

PUBLIC DISCLOSURE

December 28, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Live Oak Banking Company
Certificate Number: 58665

1741 Tiburon Drive
Wilmington, North Carolina 28403

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

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

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **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 neighborhoods, in a manner consistent with its resources and capabilities.

- Community development loans and investments exceed the minimum established goals for Outstanding performance during two of the three calendar years and exceed the Satisfactory goal for the third year.
- Community development grants exceed the minimum established goals for Outstanding performance during all three calendar years.
- Community development services exceeded the minimum established goals for Outstanding performance during all three calendar years.
- No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

DESCRIPTION OF INSTITUTION

Live Oak Banking Company (Live Oak Bank) is an \$8.1 billion state non-member commercial bank established in 2008 and headquartered in Wilmington, North Carolina, where it operates from its sole branch located in an upper-income census tract. Live Oak Bank continues to maintain Loan Production Offices in Atlanta Georgia; Roseville and Santa Rosa California; Durham, North Carolina; and Washington, DC. Since the previous examination, the bank has not opened or closed any branch offices.

The bank is a wholly-owned subsidiary of Live Oak Bancshares, Inc., a one-bank holding company also located in Wilmington, North Carolina. Live Oak Bank operates four subsidiaries: Live Oak Number One (wholly-owned), which holds foreclosed properties; Live Oak Private Wealth, LLC (wholly-owned), which provides high net worth individuals with wealth and investment management services; Live Oak Clean Energy (wholly-owned), which leases solar panels and related equipment to utility companies and municipalities; and Apiture, (43.5 percent ownership), which markets digital banking platforms, products, and services, including a deposit platform, to the financial services industry. Live Oak Clean Energy is new since the last April 22, 2019, CRA evaluation. In addition, Live Oak Private Wealth acquired Jolley Asset Management, LLC on April 1, 2020. The institution received an Outstanding rating at its previous FDIC Performance Evaluation, dated April 22, 2019, which also used Strategic Plan CRA evaluation procedures.

Live Oak Bank's business model continues to focus on the nationwide origination of Small Business Administration (SBA) 7(a) loans, and to a lesser extent, various United States Department of Agriculture (USDA) business lending programs. The bank also originates conventional commercial loans. The bank does not originate any consumer purpose loans. Live Oak Bank is a "Preferred Lender" in the SBA's Preferred Lender Program, a designation given to experienced lenders with strong track records of service and compliance with SBA guidelines. Under this program, the SBA delegates loan approval, closing, and most servicing responsibilities to the lender. According to the SBA, for the period ending September 30, 2021, the bank approved the highest dollar volume of SBA 7(a) loans in the United States (\$2.3 billion). Live Oak Bank lends to approximately 30 different industries, referred to as "verticals". Examples of the verticals include: Accounting and Tax Firms, Agriculture, Automotive Care, Broadband, Educational Services, Energy and Infrastructure, Entertainment Centers, Fitness Centers, Franchise Restaurants, Funeral Home and Cemetery, Government Contracting, Healthcare, Hotels, Insurance, Investment Advisory, Pharmacy, Self-Storage, Senior Care, Service Contractors, Veterinary, and Wine and Craft Beverages.

Since the last examination, the Board of Directors altered its business model to retain approximately more of its originated SBA loans in portfolio. In addition, the Board has significantly increased the origination of conventional commercial loans. As a result, the bank's asset size has grown from \$4.0 billion as of the last examination to \$8.1 billion as of September 30, 2021.

Live Oak Bank currently offers savings and certificate of deposit accounts; however, management plans to introduce a new checking account product to small business customers. Deposit operations are handled at the Wilmington Office and conducted on a national basis through online banking and by mail.

Assets totaled approximately \$8.1 billion as of September 30, 2021, including total loans of \$6.5 billion, securities totaling \$858.9 million, and deposits of \$6.8 billion. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 9/30/2021		
Loan Category		%
Construction, Land Development, and Other Land Loans	521,867	8.1
Secured by Farmland	431,565	6.7
Secured by 1-4 Family Residential Properties	94,634	1.5
Secured by Multi-family (5 or more) Residential Properties	3,168	0.1
Secured by Nonfarm Nonresidential Properties	2,256,247	34.9
Total Real Estate Loans	3,307,481	51.3
Commercial and Industrial Loans	3,132,561	48.5
Agricultural Production and Other Loans to Farmers	5,441	0.0
Consumer Loans	0	0.0
Other Loans	598	0.0
Lease Financing Receivables	7,019	0.1
Obligations of States and Political Subdivisions in the U.S.	8,266	0.1
Less: Unearned Income	0	0.0
Total Loans	6,461,366	100.0
<i>Source: Consolidated Report of Condition and Income as of September 30, 2021</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Live Oak Bank designated New Hanover County located in the Wilmington, NC Metropolitan Statistical Area (MSA) as a single assessment area. The Wilmington, NC MSA also includes Pender County; however, Pender County is not included in the assessment area. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area includes all 45 census tracts in New Hanover County. These tracts reflect the following income designations according to the 2015 American Community Survey Census (ACS) data:

- 8 low-income tracts;
- 4 moderate-income tracts;
- 14 middle-income tracts;
- 17 upper-income tracts;
- 2 census tracts with no income designation.

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

Demographic Information for the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	45	17.8	8.9	31.1	37.8	4.4
Population by Geography	213,091	15.5	8.6	41.3	34.6	0.0
Housing Units by Geography	104,141	14.8	8.4	38.5	38.3	0.0
Owner-Occupied Units by Geography	50,638	5.2	4.9	45.9	44.0	0.0
Occupied Rental Units by Geography	37,765	28.1	14.4	34.7	22.7	0.0
Vacant Units by Geography	15,738	13.6	5.0	23.6	57.7	0.0
Businesses by Geography (2021)	29,141	13.6	7.7	32.6	45.8	0.3
Businesses by Geography (2020)	25,887	13.7	8.1	32.4	45.4	0.4
Businesses by Geography (2019)	22,940	13.9	8.3	32.3	45.2	0.3
Farms by Geography (2021)	628	10.2	7.2	43.6	38.9	0.2
Farms by Geography (2020)	552	10.7	7.4	42.0	39.7	0.2
Farms by Geography (2019)	476	10.3	6.5	42.9	39.9	0.4
Family Distribution by Income Level	51,829	22.1	16.7	18.1	43.0	0.0
Household Distribution by Income Level	88,403	24.7	14.9	17.5	42.9	0.0
Median Family Income MSA (2015)		\$64,357	Median Housing Value			\$234,632
			Median Gross Rent			\$930
			Families Below Poverty Level			11.4%

*Source: 2015 ACS and 2019, 2020, and 2021 D&B Data
Due to rounding, totals may not equal 100.0 percent.
(*) The NA category consists of geographies that have not been assigned an income classification.*

Service industries represent the largest portion of businesses at 37.1 percent followed by finance, insurance and real estate at 12.2 percent; retail trade at 11.7 percent; and construction at 8.0 percent. In addition, 63.6 percent of area businesses have four or fewer employees, and 94.2 percent operate from a single location. The top employers are Novant Health New Hanover Regional Medical Center, PPD Development LLC, University of North Carolina at Wilmington, New Hanover County School System, and County of New Hanover.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment year-end rates in New Hanover County were consistent with the overall North Carolina state rate and the National average unemployment rate in 2019 and consistent with the overall North Carolina state rate and less than the National average unemployment rate in 2020. The unemployment rate for New Hanover County and North Carolina increased from 2019 to 2020, primarily as a result of the COVID-19 pandemic, and both were lower than the National average. Unemployment rates dropped significantly in 2021 but remained slightly elevated in New Hanover County.

Unemployment Rates			
Geographic Area	2019	2020	2021
	%	%	%
New Hanover County	3.5	7.3	5.9*
North Carolina	3.8	7.3	3.7
National Average	3.7	8.1	3.9
<i>Source: Bureau of Labor Statistics *As of November 2021.</i>			

Competition

The assessment area is competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, 21 financial institutions operate 58 full-service branches within the assessment area.

SCOPE OF EVALUATION

General Information

Examiners evaluated Live Oak Bank’s CRA performance using the Strategic Plan Examination Procedures. This evaluation includes a review of the bank’s performance towards meeting the Strategic Plan goals for 2019, 2020, and 2021. The evaluation included a review of performance within two Strategic Plans. The FDIC approved a Strategic Plan on January 2, 2018, which includes Satisfactory and Outstanding goals for lending and investments, qualified grants, and service hours for 2018 through 2020. The FDIC approved the current Strategic Plan on January 1, 2021, which includes Satisfactory and Outstanding goals for lending and investments, qualified grants, and service hours for 2021 through 2023.

This evaluation relied upon records and reports provided by Live Oak Bank, publicly available financial information, demographic data, and information gathered as part of the evaluation process.

Activities Reviewed

The following bank activities were reviewed under the Plan:

- Community development loans and investments;
- Community development grants; and,
- Community development services hours.

CONCLUSIONS ON PERFORMANCE CRITERIA

Lending and Investments

The measurable goal for lending and investments consists of combined community development loans and investments expressed as a percentage of Live Oak Bank’s average assets for each Plan year. The average assets are calculated by taking a rolling average of the last four quarter-end total assets as reported in the Call Report. Loans originated under the Paycheck Protection Program are netted from average assets as they represent only a temporary increase in asset size. The following table presents lending and investment goals and actual performance.

Community Development Loans and Investments							
Plan Year	Institution Established Goals				Average Assets \$(000s)	Institution Performance	
	Satisfactory		Outstanding			Total Loans and Investments \$(000)	
	%	\$(000)	%	\$(000)			
2019	1.20	52,997	1.45	64,038	4,416,376	68,060	1.54
2020	1.20	66,526	1.45	80,386	5,543,850	101,061	1.82
2021	1.45	110,682	1.70	129,765	7,641,264	113,939	1.49

Source: Bank records, 2018-2020 Strategic Plan, and 2021-2023 Strategic Plan

Total community development loans and investments exceeded the established minimum goal for Outstanding in 2019 and was significantly above the 2020 Outstanding goal. For 2021, the performance fell below the Outstanding goal but was above the Satisfactory goal. The following table presents the breakdown loans and investments by year.

Community Development Loans and Investments Breakdown			
	2019 \$(000s)	2020 \$(000s)	2021 \$(000s)
Community Development Loans			
Senior Housing Foundation	1,000	1,000	-
Cape Fear Habitat	999	1,926	1,868
Equipment Loans	-	936	27
Affordable Housing Consortium		32	2,376
Community Development Investments			
Small Business Investment Company	4,057	3,683	3,647
Mortgage Backed Securities	61,504	90,484	101,819
Community LLC	-	2,500	3,702
Community Development Financial Institutions CD	500	500	500
Total	68,060	101,061	113,939

Source: Bank records, 2018-2020 Strategic Plan, and 2021-2023 Strategic Plan

The bank also set a goal for community development loans and investments that at least 25.0 percent of the annual goal performance is met through the extension of new money. The bank met

the goal in all three years with 28.0 percent in 2019, 70.3 percent in 2020, and 27.5 percent in 2021, of the Outstanding goals being met with new investments.

Below are examples of the community development loans and investments.

- Live Oak Bank continues to invest with two Small Business Investment Companies (SBIC), which are private lending companies licensed and regulated by the SBA. The bank continues to hold investments in Plexus and Five Points Mezzanine Funds (Five Points), which provides financing through subordinated debt and equity securities to middle-market firms in all types of industries throughout the Southeast and Mid-Atlantic, which includes the bank's assessment area. Investments in Plexus totaled \$3.1 million in 2019, \$2.7 million in 2020, and \$2.6 million in 2021. Investments in Five Points totaled \$1.0 million each year.
- In 2019 and 2020, Live Oak Bank renewed two \$500,000 loans to an organization that provides programs for low- and moderate-income seniors residing in senior housing facilities within the assessment area. The loan funds were used to purchase a mortgage-backed security (MBS) with a community development purpose serving the assessment area or a broader regional or statewide area that includes the assessment area.
- The bank continues to hold MBSs from previous years. In addition, the bank purchased new MBS. In 2019, investments in MBS totaled \$59.7 million, including 7 new MBS totaling \$15.1 million. In 2020, investments in MBS totaled \$90.5 million, including 13 new investments totaling \$53.0. In 2021, the investment in MBS totaled \$101.8 million, including \$33 million in 9 new investments. These pools are collateralized by mortgages either extended to low- and moderate-income families or located in low- or moderate-income tracts within New Hanover County and within the broader regional or statewide area that includes the assessment area.
- The bank continues to hold \$250,000 certificates of deposit in two Community Development Financial Institutions (CDFIs). CDFIs are specialized community based financial institutions with a primary mission to promote economic development by providing financial products and services to people and communities underserved by traditional financial institutions, particularly in low-income communities. One of the CDFIs is also a Minority Depository Institution.

Qualified Grants

During the review period, qualified grants totaled nearly \$1.7 million. The bank's performance exceeded the 2019 Outstanding goal and was substantially above the 2020 and 2021 Outstanding goals. The qualified grants consist of charitable contributions to assessment area organizations that provide community development services, including affordable housing, community services targeted to low- or moderate-income individuals, economic development, and revitalization and/or stabilization of low- or moderate-income geographies. The following table presents the breakdown of qualified grants.

Qualified Grants			
Institution Established Goals			
Plan Year	Satisfactory	Outstanding	Actual Grants
	\$(000s)	\$(000s)	\$(000s)
2019	215	240	284
2020	265	290	576
2021	265	280	804
TOTAL	745	810	1,664
<i>Source: Bank records, 2018-2020 Strategic Plan, and 2020-2023 Strategic Plan.</i>			

Below are examples of the qualified grants.

- \$100,000 in 2019, \$105,000 in 2020, and \$125,000 in 2021 to a non-profit organization dedicated to helping individuals affected by unemployment and underemployment associated with the challenges of incarceration, homelessness, and domestic violence. This organization provides both employment assistance and life skills training to enable participants to help break the cycle of generational poverty.
- \$50,000 in 2019 and 2020 and \$58,000 in 2021 to a non-profit organization that builds affordable housing and renovates existing houses for low- and moderate-income individuals.
- \$200,000 in 2020 and \$13,217 in 2021 to a non-profit organization that creates sustainable impact programs that address social progress across a variety of sectors, including economic development, health and human services, climate change, and housing.

Service Activities

Community development services are evaluated by the number of hours spent performing qualified services. The actual community development services totaled 855 hours for the three-year period. Qualified service hours significantly exceed the established goal for Outstanding performance in 2019 and were above the 2020 and 2021 Outstanding goals. The following table presents the breakdown of the qualified service hours.

Community Development Services			
Plan Year	Institution Established Goals		Institution Performance
	Satisfactory #	Outstanding #	Qualified Service Hours #
2019	180	230	320
2020	190	240	260
2021	190*	240*	275
Total	560	710	855

Source: Bank Records, 2018-2020 Strategic Plan, and 2020-2023 Strategic Plan.
** The 2021 service goals reflect the unknown and potential negative impact of the COVID-19 pandemic and bank employee's ability to access or volunteer.*

Bank officers and employees are involved in community development organizations providing services primarily focused on financial education, underprivileged school programs, low- and moderate-income housing, and employment for homeless.

Below are examples of the community development services.

- An employee serves on the Board of a non-profit organization that partners with adults through job training, job placement, career development, and financial education, with the ultimate goal of moving individuals and families out of poverty and into long-term stability.
- A bank officer attended meetings of a non-profit organization that builds affordable housing and renovates homes for low- and moderate-income individuals.
- An employee serves on the Board of an organization whose mission is to provide personalized education so low- and moderate-income adults can transform their lives and contribute to a stronger community. This is accomplished by extending literacy development beyond reading and writing skills, recognizing that literacy parameters change as skill requirements change, and providing individualized opportunities for adults to acquire and improve literacy skills.

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.

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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 non-profit) 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 bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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.

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 (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.