

PUBLIC DISCLOSURE

January 24, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Independence Bank
Certificate Number: 57379

1370 South County Trail
East Greenwich, Rhode Island 02818

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

350 Fifth Avenue, Suite 1200
New York, New York 10118

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

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA.....	3
SCOPE OF EVALUATION.....	6
CONCLUSIONS ON PERFORMANCE CRITERIA.....	7
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	11
APPENDICES	12
SMALL BANK PERFORMANCE CRITERIA.....	12
GLOSSARY.....	13

INSTITUTION RATING

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

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

The bank's CRA lending performance during the first half of the evaluation period was generally reasonable; however, the sharp decline in lending activity in 2019, the absence of lending activity in 2020 and 2021, and poor performance under the geographic distribution and borrower profile criteria supported an overall poor performance under the Lending Test. This poor performance would have resulted in a "Needs to Improve" rating; however, the CRA requires examiners to consider any evidence of discriminatory violations or other illegal credit practices when assigning an overall CRA rating. During the evaluation period, examiners identified violations of Section 5 of the Federal Trade Commission (FTC) Act regarding Unfair and Deceptive Acts or Practices (UDAP) concerning the bank and its third party agent charging impermissible fees on Small Business Administration (SBA) loans to small business customers and the bank's misrepresentations of fees on SBA loan disclosures and forms. The bank's practice of charging impermissible fees is inconsistent with helping to meet community credit needs. The bank's performance was further adversely affected by these illegal credit practices. As a result, we adjusted the bank's overall CRA rating to "Substantial Noncompliance." Please refer to the "Discriminatory or Other Illegal Credit Practices" section of this evaluation for additional information.

The rating is supported by the following conclusions:

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

DESCRIPTION OF INSTITUTION

Background

Independence Bank is headquartered in East Greenwich, Rhode Island, where the bank operates one branch. The Federal Deposit Insurance Corporation (FDIC) assigned the bank a Satisfactory rating at the previous CRA performance evaluation dated October 5, 2015, based on Interagency Small Institution Examination Procedures.

Operations

Throughout the evaluation period, the bank offered limited loan products and various deposit products and services. Until November 2019, the bank’s lending strategy focused on originating SBA Small Loan Advantage (SLA) loans nationwide in amounts up to \$150,000. Independence Bank specifically offered 7(a) loans as part of the SLA program, which the SBA created to encourage lenders to offer business loans of smaller amounts, particularly in underserved communities. The program allowed approved lenders to perform streamlined underwriting and obtain a guarantee of up to 85.0 percent of the loan amount. The bank did not originate any SBA loans in 2020 or 2021.

The bank offers various personal and business deposit products, including checking, savings, and money market accounts. The bank also offers internet banking, electronic bill pay, and telephone banking. The bank has not opened or closed any branches and no merger activities have occurred since the previous evaluation.

Ability and Capacity

As of December 31, 2021, the bank’s assets totaled \$62.4 million, of which loans totaled \$38.8 million. The bank held \$40.7 million in total deposits as of the same date. Independence Bank stopped originating home mortgage loans prior to the previous evaluation and stopped originating small business loans during the current evaluation period. As a result, all loans reflected in the following table were originated in 2019 or earlier.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction and Land Development	0	0.0
Secured by Farmland	0	0.0
1-4 Family Residential	1,131	2.9
Multi-family (5 or more) Residential	0	0.0
Non-Farm/Non-Residential Real Estate	1,599	4.1
Total Real Estate Loans	2,742	7.0
Commercial and Industrial	36,752	94.6
Agricultural	0	0.0
Consumer	0	0.0
Other	191	0.5
Less: Unearned Income	(837)	(2.1)
Total Loans	38,836	100.0
<i>Source: Reports of Income and Condition</i>		

The bank's financial condition and other impediments affected its ability to meet community credit needs during the evaluation period. Specifically, the bank is currently operating under a July 25, 2019 Consent Order (Order) with the FDIC and the State of Rhode Island Division of Banking (RI DOB). The Order includes, among other things, provisions related to management, liquidity, concentration limits, growth restrictions, and the development of a strategic plan. These provisions, particularly the growth restrictions, limited the bank's ability to extend credit within its assessment area during the evaluation period. The Order required the bank's Board of Directors to obtain non-objection from the agencies before engaging in any transactions that would materially change the institution's risk profile or balance sheet composition, including but not limited to annual growth of five percent or more; however, the Order did not place a moratorium on all lending activity.

DESCRIPTION OF ASSESSMENT AREA

Independence Bank delineated the state of Rhode Island as its assessment area. The entire state is located in the Providence-Warwick, RI-MA Metropolitan Statistical Area (MSA). The following section discusses demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area comprises 244 census tracts with the following income designations according to the 2015 American Community Survey (ACS) data:

- 32 low-income census tracts,
- 37 moderate-income census tracts,
- 96 middle-income census tracts,
- 73 upper-income census tracts, and
- 6 tracts with no income designation.

The U.S. Census Bureau updates census data every five years. The evaluation of the bank's lending performance includes comparisons to 2016 demographic data, which is based in part on 2010 U.S. Census data. The evaluation also includes comparisons to demographic data from 2017 through 2019, which is based in part on 2015 ACS data. As a result of updated 2015 ACS data, years 2017 through 2021 reflect a net increase of 6 low-income census tracts and a net decrease of 12 moderate-income census tracts in the assessment area compared to 2016.

The 32 low-income census tracts in the assessment area are located in Central Falls (4), Newport (1), Pawtucket (4), Providence (16), and Woonsocket (7). The 37 moderate-income census tracts are located in Bristol (1), Cranston (2), Cumberland (1), East Providence (4), Johnston (1), Newport (1), Pawtucket (9), Providence (12), Warren (1), Westerly (1), West Warwick (2), and Woonsocket (2). 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 #	NA* % of #
Geographies (Census Tracts)	244	13.1	15.2	39.3	29.9	2.5
Population by Geography	1,053,661	12.1	15.5	39.6	31.8	0.9
Businesses by Geography	81,779	8.6	15.8	37.5	37.2	1.0
Household Distribution by Income Level	410,602	26.4	14.8	16.0	42.9	0.0
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$73,950	Median Housing Value			\$254,404
			Median Gross Rent			\$925
			Families Below Poverty Level			10.1%
Source: 2015 ACS and 2019 D&B Data; Due to rounding, totals may not equal 100.0%						
(*) The NA category consists of geographies that have not been assigned an income classification.						

According to 2019 D&B data, of the 81,779 businesses located in the assessment area, 85.7 percent have gross annual revenues of \$1.0 million or less. Service industries represent the largest portion of businesses at 40.1 percent, followed by retail at 13.3 percent, and finance and insurance at 9.3 percent. Additionally, 63.0 percent of businesses operate with four employees or less. According to Moody's Analytics, the top employers are Lifespan, Care New England, and CVS Health Corp.

Competition

The financial services market in which Independence Bank operates has a high level of competition. According to the June 30, 2021 FDIC Deposit Market Share data, there were 20 deposit taking institutions operating 237 branches. The top four national or regional institutions in the area maintained 135 out of 237 branch offices with a combined deposit market share of 78.6 percent. The bank ranked 18th with a deposit market share of 0.1 percent. Other local banks headquartered in Rhode Island, including Bank Rhode Island, BankNewport, and Home Loan Investment Bank, F.S.B. each operate at least two branches with a combined deposit market share of 11.7 percent.

The bank faces a high level of competition for small business loans from national banks, credit unions, and community banks in the assessment area. The CRA does not require Independence Bank to report small business loans due to its asset size; however, market share reports for reported small business loans demonstrate competition and small business loan demand in the assessment area. According to 2019 aggregate data, 117 lenders originated 25,049 small business loans totaling \$833.1 million. The most prominent lenders included American Express; JPMorgan Chase Bank, N.A.; Bank of America, N.A; and Citibank, N.A. The bank's local competitors headquartered in Rhode Island also consistently ranked among the top 25 small business lenders. Specifically, Bank Rhode Island ranked 15th in 2019 with 259 loans and BankNewport ranked 22nd in the same year with 134 loans. Both institutions held similar market shares in 2017 and 2018.

Additionally, the SBA Rhode Island District Office publishes ranking and activity reports for banks that originate 7(a) loans in Rhode Island. Although lending activity is based on the SBA's fiscal year of October 1st through September 30th, as opposed to full calendar years, these reports provide insight into assessment area competition and demand for the bank's sole loan product offered during the evaluation period. During the evaluation period, the bank ranked among the top ten SBA lenders in Rhode Island during multiple SBA fiscal years. During the 2016-2017 fiscal year, Independence Bank ranked 5th out of 37 lenders, trailing Bank Rhode Island (ranked 3rd), and outperforming BankNewport (ranked 10th). Notably, Independence Bank ranked 1st out of 46 lenders during the SBA's 2017-2018 fiscal year when the bank originated 50 loans. Bank Rhode Island ranked 3rd and BankNewport ranked 10th in the same time period, originating 39 and 12 loans respectively. During the 2018-2019 fiscal year, Independence Bank was ranked 8th, originating 11 loans, while Bank Rhode Island and BankNewport ranked 3rd and 13th respectively. As stated, Independence Bank did not originate any loans in 2020 or 2021.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. Examiners also review FDIC's community contact database for organizations in the assessment area previously contacted within the evaluation period. This information helps determine whether local financial institutions are responsive to these needs and reflects available credit and community development opportunities. Examiners reviewed a community contact with an organization that supports affordable housing and revitalization in Providence, Rhode Island. The organization provides support through loans or grants to local homeowners and businesses that would not qualify for traditional financing. The organization provides these loans through capital funds that community banks, local and state governments, and other community development organizations support. One capital fund provides loans from \$500 to \$5,000 for micro-businesses in response to the COVID-19 pandemic. These loans allowed businesses that would not qualify for traditional financing to receive funding to purchase personal protection equipment and make operational changes to comply with local restrictions related to the pandemic.

According to the community contact, many businesses did not qualify for SBA Paycheck Protection Program (PPP) loans due to their inability to provide required application documentation quickly, or due to credit or revenue issues. These businesses were predominantly located in low- and moderate-income census tracts and faced financial hardship during the pandemic.

Credit Needs

Examiners identified the assessment area's credit needs based on demographic and economic information, discussions with management, and the community contact. The business community's primary credit needs include financing for small businesses, including non-traditional underwriting and small-dollar loans for micro-businesses. Credit needs for small business loans were heightened during the COVID-19 pandemic, beginning in 2020.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated October 5, 2015, to the current evaluation dated January 24, 2022. Examiners used the Interagency Small Institution Examination Procedures to evaluate Independence Bank's CRA performance.

Activities Reviewed

Based on the number and dollar volume of loans originated during the evaluation period, the bank's major product line is small business loans. The bank did not make home mortgage, small farm, or consumer loans during the evaluation period, so the evaluation did not consider these products.

Independence Bank provided a list of small business loans originated for the period beginning January 1, 2016 through December 31, 2021. Examiners validated all of the small business loans originated within the bank's assessment area. Examiners analyzed the small business lending for all six years and compared the bank's lending to available demographic data. Demographic data was obtained from 2015 ACS data, D&B data, Moody's Analytics, and the U.S. Bureau of Labor Statistics. The evaluation primarily focused on the number of loans originated or purchased during the evaluation period. The number of loans, as opposed to the dollar volume, is a better indicator of the number of individuals and businesses served.

The following table shows the number and dollar amount of small business loans originated by the bank each year.

Loan Products Reviewed		
Loan Category	Universe	
	#	\$(000s)
Small Business Loans - 2016	335	41,176
Small Business Loans - 2017	903	98,616
Small Business Loans - 2018	1,368	158,567
Small Business Loans - 2019	448	62,180
Small Business Loans - 2020	0	0
Small Business Loans - 2021	0	0
Total Small Business Loans	3,054	360,539

Source: Bank Records

While certain provisions within the July 2019 Order limited the bank's ability to extend credit, it did not place a moratorium on all lending activity. Rather, the Order required the bank to obtain non-objection from the agencies before engaging in any transactions that would materially change the bank's risk profile or composition of the balance sheet. The bank had the ability to originate or purchase loans after obtaining non-objection from the agencies.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Independence Bank demonstrated poor performance under the Lending Test. Poor performance under the assessment area concentration, borrower profile, and geographic distribution criteria primarily support this conclusion. While the bank's lending performance during the first half of the evaluation period was generally reasonable, the sharp decline of lending in 2019, the absence of lending activity in 2020 and 2021, and poor performance under the geographic distribution and borrower profile affected the poor performance under the Lending Test. Further, the credit needs of the assessment area were heightened during the same period in which the bank did not originate any loans. While the previously mentioned Order had some limitations to the type and volume of lending, this did not prohibit the bank from seeking ways to meet its CRA obligations. The following sections describe the bank's performance under each criterion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 93.1 percent over the past 24 quarters since the previous CRA evaluation. The ratio fluctuated from a low of 73.8 percent as of December 31, 2017, to a high of 106.1 percent as of March 31, 2019. When the bank stopped originating loans, the LTD ratio steadily declined from 97.8 percent as of March 31, 2020, to 77.5 percent as of December 31, 2021.

Total deposits showed an increase between December 31, 2015 and June 30, 2018, from \$29.3 million to a peak of \$48.2 million, before slowly declining to \$40.7 million as of December 31, 2021. Although there are no similarly situated financial institutions headquartered in the assessment area, examiners compared Independence Bank's current net LTD ratio to Uniform Bank Performance Report (UBPR) peer bank data. This peer group consists of insured commercial banks with assets between \$50.0 million and \$100.0 million with two or fewer full-service banking offices located in an MSA. As of December 31, 2021, Independence Bank's net LTD ratio of 77.5 percent is higher than the peer group's average of 56.9 percent.

Assessment Area Concentration

Independence Bank originated a substantial majority of small business loans outside its assessment area. The bank's percentage of loans inside the assessment area declined from 6.0 percent in 2016 to 1.6 percent in 2019, the year in which the bank stopped originating loans. While the assessment area concentration is very low, the volume of small business loans originated inside the assessment area in 2016, 2017, and 2018 is similar to the volume of loans originated during the prior evaluation period. During the evaluation period, the bank used a third party agent to source credit applications for SBA SLA loans inside the assessment area as well as nationwide. While Independence Bank originated a significant number of loans outside of Rhode Island, the bank still ranked among the top ten SBA 7(a) lenders in Rhode Island during multiple SBA fiscal years and ranked 1st in the 2017-2018 fiscal year. This data suggests that the bank made a reasonable volume of loans inside the assessment area to address the credit need for the specific loan product during those years.

Despite these factors, the following table shows an accelerated declining trend beginning in 2019, followed by the bank ceasing all lending activity in 2020 and 2021. While the bank’s financial condition and other impediments affected its ability to extend credit during the evaluation period, the previously mentioned Order did not limit the bank’s ability to lend entirely. Despite the economic condition and heightened credit needs of the assessment area caused by the impact of the COVID-19 pandemic, the bank did not originate any loans or demonstrate efforts to meet the credit needs of the assessment area in 2020 or 2021. The declining trend in performance and absence of lending in 2020 and 2021 negatively affected the assessment area concentration performance.

The following table illustrates the bank’s lending inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2016	20	6.0	315	94.0	335	2,445	5.9	38,731	94.1	41,176
2017	26	2.9	877	97.1	903	2,510	2.6	96,106	97.4	98,616
2018	25	1.8	1,343	98.2	1,368	2,450	1.5	156,117	98.5	158,567
2019	7	1.6	441	98.4	448	925	1.5	61,255	98.5	62,180
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
Total	78	2.6	2,976	97.4	3,054	8,330	2.3	352,209	97.7	360,539
<i>Source: CRA Data from Bank</i>										

Geographic Distribution

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. The bank’s performance in low-income census tracts was comparable to demographics in 2016 and 2018, but was below demographics in 2017. The bank did not originate any loans in low-income census tracts in 2019, 2020, or 2021. Similarly, lending performance in moderate-income census tracts exceeded demographics in 2016 and was comparable to demographics in 2017 and 2018; however, the bank did not originate any loans in these geographies in 2019, 2020 or 2021.

The declining trend in performance and the lack of all lending activity in 2020 and 2021 reflects poor performance in meeting the credit needs of low-and moderate-income census tracts in the assessment area. The following table illustrates the geographic distribution of small business loans for each year.

Geographic Distribution of Small Business Loans¹					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2016	6.9	1	5.0	150	6.1
2017	8.5	1	3.8	25	1.0
2018	8.6	2	8.0	200	8.2
2019	8.6	0	0.0	0	0.0
2020	8.7	0	0.0	0	0.0
2021	9.2	0	0.0	0	0.0
Moderate					
2016	18.4	5	25.0	675	27.6
2017	15.9	4	15.4	395	15.7
2018	15.8	4	16.0	400	16.3
2019	15.8	0	0.0	0	0.0
2020	15.9	0	0.0	0	0.0
2021	16.1	0	0.0	0	0.0
Middle					
2016	40.2	9	45.0	1,105	45.2
2017	37.9	15	57.7	1,575	62.8
2018	37.9	11	44.0	1,200	49.0
2019	37.5	2	28.6	300	32.4
2020	37.3	0	0.0	0	0.0
2021	37.1	0	0.0	0	0.0
Upper					
2016	34.4	4	20.0	500	20.5
2017	36.6	6	23.1	515	20.5
2018	36.7	8	32.0	650	26.5
2019	37.2	5	71.4	625	67.6
2020	37.1	0	0.0	0	0.0
2021	36.7	0	0.0	0	0.0
Totals					
2016	100.0	20	100.0	2,445	100.0
2017	100.0	26	100.0	2,510	100.0
2018	100.0	25	100.0	2,450	100.0
2019	100.0	7	100.0	925	100.0
2020	100.0	0	0.0	0	0.0
2021	100.0	0	0.0	0	0.0
<i>Source: D&B Data; Bank Data</i>					

¹ The Geographic Distribution of Small Business Loans table does not include rows reflecting activity in the six census tracts with no income designation; therefore, totals may not add to 100.0 percent. The bank originated one loan in those tracts in 2016.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, poor penetration among businesses of different sizes. Despite making a reasonable percentage of loans to businesses with gross annual revenues of \$1.0 million or less from 2016 through 2019, the bank did not originate any loans to small businesses in 2020 or 2021. The lack of lending in 2020 and 2021 reflects poor performance in meeting the needs of businesses of different sizes. The following table illustrates the bank’s distribution of small business loans by gross annual revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2016	82.6	15	75.0	1,695	69.3
2017	82.9	19	73.1	1,610	64.1
2018	83.3	17	68.0	1,525	62.2
2019	85.7	5	71.4	625	67.6
2020	86.5	0	0.0	0	0.0
2021	87.6	0	0.0	0	0.0
>\$1,000,000					
2016	7.0	5	25.0	750	30.7
2017	6.9	7	26.9	900	35.9
2018	6.7	8	32.0	925	37.8
2019	5.6	2	28.6	300	32.4
2020	5.3	0	0.0	0	0.0
2021	4.7	0	0.0	0	0.0
Revenue Not Available					
2016	10.4	0	0.0	0	0.0
2017	10.2	0	0.0	0	0.0
2018	10.0	0	0.0	0	0.0
2019	8.8	0	0.0	0	0.0
2020	8.3	0	0.0	0	0.0
2021	7.7	0	0.0	0	0.0
Totals					
2016	100.0	20	100.0	2,445	100.0
2017	100.0	26	100.0	2,510	100.0
2018	100.0	25	100.0	2,450	100.0
2019	100.0	7	100.0	925	100.0
2020	100.0	0	0.0	0	0.0
2021	100.0	0	0.0	0	0.0
<i>Source: D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The CRA requires regulatory agency examiners to consider any evidence of discriminatory violations or other illegal credit practices by a bank when assigning its overall CRA rating. Examiners must consider the nature, extent, strength of evidence of the practices, the policies and procedures in place to prevent the practices, any corrective action the bank has taken or committed to take, including voluntary corrective action resulting from self-assessment, and any other relevant information.

During the evaluation period, examiners identified violations of Section 5 of the FTC Act regarding unfair and deceptive practices concerning the bank and its third party agent charging impermissible fees for SBA loans to small business customers and the bank's misrepresentations of fees on SBA loan disclosures and forms. These practices violated Section 5 of the FTC Act, which is an illegal credit practice. The bank's practice of charging impermissible fees is inconsistent with helping to meet community credit needs. The violations were widespread and affected a significant number of small business consumers. The bank's policies and procedures, training program, and internal assessment efforts were not sufficient to prevent the occurrence of the illegal credit practices (i.e., the bank charging impermissible fees). Bank management did not take, nor have they committed to take, appropriate corrective action on the violations. As a result, we adjusted the bank's overall CRA rating to "Substantial Noncompliance."

APPENDICES

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 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).

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.

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

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

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

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.

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.

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

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

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

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

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

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

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