

# **PUBLIC DISCLOSURE**

December 19, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

CBW Bank  
Certificate Number: 13959

109 East Main Street  
Weir, Kansas 66781

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

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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.

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	2
DESCRIPTION OF ASSESSMENT AREA.....	3
SCOPE OF EVALUATION.....	5
CONCLUSIONS ON PERFORMANCE CRITERIA – STRATEGIC PLAN .....	7
CONCLUSIONS ON PERFORMANCE CRITERIA – SMALL INSTITUTION EXAMINATION PROCEDURES .....	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....	10
GLOSSARY .....	11

## INSTITUTION RATING

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

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

Examiners used two sets of evaluation procedures to assess CBW Bank's Community Reinvestment Act (CRA) performance for this evaluation period. Examiners used the Examination Procedures for Institutions with Strategic Plans for the portion of the review period covered by the bank's approved CRA Strategic Plan, which became effective January 1, 2022. Additionally, examiners evaluated the bank's performance prior to that date using the Small Institution Examination Procedures.

CBW Bank achieved satisfactory performance based on the goals in the Strategic Plan. Examiners placed greater weight on the performance under the Strategic Plan, as this highlights the bank's most recent activity, and the bank will continue to operate under the three-year Plan through December 31, 2024.

Examiners did not assign a separate rating for the performance evaluated using the Small Institution Examination Procedures. However, CBW Bank's performance was consistent with a Needs to Improve rating, because the bank made only a small percentage of loans within the assessment area, and the bank demonstrated poor lending performance in relation to comparative data for the Borrower Profile criterion.

## DESCRIPTION OF INSTITUTION

CBW Bank is a full-service bank headquartered in Weir, Kansas. CB Bancshares Corporation, Weir, Kansas, a one-bank holding company, owns 100 percent of the institution's common stock. Ownership and control of the institution remain unchanged since the previous CRA evaluation. The institution has no direct lending subsidiaries or affiliates.

The institution received a Needs to Improve rating at its previous FDIC Performance Evaluation, dated September 21, 2020, based on Federal Financial Institutions Examination Council's (FFIEC) Interagency Small Institution Examination Procedures.

CBW Bank operates from its sole office in Weir, located in southeastern Kansas. The bank continues to operate two loan production offices, with one located in Pittsburg, Kansas, and one located in Lawrence, Kansas. The loan production office in Lawrence is outside of the bank's CRA assessment area. In addition, the bank has an operations center in Topeka, Kansas, which also is outside the assessment area. The institution does not operate any ATMs.

While the bank offers traditional banking products and services, the primary business focus has historically been providing a variety of services to foreign financial institutions, money service businesses, and consumer loan products provided nationwide through multiple financial technology companies. Deposit products include checking accounts, savings accounts, and certificates of deposit. Alternative banking products and services include online banking. The bank offers a variety of credit products for consumers, businesses, and farms. Consumer credit products include installment, conventional, construction, home mortgage loans, and home equity lines of credit.

According to the Consolidated Reports of Condition and Income (Call Report), dated September 30, 2022, total assets approximated \$68.7 million, and included total loans of \$12.2 million and total securities of \$1.7 million. Total deposits equaled \$47.0 million. Since the previous evaluation, total assets and total deposits have decreased significantly. Total loans decreased significantly due to the expiration of the Small Business Administration's Paycheck Protection Program (PPP) in 2021. The loan portfolio mix shifted focus during the evaluation period, with consumer lending exceeding commercial lending as the dominant product category. Since the prior evaluation, the level of consumer loans increased significantly due to additional nationwide consumer loan products introduced by the bank.

As illustrated in the following table, which details the loan portfolio, the primary loan product is consumer loans.

<b>Loan Portfolio Distribution as of 09/30/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	-	-
Secured by Farmland	70	0.6
Secured by 1-4 Family Residential Properties	408	3.3
Secured by Multifamily (5 or more) Residential Properties	-	-
Secured by Nonfarm Nonresidential Properties	121	1.0
<b>Total Real Estate Loans</b>	<b>599</b>	<b>4.9</b>
Commercial and Industrial Loans	3,550	29.1
Agricultural Production and Other Loans to Farmers	227	1.9
Consumer Loans	7,618	62.5
Obligations of State and Political Subdivisions in the U.S.	-	-
Other Loans	192	1.6
Lease Financing Receivable (net of unearned income)	-	-
Less: Unearned Income	-	-
<b>Total Loans</b>	<b>12,186</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments limiting the institution's ability to meet the credit needs of the assessment area during the evaluation period.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA regulation requires financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. CBW Bank has delineated one assessment area in southeastern Kansas comprised of Cherokee and Crawford counties.

### **Economic and Demographic Data**

The assessment area consists of 3 moderate-, 13 middle-, and 1 upper-income census tracts, according to 2015 American Community Survey (ACS) data. The boundaries of the assessment area have not changed since the previous CRA Evaluation. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	17	0.0	17.6	76.5	5.9
Population by Geography	60,256	0.0	13.9	73.4	12.7
Housing Units by Geography	27,701	0.0	14.6	74.2	11.2
Owner-Occupied Units by Geography	15,246	0.0	11.6	80.9	7.5
Occupied Rental Units by Geography	7,807	0.0	17.6	63.2	19.2
Vacant Units by Geography	4,648	0.0	19.1	70.7	10.2
Businesses by Geography	3,558	0.0	21.9	66.9	11.2
Farms by Geography	285	0.0	4.9	89.5	5.6
Family Distribution by Income Level	14,508	22.1	18.5	23.5	36.0
Household Distribution by Income Level	23,053	28.4	19.0	17.1	35.5
Median Family Income Non-MSAs - Kansas		\$57,229	Median Housing Value		\$85,821
Families Below Poverty Level		12.5%	Median Gross Rent		\$653
<i>Source: 2015 ACS and 2021 D&amp;B Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

The following table presents the low-, moderate-, middle-, and upper-income ranges for non-metropolitan Kansas, which examiners used to analyze consumer lending under the Borrower Profile analysis.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$64,800)	<\$32,400	\$32,400 to <\$51,840	\$51,840 to <\$77,760	≥\$77,760
<i>Source: FFIEC</i>				

### **Competition**

There is a moderate level of competition for financial services in the assessment area. According to FDIC Deposit Market Share data as of June 30, 2022, there are 15 banks operating 33 branches in the assessment area, with CBW Bank holding a 3.4 percent market share.

Management is not required nor have they elected to collect and report information regarding small business loans under CRA. Nonetheless, aggregate lending data provides an indicator of loan demand and is considered in the performance context. In 2020, the most data available as of the evaluation date, 57 institutions reported 666 small business loans in the assessment area.

### **Community Contact**

Examiners contact community members or other third parties in the assessment area to help gain insight into the area's economy, demographic trends, and business environment. This information not only helps in identifying credit and community development needs and opportunities, but also assists in determining whether local financial institutions are responsive to those needs.

Examiners reviewed a recent community contact interview that was conducted with an individual from a local economic development organization. The contact indicated that while the area's

economy is relatively strong, inflation has been a concern. In addition, some businesses have struggled with supply chain and longer-term workforce issues. The contact stated there is a credit need for loans to start-up businesses and referenced the concept of a local revolving loan fund that would be helpful to start-ups. Housing demand is strong in the area, and the market remains tight due to a low supply of homes compared to nearby Joplin, Missouri. First-time homebuyers in the area struggle to find homes in their price range. Recent government efforts in a nearby town helped to revitalize the area along Route 66. With regard to community development opportunities for area financial institutions, the contact stated that in addition to actively making loans, there are always opportunities for providing basic financial education for low- and moderate-income individuals. In addition, the contact mentioned there are opportunities for institutions to support economic development and revitalization/stabilization efforts.

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

Considering information from demographic data and the community contact, examiners determined that small business loans represent a primary credit need in the assessment area. Opportunities exist for originating such loans, as indicated by aggregate data, along with demographic data on the number of small businesses in the assessment area. Community development needs in the assessment area include affordable housing, community services, economic development, and activities that revitalize and/or stabilize low- and moderate-income areas. This conclusion is supported by the number of low-to-moderate-income families and the percentage of small businesses in the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated September 21, 2020, to the current evaluation dated December 19, 2022. Examiners evaluated CBW Bank's performance using two sets of CRA examination procedures, because the bank received approval for a Strategic Plan in the midst of the evaluation period. Examiners used Interagency Small Institution Examination Procedures to evaluate performance for calendar year 2021. These procedures focus on the bank's performance under the Lending Test as outlined in the Small Bank Performance Criteria Appendix. Thereafter, examiners used the Interagency Examination Procedures for Institutions with Strategic Plans to evaluate the bank's performance under the first year of its Strategic Plan, which has an effective date of January 1, 2022.

Regardless of evaluation method, examiners determined the bank's major product line is consumer loans, followed by commercial loans. This conclusion is based on the bank's business strategy, loan portfolio composition, and recent loan origination activity. Accordingly, while examiners reviewed other lending products in this evaluation, consumer lending performance received the most weight in forming overall conclusions, as this is the bank's major product line throughout much of the review period. The following sections discuss the activities reviewed by examiners for the Strategic Plan and Small Institution evaluation processes.

### **Strategic Plan Activities Reviewed**

CBW Bank developed the Strategic Plan specifically to meet the credit and community development needs within its assessment area, particularly in light of the impact of the bank's nationwide consumer lending footprint. The Strategic Plan contains measurable annual goals that the FDIC used to evaluate performance. The Plan outlines two main goals that measure the bank's activities to help meet assessment area needs through community development services and qualified lending, investment, and grant activity. Each of these goals contains a minimum volume threshold necessary to achieve favorable CRA performance levels (satisfactory) regarding the following specific activities. CBW Bank did not establish goals for outstanding performance; therefore, the bank's performance could not be considered beyond satisfactory performance.

Goal 1: Community Development Services – 30 hours annually

Goal 2: Qualifying Loans, Investments, and Grants – annual dollar volume threshold based on 0.4 percent of “net assets” as defined in the plan, as of the prior year-end

Bank management tracked and provided data for the 2022 activities under each goal. CBW Bank's results for each of the Strategic Plan goals are addressed later in this evaluation.

### **Small Institution Activities Reviewed**

Given the bank's lending focus, the specific loan categories reviewed under the Lending Test were consumer loans and small business loans. Small farm and home mortgage loans were not reviewed, as these loan categories compose a minimal portion of the loan portfolio and are not emphasized in the institution's business strategy.

Examiners reviewed all loans originated or renewed in calendar year 2021. During this time, the bank made 595,575 consumer loans totaling \$570.0 million and 606 small business loans totaling \$25.9 million. Of the consumer loans, 505,566 loans totaling \$569.9 million were made through a third party lending relationship, where the loans were later sold to investors, and 9 loans totaling \$100,000 were made directly and serviced by the bank. Of the small business loans, 601 loans totaling \$25.5 million were PPP loans, and 5 loans totaling \$422,000 were non-PPP loans.

For the Lending Test, examiners reviewed all of the above noted loans for the Assessment Area Concentration analysis. For the Geographic Distribution and Borrower Profile analyses, examiners reviewed all loans extended within the assessment area. Lending within the assessment area included 66 consumer loans totaling \$164,000 and 30 small business loans totaling \$755,000.

For the Geographic Distribution and the Borrower Profile analyses, examiners used prescribed comparative data as the standard of comparison for the bank's lending performance. D&B data from 2021 provided a standard of comparison for the bank's small business lending performance, and 2015 ACS data provided a standard of comparison for the bank's consumer lending performance. Additionally, although both the number and dollar volume of loans are analyzed, examiners emphasize performance by the number of loans, because it is a better indicator of the number of individuals and businesses served.



## CONCLUSIONS ON PERFORMANCE CRITERIA – STRATEGIC PLAN

CBW Bank exceeded both Strategic Plan goals for 2022, resulting in satisfactory performance.

### **Goal 1: Community Development Services**

This goal measures the bank's community development services by number of service hours contributed by bank employees on an annual basis. Specifically, the goal for satisfactory performance was set at 30 community development service hours. Bank officials completed 45 community development service hours assisting with a local organization providing community services to low-income households, including services assisting a homeless shelter. In addition, bank officials completed 21 hours serving on the Board of Directors of a local housing organization in the assessment area. Lastly, bank officials completed 11 hours serving on the Board of Directors of a local library where financial education was provided to students from a school where a majority of students qualify for free or reduced-price lunches. In summation, for 2022, the 77 total qualified hours more than doubled the set goal of 30 hours and more than met the satisfactory threshold for this goal.

### **Goal 2: Qualifying Loans, Investments, and Grants**

This goal measures the bank's qualifying loans, investments, and grants by dollar volume of activities as a whole, compared to 0.4 percent of the bank's prior year-end net assets, which was calculated as \$101,538 for this evaluation. The following loan categories were considered under this goal.

- Loans to small businesses in original amounts of \$1 million or less that were reported on the bank's Call Report as either "loans secured by nonfarm or nonresidential real estate" or "commercial and industrial loans."
- Loans to small farms in original amounts of \$500,000 or less that were reported on the bank's Call Report as either "loans to finance agricultural production" or "loans secured by farmland."
- Loans to individuals with annual income qualifying as low- or moderate-income.
- Loans to individuals and entities in census tracts within the assessment area that are subsequently identified as low- or moderate-income geographies.
- Entities and organizations that have earmarked loan proceeds to provide services to small businesses and low- and moderate-income individuals.
- Small dollar loans, defined as closed-end loans that are below \$2,500 with annual percentage rates below 36 percent.

Qualified investments and grants considered under this goal included an annual grant to a local organization with funds earmarked to benefit small businesses; non-profit organizations servicing low- and moderate-income individuals; and providing financial and business-related training to individuals within the assessment area.

During the review period, the bank made loans under two qualifying categories. Considering small farm loans, the bank made one loan totaling \$134,000 in 2022. In addition, qualifying small dollar closed-end loans below \$2,500 in amount and with annual percentage rates below 36 percent comprised 76 loans totaling \$100,000. Qualifying investments included three school bonds

purchased in a prior period with an outstanding book value totaling approximately \$629,000, which benefitted schools in the assessment area where a majority of students qualify for free or reduced-price lunches. In addition, the bank provided \$29,000 in qualifying grants to organizations within the assessment area. In summation, for 2022, the bank’s dollar volume of qualifying loans, investments, and grants totaled \$892,000, which greatly exceeded the dollar volume goal of \$101,538 and represents satisfactory performance.

## **CONCLUSIONS ON PERFORMANCE CRITERIA – SMALL INSTITUTION EXAMINATION PROCEDURES**

### **LENDING TEST**

Although a rating was not assigned under this evaluation method, CBW Bank’s performance is consistent with a Needs to Improve rating. This conclusion is supported by the bank’s collective performance under the Lending Test.

### **Loan-to-Deposit Ratio**

The loan-to-deposit ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. Examiners evaluated the bank’s performance based on the six quarterly loan-to-deposit ratios from September 30, 2020, through December 31, 2021. The resulting average loan-to-deposit ratio of 105.5 percent greatly exceeds the average of 15.5 percent noted at the prior evaluation, primarily due to dramatically increased consumer and PPP lending. The ratio experienced a low of 56.1 percent as of December 31, 2021, and a high of 170.2 percent as of September 30, 2020. Given the significant difference in business strategy relative to other financial institutions located in and near the institution’s assessment area, no comparable lenders were identified for loan-to-deposit comparison purposes.

### **Assessment Area Concentration**

A substantial majority of the bank’s lending is outside the assessment area. Although a majority of the small business loan activity is also outside the assessment area, most of the small business loans were PPP loans. Since PPP financing was an important part of relief funding in response to the COVID-19 emergency, such loans do not negatively impact conclusions. An analysis of only non-PPP small business loans (7 total loans) revealed 6 loans, or 85.7 percent, were within the assessment area. See the following table for details.

<b>Lending Inside and Outside of the Assessment Area - 2021</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Consumer	66	0.01	595,509	100.0	595,575	164	0.02	569,808	99.98	569,972
Small Business	30	5.0	576	95.0	606	755	2.9	25,132	97.1	25,887

*Source: 2021 Bank Data  
Due to rounding, totals may not equal 100.0%*

### **Geographic Distribution**

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the percentage of loans in moderate-income areas located in the assessment area. There were no low-income areas. Consumer loans received the greatest weight when making conclusions under this criterion.

#### ***Consumer Loans***

The geographic distribution of consumer loans reflects reasonable performance. As shown in the following table, the bank's lending to borrowers in moderate-income areas slightly exceeds demographic data.

<b>Geographic Distribution of Consumer Loans</b>					
<b>Tract Income Level</b>	<b>% of Households</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	13.7	10	15.2	35	21.3
Middle	74.9	48	72.7	119	72.6
Upper	11.4	8	12.1	10	6.1
<b>Totals</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>164</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data.  
Due to rounding, totals may not equal 100.0%*

#### ***Small Business Loans***

The geographic distribution of small business loans reflects poor performance. As shown in the following table, the bank's lending performance lags the corresponding demographic data for moderate-income census tracts.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	21.9	2	6.7	23	3.0
Middle	66.9	26	86.7	574	76.0
Upper	11.2	2	6.7	158	20.9
<b>Totals</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>755</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data  
Due to rounding, totals may not equal 100.0%*

### **Borrower Profile**

The distribution of borrowers reflects poor penetration among individuals of different income levels and businesses of different sizes. Examiners focused on the percentage of consumer loans to low- and moderate-income borrowers, and the percentage of small business loans to businesses with revenues of \$1 million or less. This conclusion is supported by the bank's poor consumer lending performance, which received the most weight in the analysis.

#### ***Consumer Loans***

The distribution of borrowers reflects poor penetration among individuals of different income levels. As shown in the following table, the bank's lending to low- and moderate-income individuals significantly lagged the demographic data. In particular, lending to low-income borrowers was significantly less than the percent of low-income households in the assessment area. Similarly, but to a lesser degree, lending to moderate-income individuals lagged demographic data.

<b>Distribution of Consumer Loans by Borrower Income Category</b>					
<b>Borrower Income Level</b>	<b>% of Households</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	28.4	7	10.6	28	17.1
Moderate	19.0	9	13.6	14	8.5
Middle	17.1	20	30.3	76	46.3
Upper	35.5	30	45.5	46	28.0
<b>Totals</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>164</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data.</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

### ***Small Business Loans***

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. As shown in the following table, the bank's lending to businesses with revenues less than or equal to \$1 million significantly exceeded the demographic data. Although a majority of these small business loans were PPP loans where the bank had revenue information, the bank made six non-PPP loans that were all made to businesses with revenues of less than \$1 million.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	78.2	29	96.7	715	94.7
>\$1,000,000	6.6	1	3.3	40	5.3
Revenue Not Available	15.2	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>755</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data, Bank Data.</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

### **Response to Complaints**

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect conclusions under the Lending Test.

## **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 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 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.