

PUBLIC DISCLOSURE

October 26, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mt. McKinley Bank
Certificate Number: 19525

500 Fourth Avenue
Fairbanks, Alaska 99701

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

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

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 **Outstanding**.

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

The Lending Test is rated Satisfactory.

The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The institution originated a substantial majority of its home mortgage and small business loans within its assessment area. The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including LMI) and among businesses of different revenue sizes. The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

The institution's community development performance demonstrates excellent responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the availability and need of community development opportunities in the institution's assessment area.

DESCRIPTION OF INSTITUTION

Mt. McKinley Bank (MMB) is a state-chartered, full-service community bank headquartered in Fairbanks, Alaska, and solely operates in the state of Alaska. MMB initially started its operations as Mt. McKinley Mutual Savings Bank on December 3, 1965, and on November 27, 2002, changed its name to MMB. The institution has no affiliates or subsidiaries, and there has been no merger or acquisition activity since the previous evaluation.

MMB received an "Outstanding" rating at its previous FDIC Performance Evaluation dated May 21, 2018, based on the Interagency Intermediate Small Institution Examination Procedures.

MMB continues to operate five full-service branch offices in Alaska. Four branches are located in Fairbanks North Star Borough and one branch is located in Southeast Fairbanks Census Area. Of the five branches, one is located in a moderate-income census tract, three are located within middle-income census tracts and one is located in an upper-income census tract. The institution did not open or close any branches since the last evaluation.

The institution offers a variety of loan products for businesses and consumers including commercial, consumer, and home mortgage loans. The institution also provides deposit services

including personal and business checking and savings accounts. Alternative banking services include mobile and online banking in addition to five deposit-taking ATMs located at each branch office plus a stand-alone deposit-taking ATM in Denali Borough.

During the evaluation period, MMB participated in the SBA Paycheck Protection Program (PPP) and originated loans that helped businesses keep their workforce employed during the COVID-19 crisis. The PPP loans provided economic relief to small businesses and other entities that were adversely impacted by the pandemic. Businesses used PPP loans to cover costs related to payroll and other operating expenses.

MMB had total assets of \$629.7 million as of September 30, 2021, which included total loans of \$234.4 million, and total deposits of \$522.9 million. The majority of the loan portfolio consists of commercial real estate and commercial and industrial loans, followed by 1-4 family residential and multi-family residential loans. MMB sells most of its home mortgage loans on the secondary market; during the three-year review period, MMB sold 682, or 79.9 percent, of home mortgage loans totaling \$154.1 million to investors. The bank sold 162 home mortgage loans, or 85.3 percent, totaling \$36.7 million in 2018; 144 home mortgage loans, or 75.8 percent, totaling \$32.6 million in 2019; and 376 home mortgage loans, or 80.3 percent, totaling \$84.8 million in 2020.

The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 9/30/2021		
Loan Category	\$(000s)	%
Construction and Land Development	23,359	10.0
Secured by Farmland	20	0.1
1-4 Family Residential	37,267	15.8
Multi-Family (5 or more) Residential	16,357	7.0
Commercial Real Estate	110,410	47.0
Total Real Estate Loans	187,413	79.9
Commercial and Industrial	44,587	19.0
Agricultural	0	0.0
Consumer	2,371	1.0
Other	8	0.1
Less: Unearned Income	0	0.0
Total Loans	234,379	100.0

Source: Report of Condition and Income 9/30/2021

Examiners did not identify any financial, legal, or other impediments that affect the institution’s ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated.

MMB designated two contiguous assessment areas that encompass Fairbanks North Star and Denali Boroughs and Southeast Fairbanks Census Area in Alaska. The first assessment area includes in its

entirety Fairbanks North Star Borough, which is the Fairbanks North Star MSA #21820. The second assessment area consists of Denali Borough and Southeast Fairbanks Census Area, which will be referred to as the Alaska Non-MSA. The institution has not changed its assessment areas since the previous evaluation.

The assessment areas contain whole geographies, do not reflect illegal discrimination, and do not arbitrarily exclude any LMI geographies. The following table shows detail of MMB’s current assessment areas including boroughs and census area, census tracts, and number of branches.

Description of Assessment Areas			
Assessment Area	Borough/Census Area	Census Tract	Branches
Fairbanks North Star	Fairbanks North Star Borough	19	4
Alaska Non-MSA	Denali Borough and Southeast Fairbanks Census Area	3	1
Total		22	5
<i>Source: Bank Records</i>			

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the previous Performance Evaluation dated May 21, 2018, to the current evaluation dated October 26, 2021. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate MMB’s CRA performance. These procedures include two tests: the Lending Test and the Community Development Test. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. Due to the COVID-19 pandemic, examiners performed the evaluation remotely. Examiners relied upon MMB’s records and reports, publicly available financial and loan information, demographic data, and community contact interviews.

Examiners reviewed both assessment areas. While the Fairbanks North Star assessment area received a full-scope review, the Alaska Non-MSA assessment area received a limited-scope review since the former assessment area’s operations account for a majority of the loans, deposits, and branches. As such, the Fairbanks North Star assessment area evaluation contributed more weight to overall conclusions.

Activities Reviewed

Examiners determined major product lines are home mortgage and small business loans. This conclusion considered business strategy and loan originations by number and dollar volume during the review period. Since MMB did not originate any small farm loans and engaged in minimal consumer lending, and they provided no material support for conclusions or ratings, examiners did not present these loan types in the evaluation.

Home mortgage loans contributed more weight to overall conclusions due to a larger volume of

home mortgage originations than small business loans. In reaching this conclusion, examiners acknowledged the significant increase in small business lending in 2020, an anomaly due to PPP lending. Of 529 small business loans originated in 2020, 379 or 71.6 percent were PPP loans. The PPP lending made small business lending significantly higher than home mortgage lending for that year. The PPP loans ranged from as low as \$2,500 to as high as \$780,000 for a total amount of \$29.4 million.

Examiners reviewed home mortgage loans for 2018, 2019, and 2020, which included residential loans subject to the HMDA data reporting requirements. HMDA activity for the review period included 854 loans totaling \$181.8 million. Examiners compared home mortgage lending to 2015 ACS data and to the applicable aggregate HMDA data, as available.

Examiners analyzed small business lending in 2018, 2019, and 2020. The institution is exempt from reporting small business loan data as it meets the CRA regulation's definition of an Intermediate Small Institution. However, MMB opted to collect, but not report, this data. Examiners used the data collected on the full universe of 781 small business loans totaling approximately \$135.1 million during the review period. Examiners compared the small business lending in each year to the corresponding D&B demographic data. The analysis of small business loans under the Lending Test does not include comparisons against aggregate data.

This evaluation presents loan data for all three years analyzed in the Assessment Area Concentration criterion. With the exception of the lending anomaly in 2020, management indicated that the lending focus and product mix remained consistent in 2018 and 2019. Therefore, examiners present 2019 and 2020 lending data for comparison purpose in the Geographic Distribution and Borrower Profile criteria. Additionally, while the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans under the Geographic Distribution and Borrower Profile criteria because the number of loans is a better indicator of the number of individuals and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since May 21, 2018, through the current evaluation date.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

MMB demonstrated reasonable performance under the Lending Test. The performance in the Geographic Distribution and Borrower Profile criteria primarily supports this conclusion. This section of the evaluation demonstrates the overall performance. Individual assessment area evaluations follow this section.

Loan-to-Deposit Ratio

The net LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The following table shows the net LTD ratio, calculated from Call Report data, averaged

49.6 percent over the 13 calendar quarters from June 30, 2018, to June 30, 2021. The ratio ranged from a high of 53.4 percent as of September 30, 2020, to a low of 46.7 percent as of December 31, 2019.

As noted in the below table, MMB maintained a net LTD ratio between the ratios of similarly-situated institutions, which were selected based on asset size, geographic location, and lending focus. The increase in the net LTD ratio since the prior evaluation is attributable to deposit and lending growth demonstrating that the bank is actively accepting deposits and originating loans.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets \$(000s)	Average Net LTD Ratio (%)
Mt. McKinley Bank	609,467	49.6
Similarly-Situated Institution #1	454,201	71.2
Similarly-Situated Institution #2	758,963	40.5

Source: Reports of Condition and Income 6/30/2018 through 6/30/2021

Furthermore, MMB sells a significant amount of home mortgage loans on the secondary market, which are not reflected in the net LTD ratio. During the 13 calendar quarters described above, the bank originated and sold 823 home mortgage loans totaling \$186.7 million.

Assessment Area Concentration

The institution originated a substantial majority of its home mortgage and small business loans inside the designated assessment area during the evaluation period.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	196	100.0	0	0.0	196	39,845	100.0	0	0.0	39,845
2019	190	100.0	0	0.0	190	40,389	100.0	0	0.0	40,389
2020	467	99.8	1	0.2	468	101,464	99.8	180	0.2	101,644
Subtotal	853	99.9	1	0.1	854	181,698	99.9	180	0.1	181,878
Small Business										
2018	132	99.2	1	0.8	133	35,587	98.9	379	1.1	35,966
2019	117	98.3	2	1.7	119	30,841	99.3	231	0.7	31,072
2020	511	96.6	18	3.4	529	65,519	96.3	2,535	3.7	68,054
Subtotal	760	97.3	21	2.7	781	131,947	97.7	3,145	2.3	135,092
Total	1,613	98.7	22	1.3	1,635	313,645	99.0	3,325	1.0	316,970

Source: Bank Data 1/1/2018 - 12/31/2020

Geographic Distribution

The geographic distribution of loans reflects excellent penetration throughout the designated assessment areas, given the demographics of the assessment areas. The excellent performance of home mortgage loans in the Fairbanks North Star assessment area supports this conclusion. Examiners focused on the percentage of loans, by number, in the moderate-income census tracts, as the assessed areas have no low-income census tracts. The performance in the heavily-weighted Fairbanks North Star assessment area exceeds the performance in the Alaska Non-MSA assessment area. Refer to each respective assessment area analysis for details.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels and businesses of different revenue sizes. Examiners focused on the percentage of home mortgage loans, by number, to LMI borrowers, and on the percentage of small business loans, by number, to businesses with gross annual revenues of \$1 million or less. The performance is generally consistent between the two assessment areas. Refer to each respective assessment area analysis for details.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The institution demonstrates excellent responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's assessment area. The level of community development loans, qualified investments, and community development services is excellent and supports this overall conclusion.

The community development investment and donation activity vastly improved from the previous evaluation. Community development performance in the Fairbanks North Star assessment area is excellent, as a substantial majority of MMB's activities occur in that assessment area. The following sections provide details for community development lending, qualified investments, and community development services activity in each assessment area.

Community Development Loans

The community development lending activity represents 11.7 percent of average total assets and 29.8 percent of average total loans. This performance level represents an increase of 37.5 percent by number but a decrease of 24.2 percent by dollar volume since the previous evaluation's performance of 32 community development loans totaling \$80.4 million; this is due to a significant decrease in the community services sector. Despite the decrease in dollar volume, the community

development lending performance compared favorably to the levels of similarly-situated institutions operating in or near the assessment area.

Management directed a majority of the community development lending towards economic development efforts, reflecting responsiveness to this community development need as communicated by a community contact. Included in the community development loans are 5 PPP loans originated in 2020 and 3 PPP loans originated in 2021.

The following table illustrates the community development lending activities by year, assessment area, and purpose. Also, refer to the full-scope section for specific examples of community development lending.

Community Development Lending by Assessment Area										
Area Served	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Partial 2018										
Fairbanks North Star	1	480	-	-	2	1,550	3	1,101	6	3,131
Alaska Non-MSA	-	-	-	-	1	2,300	3	1,496	4	3,796
Regional/Nationwide	-	-	-	-	-	-	-	-	-	-
Subtotal	1	480	-	-	3	3,850	6	2,597	10	6,927
2019										
Fairbanks North Star	-	-	2	500	3	5,255	2	580	7	6,335
Alaska Non-MSA	-	-	-	-	-	-	3	1,900	3	1,900
Regional/Nationwide	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	2	500	3	5,255	5	2,480	10	8,235
2020										
Fairbanks North Star	-	-	1	200	13	28,585	1	281	15	29,066
Alaska Non-MSA	-	-	-	-	-	-	3	1,840	3	1,840
Regional/Nationwide	-	-	-	-	-	-	1	750	1	750
Subtotal	-	-	1	200	13	28,585	5	2,871	19	31,656
YTD 2021										
Fairbanks North Star	-	-	1	9,000	3	4,554	-	-	4	13,554
Alaska Non-MSA	-	-	-	-	-	-	1	500	1	500
Regional/Nationwide	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	1	9,000	3	4,554	1	500	5	14,054
Grand Total	1	480	4	9,700	22	42,244	17	8,448	44	60,872
<i>Source: Bank Records; Year-to-Date (YTD)</i>										

Qualified Investments

Qualified community development investment activity increased significantly since the last evaluation. During the evaluation period, the performance level represents 5.4 percent of average total assets and 11.8 percent of average total investments. Compared to prior evaluation, qualified

debt investments increased by 10 (125.0 percent) and by \$18.0 million (181.1 percent), and qualified donations increased by 98 (163.3 percent) and by \$65,000 (or 28.5 percent). This performance level exceeded those of similarly-situated institutions operating in or near the assessment area.

Management invested mostly in projects with an affordable housing purpose. This investment concentration represents excellent responsiveness to a primary community development need, which also is confirmed by a community contact.

The table on the following page illustrates the qualified investments and donations during the review period by year, assessment area, and community development type.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period										
Fairbanks North Star	4	2,864	-	-	-	-	3	1,638	7	4,502
Alaska Non-MSA	-	-	-	-	-	-	-	-	-	-
Regional/Nationwide	-	-	-	-	-	-	-	-	-	-
Subtotal	4	2,864	-	-	-	-	3	1,638	7	4,502
Partial 2018										
Fairbanks North Star	-	-	-	-	-	-	-	-	-	-
Alaska Non-MSA	-	-	-	-	-	-	-	-	-	-
Regional/Nationwide	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-
2019										
Fairbanks North Star	4	6,475	-	-	-	-	-	-	4	6,475
Alaska Non-MSA	-	-	-	-	-	-	-	-	-	-
Regional/Nationwide	-	-	-	-	-	-	-	-	-	-
Subtotal	4	6,475	-	-	-	-	-	-	4	6,475
2020										
Fairbanks North Star	2	5,802	-	-	-	-	-	-	2	5,802
Alaska Non-MSA	-	-	-	-	-	-	-	-	-	-
Regional/Nationwide	1	2,016	-	-	-	-	-	-	1	2,016
Subtotal	3	7,818	-	-	-	-	-	-	3	7,818
YTD 2021										
Fairbanks North Star	4	9,106	-	-	-	-	-	-	4	9,106
Alaska Non-MSA	-	-	-	-	-	-	-	-	-	-
Regional/Nationwide	-	-	-	-	-	-	-	-	-	-
Subtotal	4	9,106	-	-	-	-	-	-	4	9,106
Qualified Debt Investments Total	15	26,263	-	-	-	-	3	1,638	18	27,901
Qualified Grants and Donations	5	5	119	230	17	47	17	11	158	293
Grand Total	20	26,268	119	230	17	47	20	1,649	176	28,194
<i>Source: Bank Records; Year-to-Date (YTD)</i>										

Community Development Services

Community development services increased by 8.0 percent or 132 hours since the previous evaluation, and compares favorably to the levels of other similarly-situated institutions operating in or near the assessment area. Due to pandemic restrictions, the performance level was lower in 2020 and 2021. Executive officers, senior management, and employees provided 66.5 percent of the community development services hours in the Fairbanks North Star assessment area.

The following table details the number of qualified service activities by year, assessment area, and community development category.

Community Development Services by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
Partial 2018										
Fairbanks North Star	1	30	8	218	3	19	7	64	19	331
Alaska Non-MSA	1	11	2	56	3	25	3	20	9	112
Subtotal	2	41	10	274	6	44	10	84	28	443
2019										
Fairbanks North Star	1	58	7	196	5	74	6	104	19	432
Alaska Non-MSA	1	6	2	113	3	82	3	59	9	260
Subtotal	2	64	9	309	8	156	9	163	28	692
2020										
Fairbanks North Star	1	44	6	112	3	62	6	54	16	272
Alaska Non-MSA	1	2	2	72	3	47	1	15	7	136
Subtotal	2	46	8	184	6	109	7	69	23	408
YTD 2021										
Fairbanks North Star	1	20	3	44	3	73	3	17	10	154
Alaska Non-MSA	-	-	2	56	2	34	-	-	4	90
Subtotal	1	20	5	100	5	107	3	17	14	244
Grand Total	7	171	32	867	25	416	29	333	93	1,787
<i>Source: Bank Records; Year-to-Date (YTD)</i>										

MMB also provides banking services targeted to LMI individuals in its assessment areas. One branch office and a deposit-taking ATM in the Fairbanks North Star assessment area are located in a moderate-income census tract. Additionally, one branch office and a deposit-taking ATM in the Southeast Fairbanks Census Area are located in an area designated by the FFIEC as underserved and distressed during the review period.

Refer to the full-scope section for specific community development service efforts.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

FAIRBANKS NORTH STAR ASSESSMENT AREA– Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN FAIRBANKS NORTH STAR ASSESSMENT AREA

The Fairbanks North Star assessment area is located in the eastern portion of the state of Alaska. The borough seat is Fairbanks, which is also the largest city in the borough.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the Fairbanks North Star assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Fairbanks North Star						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	19	0.0	26.3	52.6	21.1	0.0
Population by Geography	99,705	0.0	20.9	54.7	24.4	0.0
Housing Units by Geography	41,697	0.0	19.0	53.5	27.5	0.0
Owner-Occupied Units by Geography	20,677	0.0	6.3	61.0	32.7	0.0
Occupied Rental Units by Geography	14,905	0.0	37.2	45.6	17.2	0.0
Vacant Units by Geography	6,115	0.0	17.7	47.5	34.8	0.0
Businesses by Geography	8,300	0.0	20.4	48.7	30.9	0.0
Farms by Geography	206	0.0	7.8	49.5	42.7	0.0
Family Distribution by Income Level	22,810	18.4	18.0	23.8	39.8	0.0
Household Distribution by Income Level	35,582	21.5	17.6	20.8	40.1	0.0
Median Family Income MSA - 21820 Fairbanks, AK MSA		\$82,310	Median Housing Value			\$197,874
			Median Gross Rent			\$1,297
			Families Below Poverty Level			5.3%

Source: 2015 ACS; 2020 D&B Data
 (*) The NA category consists of geographies that have not been assigned an income classification.

According to Moody’s Analytics, the borough’s principal economic industries include government, education and health services, and retail trade. The three largest employers in the region are Fort Wainwright, a United States Army installation; Eielson Air Force Base; and University of Alaska Fairbanks.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the employment opportunities in the Fairbanks North Star assessment area were stronger during the review period than the state. During the pandemic in 2020 that caused widespread increases in unemployment

levels across the nation, the assessment area’s unemployment rate was lower than the national average rate.

The table below depicts unemployment statistics for the Fairbanks North Star assessment area, the state of Alaska, and the country.

Unemployment Rates			
Area	2018	2019	2020
	%	%	%
Fairbanks North Star Borough	5.2	4.7	6.4
State of Alaska	5.9	5.4	7.8
National Average	3.9	3.7	8.1
<i>Source: U.S. Bureau of Labor Statistics</i>			

Competition

According to the June 30, 2021 FDIC Deposit Market Share Report, MMB faces moderate competition from five other financial institutions in the Fairbanks North Star assessment area for deposit market share. Including MMB, the 6 FDIC-insured institutions account for 18 banking offices and over \$1.9 billion in total deposits within the assessment area. MMB ranks 2nd in market share with 24.6 percent of the assessment area’s deposits. Only 1 national bank ranks ahead of MMB with 4 branch offices in the assessment area and accounts for a deposit market share of 26.2 percent. These competitor branch figures do not include credit unions that add additional competition in the local marketplace.

Community Contacts

As part of this evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs of the community. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted two organizations: one local housing organization that promotes affordable housing projects in the region and a local economic development entity that advocates for job creation and business opportunities within the borough. The local housing organization contact stated that the current economic conditions in the area have survived the global pandemic that began in March 2020. The contact explained that there is a housing shortage in the Fairbanks area due to the Eielson Air Force Base expansion and the barrack renovation at Fort Wainwright. The contact mentioned that vacancy rates for rental properties are extremely low and the primary need in the community is for additional affordable housing units.

The second community contact indicated that the current economic conditions in the Fairbanks area are better than most areas in the state of Alaska, but local communities continue to struggle with the impact of the pandemic. The contact observed that affordable housing remains an issue in the borough, along with the limited availability of venture capital. The contact identified a need for lending to small businesses, especially for start-ups.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, institution management, and demographic and economic data, examiners determined that the primary needs in the Fairbanks North Star assessment area consist of more affordable housing units and small business credit opportunities.

CONCLUSIONS ON PERFORMANCE CRITERIA IN FAIRBANKS NORTH STAR ASSESSMENT AREA

LENDING TEST

MMB demonstrates satisfactory responsiveness to community credit needs in the Fairbanks North Star assessment area, considering the institution's capacity and resources. The geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment area. The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different revenue sizes.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. This conclusion is supported by a distribution of home mortgage loans that reflects excellent penetration and a distribution of small business loans that reflects reasonable penetration throughout the moderate-income tracts in the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent penetration throughout the assessment area. In 2019, the home mortgage loan distribution in moderate-income geographies far exceeded demographic data and aggregate lending performance. In 2020, despite a slightly lower performance level compared to demographic and aggregate lending, the number of loans originated in moderate-income areas increased by 30.0 percent. Considering all of the factors above, geographic distribution of home mortgage loans in the Fairbanks North Star assessment area is excellent.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Fairbanks North Star						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Moderate						
2019	6.3	5.9	20	11.2	3,286	8.6
2020	6.3	6.3	26	5.7	4,696	4.7
Middle						
2019	61.0	69.4	101	56.7	23,422	61.2
2020	61.0	68.1	272	59.8	59,534	60.0
Upper						
2019	32.7	24.7	57	32.1	11,535	30.2
2020	32.7	25.6	157	34.5	34,967	35.3
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Totals						
2019	100.0	100.0	178	100.0	38,243	100.0
2020	100.0	100.0	455	100.0	99,197	100.0

Source: 2015 ACS; Bank Data; 2019 and 2020 HMDA Aggregate Data.

Small Business Loans

The geographic distribution of small business loans reflects reasonable penetration throughout the assessment area as depicted in the table below. The distribution is comparable to the reasonable performance at the prior evaluation. In 2019, the distribution of small business loans by number in moderate-income geographies slightly trailed the percentage of the assessment area's businesses that were located in moderate-income geographies. However, as one indicator of loan demand, aggregate lending totaled 14.9 percent in moderate-income areas in 2019. In 2020, the performance in moderate-income geographies trended upward by 74 small business loans. The performance is consistent with comparable institutions with reasonable performance.

Geographic Distribution of Small Business Loans					
Assessment Area: Fairbanks North Star					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
Moderate					
2019	21.0	17	15.3	4,003	14.2
2020	20.4	91	19.2	14,196	23.4
Middle					
2019	48.0	67	60.4	15,588	55.4
2020	48.7	245	51.7	25,563	42.2
Upper					
2019	31.0	27	24.3	8,555	30.4
2020	30.9	138	29.1	20,861	34.4
Not Available					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
Totals					
2019	100.0	111	100.0	28,146	100.0
2020	100.0	474	100.0	60,620	100.0

Source: 2019 and 2020 D&B Data; Bank Data.

Borrower Profile

The distribution of borrowers reflects reasonable penetration, given the demographics of the assessment area. This conclusion results from a distribution of home mortgage and small business loans that reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. In 2019 and 2020, the distribution of home mortgage loans to low-income borrowers was well below demographic data and similar to aggregate data, which indicates the limited lending opportunities available to the assessment area's low-income individuals. The distribution of home mortgage loans in 2019 and 2020 to moderate-income borrowers was comparable to demographic and aggregate data. .

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Fairbanks North Star						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	18.4	5.6	9	5.1	1,029	2.7
2020	18.4	4.6	29	6.4	3,803	3.8
Moderate						
2019	18.0	22.8	34	19.1	5,673	14.9
2020	18.0	17.8	84	18.5	14,614	14.7
Middle						
2019	23.8	27.2	49	27.5	10,149	26.5
2020	23.8	25.2	106	23.3	21,872	22.1
Upper						
2019	39.8	27.3	76	42.7	18,929	49.5
2020	39.8	26.8	217	47.6	54,412	54.9
Not Available						
2019	0.0	17.1	10	5.6	2,463	6.4
2020	0.0	25.6	19	4.2	4,496	4.5
Totals						
2019	100.0	100.0	178	100.0	38,243	100.0
2020	100.0	100.0	455	100.0	99,197	100.0

Source: 2015 ACS; Bank Data; 2019 and 2020 HMDA Aggregate Data.

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. The lending is comparable to the reasonable performance at the prior evaluation. In 2019, the lending performance to small businesses with revenues of \$1 million or less trailed demographic data. However, the percentage of the assessment area's businesses that reported revenues of \$1 million or less included all small businesses, not just those businesses that sought traditional commercial financing. Therefore, actual small business lending opportunities tend to significantly fall below demographic data. Aggregate lending, which is a better indicator of loan demand, totaled 48.5 percent in 2019.

In 2020, the bank originated a substantial majority of small business lending in PPP loans, whereby revenue was not collected. Considering only the small business loans with revenues collected, the distribution of the small business loans to businesses with revenues of \$1 million or less equaled 52.6 percent, reflecting a slightly decreasing trend from the 2019 performance. Overall, the performance is consistent with other comparable institutions who had reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Fairbanks North Star					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	83.9	61	55.0	12,836	45.6
2020	85.2	70	14.8	13,352	22.0
>\$1,000,000					
2019	5.0	50	45.0	15,310	54.4
2020	4.6	56	11.8	18,771	31.0
Revenue Not Available					
2019	11.1	0	0.0	0	0.0
2020	10.2	348	73.4	28,497	47.0
Totals					
2019	100.0	111	100.0	28,146	100.0
2020	100.0	474	100.0	60,620	100.0

Source: 2019 and 2020 D&B Data; Bank Data.

Since such a large percentage of 2020 small business loans lacked borrower revenue data, examiners evaluated loan amounts for SBA PPP loans as a proxy for business size, as described in the table below. Of the 342 PPP loans originated in the assessment area with unknown borrower revenues, 195 loans, or 57.0 percent, had loan amounts of less than \$50,000. This level is significant because in order to qualify for a SBA PPP loan of this amount, the average monthly business payroll expense cannot exceed \$20,000 monthly or \$240,000 annually. While business payroll expenses vary by industry and business, most payrolls will be approximately 20.0 to 35.0 percent of gross annual revenues. It is likely that businesses that qualified for SBA PPP loans in amounts of less than \$50,000 were to small businesses.

Distribution of PPP Loans in the Fairbanks North Star Assessment Area by Loan Size (2020)				
Loan Size	#	%	\$(000s)	%
< \$50,000	195	57.0	4,126	15.0
\$50,000 - \$99,999	75	21.9	5,336	19.4
\$100,000 - \$249,999	50	14.6	7,831	28.5
\$250,000 - \$1,000,000	22	6.4	10,193	37.1
Total	342	100.0	27,486	100.0

Source: 1/01/2020 – 12/31/2020 Bank Data. Only includes PPP loans where revenues were not collected.

COMMUNITY DEVELOPMENT TEST

MMB’s community development performance demonstrates excellent responsiveness to the community development needs in the Fairbanks North Star assessment area through community

development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the availability and need of such opportunities for community development within the assessment area.

Community Development Loans

During the evaluation period, MMB originated 32 community development loans in the Fairbanks North Star assessment area totaling approximately \$52.1 million. This represents an increase by number but decrease by dollar volume from the prior evaluation, when MMB made 22 community development loans totaling \$68.3 million in the assessment area. The community development lending performance within the assessment area accounts for 72.7 percent by number and 85.6 percent by dollar volume of all community development lending. The community development lending is primarily distributed among economic development efforts for small businesses. The emphasis on economic development demonstrates responsiveness to a credit need identified by a community contact. Refer to the bank-wide analysis for specific identification of community development lending in the Fairbanks North Star assessment area and its representative distribution of community development lending between both assessment areas.

Below are notable examples of the community development lending activities in the assessment area:

- In 2020, a \$9.2 million loan assisted a business located in a moderate-income geography to retain permanent jobs for LMI employees in the assessment area.
- In 2021, MMB made a \$9.0 million loan to a non-profit organization that maintains a treatment facility for LMI youth within the assessment area.
- In 2020, a \$2.2 million PPP loan helped a business in the assessment area to supply payroll for multiple LMI employees during the pandemic.

Qualified Investments

Qualified investments and donations in the assessment area account for 67.0 percent by number and 92.7 percent by dollar volume of all qualified investments and donations. MMB provided 17 qualified debt investments totaling \$25.9 million and 101 qualified donations totaling \$261,000 in the assessment area throughout the review period. This performance represents a significant increase from the prior evaluation, when the bank provided 37 qualified investments and donations totaling \$9.3 million. A majority of the debt investments supported affordable housing initiatives and a majority of the donations went to non-profit organizations that support LMI individuals or families through a variety of essential community services. As the community contact mentioned, the emphasis on affordable housing projects reflects responsiveness to a valid credit need within the assessment area. Refer to the bank-wide analysis of the qualified community development investments and donations activity for specific information.

Below are notable community development investments and donations in the assessment area:

- In 2020, MMB purchased a \$4.2 million mortgage-backed security investment with an affordable housing purpose benefitted LMI individuals in a moderate-income geography.
- From 2018 to 2020, MMB made several donations totaling \$105,400 to a local non-profit organization that provides community services to LMI individuals.
- From 2019 to 2021, MMB made several donations totaling \$31,300 to an entity that promotes economic development opportunities and encourages job creation for small businesses.

Community Development Services

During the review period, executive officers, senior managers, and staff personnel participated in 64 qualifying community development service activities totaling 1,189 hours in the Fairbanks North Star assessment area. This performance represents a slight decline from the prior evaluation, where the bank provided 1,285 hours of community development service. The decline is largely due to the effects of COVID-19 pandemic restrictions, as many service opportunities were limited and the performance decreased in 2020 and 2021. The community development service hours in the assessment area account for 66.5 percent of all community development service hours performed in all assessment areas. The bulk of community development service hours involve a variety of different organizations with the primary purpose of delivering critical community services to LMI individuals and families within the assessment area. Refer to the bank-wide analysis for specific details of community development services provided by the institution.

Below are notable community development service examples in the assessment area:

- From 2018 to 2021, a bank manager served as board chairman of a local organization that focuses on developing and preserving affordable housing units and sustainable homeownership for lower-income families.
- From 2018 to 2021, a manager provided budget and finance expertise to a non-profit entity that delivers essential food and shelter resources to homeless individuals in the assessment area.
- From 2018 to 2020, an executive officer served as chairman of an advisory committee for a local city government to revitalize and stabilize operations in moderate-income geographies.

ALASKA NON-MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ALASKA NON-MSA ASSESSMENT AREA

The Alaska Non-MSA assessment area consists of the Denali Borough and the Southeast Fairbanks Census Area in the state of Alaska. The FFIEC designates the middle-income tract in the Southeast Fairbanks Census Area that includes the branch office as underserved due to its remote rural nature; the FFIEC also designated the tract as distressed until June 1, 2021, due to high unemployment.

Delta Junction has a current population of 993, and only one other FDIC-insured financial institution operates a branch office in this town, which further demonstrates MMB’s commitment to rural and underserved communities.

The following table details the Alaska Non-MSA assessment area demographic characteristics.

Demographic Information of the Assessment Area						
Assessment Area: Alaska Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0.0	33.3	33.3	33.4	0.0
Population by Geography	9,089	0.0	24.6	52.7	22.7	0.0
Housing Units by Geography	5,633	0.0	26.9	42.5	30.6	0.0
Owner-Occupied Units by Geography	1,998	0.0	28.6	45.7	25.7	0.0
Occupied Rental Units by Geography	800	0.0	24.6	54.4	21.0	0.0
Vacant Units by Geography	2,835	0.0	26.4	36.8	36.8	0.0
Businesses by Geography	589	0.0	28.7	45.2	26.1	0.0
Farms by Geography	41	0.0	14.6	70.8	14.6	0.0
Family Distribution by Income Level	1,865	18.9	18.1	24.9	38.1	0.0
Household Distribution by Income Level	2,798	24.5	14.4	18.5	42.6	0.0
Median Family Income Non-MSAs - AK		\$76,010	Median Housing Value			\$192,425
			Median Gross Rent			\$1,124
			Families Below Poverty Level			9.2%

Source: 2015 ACS; 2020 D&B Data
 (*) The NA category consists of geographies that have not been assigned an income classification.

The assessment area is geographically large and rural; the area contains approximately 37,836 square miles and has a population density of 0.2 people per square mile. Over 50.3 percent of housing units in the assessment area are vacant.

Denali Borough

According to the 2015 ACS U.S. Census, the population in Denali Borough is 2,060. The borough is located in the middle portion of the state of Alaska. The borough seat is Healy, which is also the most populated community in the borough.

The borough’s principal economic industries include accommodation and food services; arts, entertainment, and recreation; and transportation and warehousing. The three largest employers in the borough are Usibelli Coal Mine, Golden Valley Electric Association, and Denali Borough School District.

Southeast Fairbanks Census Area

According to the 2015 ACS U.S. Census, the population in Southeast Fairbanks Census Area is 7,029. The census area is located on the eastern edge of the state of Alaska. The Southeast Fairbanks Census Area is part of an unorganized borough and does not have a borough seat, but the largest communities are Deltana and Tok.

The census area’s principal economic industries include construction, educational services, and public administration. The three largest employers in the census area are Fort Greely, a United States Army installation; Interior Alaska Medical Clinic; and Delta/Greely School District.

U.S. Bureau of Labor Statistic data shows employment opportunities are generally considered weaker in the Alaska Non-MSA assessment area than in the state of Alaska. The table below depicts unemployment statistics for the Alaska Non-MSA assessment area, the state of Alaska, and the country.

Unemployment Rates			
Area	2018	2019	2020
	%	%	%
Denali Borough	9.9	10.2	15.9
Southeast Fairbanks Census Area	8.8	7.9	7.4
State of Alaska	5.9	5.4	7.8
National Average	3.9	3.7	8.1

Source: U.S. Bureau of Labor Statistics

CONCLUSIONS ON PERFORMANCE CRITERIA IN ALASKA NON-MSA ASSESSMENT AREA

LENDING TEST

Although the lending performance in the Alaska Non-MSA assessment area is below the lending performance for the institution, it does not change the conclusion for the institution. From 2018 through 2020, MMB originated 36 home mortgage loans totaling \$6.9 million in the assessment area; none of the loans were in LMI census tracts while 5 loans totaling \$532,000 were made to low-income borrowers and 2 loans totaling \$311,050 were made to moderate-income borrowers. MMB also made 51 small business loans totaling \$10.9 million, 2 of which totaling \$182,950 were in moderate-income census tracts and 17 of which totaling \$3.1 million were made to businesses with gross annual revenues of \$1 million or less.

COMMUNITY DEVELOPMENT TEST

Community development performance in the Alaska Non-MSA assessment area is below the community development performance for the institution; however, it does not change the institution rating. Although community development performance is lower in this assessment area, opportunities are limited due to the rural nature of the area. The community development

performance in the assessment area during the review period included 11 community development loans totaling \$8.0 million; 57 qualified donations totaling \$32,625; and 29 community development services totaling 598 hours. Tables with detailed community development information for the Alaska Non-MSA assessment area are presented in the bank-wide Community Development Test section.

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.