part of Rhode Island. The following table illustrates demographic data of the assessment area.

<b>Demographic Information for the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	243	10.7	20.2	38.3	29.6	1.2
Population by Geography	1,052,567	9.6	20.2	39.6	30.6	0.0
Businesses by Geography	73,504	7.0	17.7	40.0	35.2	0.1
Household Distribution by Income Level	410,305	25.9	15.1	16.6	42.4	0.0
Median Family Income		\$70,496	Median Housing Value			\$302,136
FFIEC-Estimated Median Family Incomes			Median Housing Age			53
2013		\$71,100	Median Gross Rent			\$889
2014		\$72,200				
2015		\$74,400	Families Below Poverty Level			8.4%

*Source: 2010 U.S. Census, 2014 D&B Data, and FFIEC Estimated Median Family Incomes; (\*) The NA category consists of geographies that have not been assigned an income classification.*

According to 2014 D&B demographic data, there were 73,504 businesses. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by Gross Annual Revenue (GAR) level. GAR levels for area businesses are below.

- 72.3 percent have \$1 million or less.
- 5.6 percent have more than \$1 million.
- 22.1 percent have unknown revenues.

The services industry represents the largest portion of area businesses at 43.4 percent. Following the services industry is retail trade at 14.0 percent; non-classifiable establishments at 11.0 percent; construction at 8.7 percent; and finance, insurance, and real estate at 8.3 percent. Additionally, 64.3 percent of all businesses in the area employ one to four individuals and

roughly 91.0 percent of businesses operate from a single location. The top employers are Lifespan, CVS Caremark, Citizens Financial Group, Inc., Care New England Health System, and Naval Station Newport. These organizations collectively employ approximately 36,884 individuals.

The following table illustrates the unemployment rates (not seasonally adjusted) for the Providence-Warwick, RI-MA MSA, Rhode Island, and the United States (U.S.). Unemployment rates in the Providence-Warwick, RI MSA and Rhode Island exceeded U.S. unemployment rates during the review period. Unemployment rates have decreased for all areas since 2013.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2013</b>	<b>2014</b>	<b>August 2015</b>
	<i>%</i>	<i>%</i>	<i>%</i>
Providence-Warwick, RI-MA MSA	9.1	7.5	5.8
Rhode Island	9.3	7.7	5.7
U.S.	7.4	6.2	5.2

*Source: Bureau of Labor Statistics*

**Competition**

The assessment area is highly competitive in the financial services market. The June 30, 2015 FDIC Summary of Deposits report indicated that Independence Bank competes with 30 other FDIC-insured financial institutions with 418 banking offices in the assessment area, including eight multi-billion dollar financial institutions. Collectively, all financial institutions held approximately \$37.2 billion in deposits. The four largest financial institutions in the area maintained 230 banking offices and had a combined deposit market share of 70.5 percent. Independence Bank has only one banking office with a total deposit share of approximately 0.1 percent (ranked 28<sup>th</sup>).

Independence Bank is not required to collect or report its small business loan data, and the bank has not elected to do so. The analysis of small business loans does not include comparisons to aggregate data. However, aggregate data reflects the level of demand for small business loans and provides performance context. Aggregate data for 2013 shows that 69 lenders reported 15,162 small business loans originated or purchased within the assessment area, of which 6.0 percent and 16.4 percent were in low- and moderate-income areas, respectively. Aggregate data primarily consists of large financial institutions that extend business credit card loans.

As previously noted, the bank primarily originates SBA loans. Through its Rhode Island District office, the SBA publishes Bank Rank reports that include institution- and municipal-level data for Rhode Island based on the SBA’s fiscal year of October 1 through September 30. Collectively, 32 lenders originated 392 SBA 7(a) loans in fiscal year 2014, and 31 lenders originated 317 SBA 7(a) loans in fiscal year 2015. Independence Bank was the number three SBA 7(a) lender in Rhode Island in fiscal year 2015, improving from number five in fiscal year 2014. Coastway Community Bank and Bank Rhode Island were the top two SBA 7(a) lenders for each year. These are much larger community banks with numerous branches throughout Rhode Island.



### ***Community Contact***

As part of the evaluation process, examiners contact third parties within the assessment area to gain insight regarding local economic conditions and credit needs. This information shows what credit opportunities are available. Examiners contacted a representative of an area organization involved in economic, industrial, and community development. The contact identified needs for financial education programs and start-up and micro loans for small businesses. The contact noted that the SBA's rule change in 2012 to allow all SBA lenders to offer 7(a) advantage programs increased credit availability for small businesses in Rhode Island.

### ***Credit and Community Development Needs and Opportunities***

Considering the information from the community contact and demographic and economic data, examiners determined that there is a continued need for small business credit. Many area small businesses seek credit for start-up, business expansion, or to ensure cash flow through fluctuations in revenue. Most businesses require smaller dollar loans not offered at larger financial institutions.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's average net LTD ratio of 64.0 percent was determined by averaging its quarterly net LTD ratios for the 25 quarters since the previous CRA evaluation. During this time period, the net LTD fluctuated from a low of 50.3 percent as of March 31, 2014 to a high of 85.2 percent as of June 30, 2015.

Total deposits decreased significantly since the previous evaluation (\$61.9 million to \$29.9 million). Management indicated the decision to exit the home mortgage and money service business (MSB) markets during the review period caused the decrease. For example, after discontinuing MSB services in 2014, deposits decreased from \$44.5 million on June 30, 2014, to \$32.9 million on September 30, 2014. Management indicated it expects deposits to slowly increase going forward.

There are no similarly-situated financial institutions headquartered in the assessment area; therefore, Independence Bank's current net LTD ratio was compared to the Uniform Bank Performance Report (UBPR) peer bank data. This peer group consists of insured commercial banks having assets less than \$50 million, with one full-service banking office and located in a MSA. Independence Bank's June 30, 2015 net LTD ratio of 85.2 percent is significantly higher than the peer group's average of 65.2 percent as of the same date.

### Assessment Area Concentration

A majority of small business loans are outside the institution's assessment area. As illustrated in the following table, the bank extended 36.1 percent of loans by number and 33.9 percent by dollar amount inside its assessment area.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollars Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	#	%	#	%		\$	%	\$	%	
Small Business										
2013	9	50.0	9	50.0	18	8,440	53.6	7,300	46.4	15,740
2014	32	41.0	46	59.0	78	6,986	31.9	14,890	68.1	21,876
YTD 2015	21	27.6	55	72.4	76	2,835	18.0	13,380	84.0	16,215
<b>Total</b>	<b>62</b>	<b>36.1</b>	<b>110</b>	<b>63.9</b>	<b>172</b>	<b>18,261</b>	<b>33.9</b>	<b>35,570</b>	<b>66.1</b>	<b>53,831</b>

*Source: Bank records*

Several factors contributed to the high concentration of loans outside the area. In an effort to improve its financial condition, the bank began focusing solely on making SBA loans, with a particular focus on the SLA program. Based on management's determination of limited demand for

these loans within Rhode Island, the bank expanded marketing outside of Rhode Island. The expanded marketing produced notable success originating loans in southeastern Massachusetts in YTD 2015. Marketing efforts include using an independent selling organization (ISO) to obtain credit applications. The ISO seeks applications for the bank from businesses in Rhode Island and surrounding states. The bank also began relying heavily on internet-based marketing in 2015. This approach broadened its market area and attracted additional business outside of Rhode Island.

Despite the poor percentage of lending inside the assessment area, the bank increased lending within Rhode Island in 2014, with the YTD 2015 volume reflecting further increases for six months. As noted previously, SBA reports show that the bank ranked fifth in fiscal year 2014 and third in fiscal year 2015 for SBA 7a lending in Rhode Island. The bank's 2014 market share of 8.2 percent for SBA 7a loans in Rhode Island is noteworthy considering the bank has just one branch and significantly lower assets than other banks originating SBA loans in the state. This mitigates the effect of this criterion on overall performance considering the bank's size, financial condition and limits, and competition in the area.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the percentage of small business loans by number in low- and moderate-income census tracts. The bank's distribution of lending in 2014 had the most significant effect on the conclusion.

The bank originated no loans in low-income census tracts and one loan in moderate-income census tracts in 2013. Bank performance was less than the percentage of businesses in each of these geographies. The limited volume of lending in 2013 corresponds with management's decision to shift resources to small business lending. With such a small number of loans, it is difficult to draw meaningful conclusions during 2013.

Lending in the assessment area increased notably in 2014, including in the area's low- and moderate-income geographies. With 9.4 percent of lending in low-income tracts, bank performance exceeded the percentage of businesses at 7.0 percent. Furthermore, the 25.0 percent of lending in moderate-income tracts exceeded the percentage of businesses at 17.7 percent. The table below provides information on the geographic distribution of loans in 2013 and 2014.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2013	7.0	0	0.0	0	0.0
2014	7.0	3	9.4	2,305	33.0
<b>Moderate</b>					
2013	17.8	1	11.1	2,760	32.7
2014	17.7	8	25.0	1,245	17.8
<b>Middle</b>					
2013	40.1	6	66.7	3,970	47.0
2014	40.0	13	40.6	1,711	24.5
<b>Upper</b>					
2013	35.0	2	22.2	1,710	20.3
2014	35.2	8	25.0	1,725	24.7
<b>Not Available</b>					
2013	0.1	0	0.0	0	0.0
2014	0.1	0	0.0	0	0.0
<b>Totals</b>					
<b>2013</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>8,440</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>6,986</b>	<b>100.0</b>
<i>Source: Bank Records; 2013 &amp; 2014 D&amp;B Data</i>					

Based on a review of area demographics, 92.3 percent of low-income tracts and 61.2 percent of moderate-income tracts are within the cities of Providence, Pawtucket, and Woonsocket. During SBA's fiscal year 2014, Rhode Island SBA Bank Rank reports indicate 89 SBA loans were originated in these cities. While SBA Bank Rank reports do not indicate loans by census tract, this information provides an approximate reflection of the demand for loans in the area's low- and moderate-income census tracts. This data further supports the bank's reasonable performance in lending to low- and moderate-income tracts in 2014.

The bank's performance in YTD 2015 reflects a decreasing trend for lending in low- and moderate-income tracts. According to management, increased internet advertising over direct mail marketing may have contributed to this trend. Management indicated its intentions to conduct more direct local advertising to increase lending in the area's low- and moderate income geographies.

### **Borrower Profile**

Given the bank's lending strategy, financial condition and limits, and competition within the assessment area, the distribution of small business loans reflects reasonable penetration among businesses of different sizes. The bank's focus on originating loans through the SBA's SLA program further supports this conclusion, as the SBA created this program to provide smaller businesses with increased credit access. Examiners focused on the percentage of loans to businesses with GARs of \$1 million or less.

In 2013, Independence Bank originated 66.7 percent of loans to businesses with GARs of \$1 million or less, which was slightly lower than the percentage of total businesses. In 2014, however, the bank's lending to businesses with GARs of \$1 million or less exceeded the percentage of businesses in the assessment area. The bank's YTD 2015 lending to businesses with GARs of \$1 million or less decreased slightly compared to 2014.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>≤ \$1,000,000</b>					
2013	71.9	6	66.7	4,960	58.8
2014	72.3	26	81.3	4,001	57.3
<b>&gt; \$1,000,000</b>					
2013	5.1	3	33.3	3,480	41.2
2014	5.6	6	18.7	2,985	42.7
<b>Revenue Not Available</b>					
2013	23.0	0	0.0	0	0.0
2014	22.1	0	0.0	0	0
<b>Total</b>					
<b>2013</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>8,440</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>6,986</b>	<b>100.0</b>
<i>Source: Bank Records; 2013 &amp; 2014 D&amp;B Data</i>					

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

## 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.

**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. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**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.

**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.

**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).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**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.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**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 (for example, 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.

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

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

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

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

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

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

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

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

**Nonmetropolitan Area:** 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.

**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 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.

**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.