PUBLIC DISCLOSURE

August 9, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Forbright Bank
Certificate Number: 57614

7963 Tuckerman Lane
Potomac, Maryland 20854

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.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Needs to Improve**.

An institution in this group needs to improve its overall 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 Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.

- A majority of loans are outside the institution's assessment area.

- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

- The distribution of borrowers reflects, given the demographics of the assessment area, poor penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

- The institution has not received any written complaints regarding its CRA performance; therefore, this criterion did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

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

Discriminatory or Other Illegal Credit Practices

Forbright Bank's (Forbright) CRA performance resulted in an overall "Satisfactory" rating. However, examiners identified violations of Section 5 of the Federal Trade Commission Act regarding Unfair or Deceptive Acts or Practices (UDAP) with respect to a consumer line of credit product. In consideration of these violations, Forbright's overall CRA rating was adjusted from "Satisfactory" to "Needs to Improve." Please refer to the Discriminatory or Other Illegal Credit Practices section of this evaluation for additional information regarding this adjustment.

DESCRIPTION OF INSTITUTION

Background

Forbright, formerly Congressional Bank, is a commercial institution headquartered in Chevy Chase, Maryland. Forbright relocated its headquarters from Potomac, Maryland, to Chevy Chase, Maryland, in November 2020. The bank officially changed its name on January 18, 2022, as part of its strategy to expand its specialty and traditional lending platforms, with an emphasis on environmental, social, and governance (ESG) business practices. In 2021, the holding company changed from Congressional Bancshares, Inc., a Maryland corporation, to Forbright, Inc. (FI), a Delaware corporation. FI wholly owns the bank. Forbright did not have any merger or acquisition activity during the evaluation period.

The FDIC assigned a rating of "Satisfactory" at the July 8, 2019 Community Reinvestment Act Performance Evaluation, based on Interagency Intermediate Small Bank CRA Examination Procedures.

Forbright's subsidiaries include Alliance Partners, LLC (AP), Energy Loan Network, LLC (ELN), HCG SMA I, LLC, and LALLO, LLC. AP is a full-service lending platform, and is the asset manager for BancAlliance, which is a network of community banking relationships. Forbright acquired ELN on December 31, 2021 and operates a web-based consumer-lending platform for unaffiliated, third-party contractors to provide financing options for their consumer clients to apply for a loan to pay for the installation of residential solar energy systems and other energy efficient home improvements. HCG SMA I, LLC is a specialty-lending subsidiary that maintains third-party lending relationships with bank and non-bank entities offering consumer and small business loans. LALLO, LLC is a subsidiary for the bank's other real estate owned portfolio. FI formed a commercial finance company, CB Finco LLC, in 2021 that engages in commercial lending activities.

Operations

Forbright operates four full-service branch offices. Of these, three are in Montgomery County, Maryland, and one is in Fairfax County, Virginia. On April 22, 2022, the bank closed its Washington D.C. branch office located in a moderate-income area. The bank opened loan production offices (LPOs) in New York, New York, and San Diego and Simi Valley, California, since the prior evaluation. In addition, the bank closed its Columbus, Ohio LPO in September 2019.

Forbright's business operations include several bank divisions that provide banking and commercial lending services across the United States (U.S.), including a community banking division that focuses on the Washington, D.C. metropolitan area. The bank divisions servicing the entire U.S. offer traditional bank deposit products and bank lending products, including secured real estate loans, secured term loans, working capital loans, warehouse lines of credit, and loan purchase agreements. One bank division specializes in healthcare lending, specialty lending, corporate finance, and includes a newly formed sustainable finance unit that funds loans supporting the bank's ESG business focus. The bank's commercial division purchases and originates consumer and small business loans nationwide from third-party lenders.

Alternative banking services include online and mobile banking, electronic bill payment, bank by phone, person-to-person payments, and four proprietary deposit-taking ATMs located in branch offices. Forbright also provides a variety of cash management solutions to its commercial customers, such as ACH credit and debit origination, which allows for same-day transfers and other payment services.

Ability and Capacity

As of June 30, 2022, assets totaled $6.4 billion, loans totaled $4.6 billion, and securities totaled $47.5 million. Each of these figures increased since the prior evaluation, when assets totaled $1.1 billion, loans totaled $921.4 million, and securities totaled $34.7 million. A 2021 initiative to raise capital funded significant loan growth in specialty real estate, technology enabled, cash flow-based, lender finance, healthcare, and structured real estate lending. This has allowed the bank a greater ability and capacity to lend nationwide.

The following table details Forbright's loan portfolio.

Loan Portfolio Distribution as of June 30, 2022		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	279,466	6.1
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	113,610	2.5
Secured by Multifamily (5 or more) Residential Properties	110,615	2.4
Secured by Nonfarm Nonresidential Properties	1,236,949	27.1
Total Real Estate Loans	**1,740,640**	**38.1**
Commercial and Industrial Loans	1,209,572	26.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	572,258	12.5
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	1,046,333	22.9
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	**4,569,803**	**100.0**
Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0%.		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Forbright designated a single assessment area within the Washington-Arlington-Alexandria, DC-MD-VA-WV Metropolitan Statistical Area (MSA) 47900. The assessment area consists of Frederick and Montgomery Counties located in Metropolitan Division (MD) 23224 Frederick-Gaithersburg-Rockville, MD, and the District of Columbia, Prince George's, Arlington, Fairfax, and Loudon Counties, as well as the independent Cities of Falls Church, Alexandria, and Fairfax in MD 47894 Washington-Arlington-Alexandria, DC-VA-MD-WV.

All of the branch offices are located within the same multi-state MSA; therefore, examiners formed conclusions and assigned ratings based on a full-scope review of the single assessment area.

An emergency declaration (EM-3430-MD) dated March 13, 2020, and a major disaster declaration (DR-4491-MD) dated March 26, 2020, both related to COVID-19, affected the entire assessment area as of January 2020, continuing through the date of this evaluation.

Economic and Demographic Data

According to 2015 ACS data, the assessment area includes 1,101 census tracts, of which 121 are low-income, 225 are moderate-income, 352 are middle-income, 389 are upper-income, and 14 have no income classification.

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)	1,101	11.0	20.4	32.0	35.3	1.3
Population by Geography	4,689,353	10.3	19.4	33.0	36.7	0.6
Housing Units by Geography	1,835,853	10.5	19.4	33.0	36.5	0.5
Owner-Occupied Units by Geography	1,043,510	4.3	15.5	35.4	44.7	0.2
Occupied Rental Units by Geography	673,959	19.1	25.1	30.0	24.8	1.0
Vacant Units by Geography	118,384	16.8	22.0	29.6	31.1	0.6
Businesses by Geography	619,830	5.3	17.3	33.8	43.0	0.6
Farms by Geography	8,895	4.4	16.6	36.7	42.0	0.2
Family Distribution by Income Level	1,092,850	22.1	16.1	19.6	42.2	0.0
Household Distribution by Income Level	1,717,469	23.3	16.3	18.4	42.0	0.0
Median Family Income MSA - 23224 Frederick-Gaithersburg-Rockville, MD		$112,655	Median Housing Value			$437,077
Median Family Income MSA - 47894 Washington-Arlington-Alexandria, DC-VA-MD-WV		$106,105	Median Gross Rent			$1,562
			Families Below Poverty Level			5.8%

Source: 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies without an assigned income classification.

The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Based on the 2015 ACS data, there are over 1.8 million housing units in the assessment area. Of these housing units, 56.8 percent are owner-occupied, 36.7 percent are occupied rental units, and 6.5 percent are vacant properties. Data suggests limited opportunities to originate consumer residential mortgage loans in low- and moderate-income census tracts. Specifically, 4.3 percent of owner-occupied units are located in low-income geographies and 15.5 percent are in moderate-income geographies. In contrast, the 19.1 percent of occupied rental units in low-income geographies and 25.1 percent in moderate-income geographies indicates more opportunities for families to rent than to own housing units.

The geographic distribution criterion also compares the bank's small business lending to the distribution of area businesses, with a focus on lending in low- and moderate-income census tracts. As shown in the table above, only 5.3 percent of the area businesses are located in low-income census tracts. This suggests somewhat limited opportunity for lenders to make loans to existing small businesses in these low-income areas.

The data further supports challenges lenders face in originating loans to low- or moderate-income borrowers based on 22.1 percent low-income and 16.1 percent moderate-income families, along with 5.8 percent of families living below the poverty level. Data suggests that it would be difficult for these families to qualify for a home mortgage loan or support a monthly mortgage payment, especially considering the median housing value of $437,077.

The analysis of small business loans compares the distribution of businesses by Gross Annual Revenue (GAR) level. According to 2021 D&B data, 619,830 non-farm businesses operate within the assessment area. GARs for area businesses are as follows:

- 89.1 percent report $1.0 million or less,
- 3.9 percent report more than $1.0 million, and
- 7.0 percent have unknown revenues.

Service industries represent the largest business category active in the assessment area (45.0 percent); followed by non-classifiable establishments (23.1 percent); finance, insurance, and real estate (9.0 percent); and retail trade (7.9 percent). A significant majority of businesses (91.2 percent) has fewer than 10 employees, and 92.6 percent operate from a single location. This data supports opportunities to lend to small businesses.

The Borrower Profile criterion also analyzes the distribution of loans by borrower income level. Examiners used the FFIEC-updated median family income data to analyze the bank's home mortgage lending under the Borrower Profile criterion. The following table reflects the median family income ranges for the low-, moderate-, middle-, and upper-income categories in the assessment area.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Frederick-Gaithersburg-Rockville, MD Median Family Income (23224)				
2019 ($123,600)	<$61,800	$61,800 to <$98,880	$98,880 to <$148,320	≥$148,320
2020 ($124,400)	<$62,200	$62,200 to <$99,520	$99,520 to <$149,280	≥$149,280
2021 ($129,900)	<$64,950	$64,950 to <$103,920	$103,920 to <$155,880	≥$155,880
Washington-Arlington-Alexandria, DC-VA-MD-WV Median Family Income (47894)				
2019 ($114,700)	<$57,350	$57,350 to <$91,760	$91,760 to <$137,640	≥$137,640
2020 ($118,700)	<$59,350	$59,350 to <$94,960	$94,960 to <$142,440	≥$142,440
2021 ($122,100)	<$61,050	$61,050 to <$97,680	$97,680 to <$146,520	≥$146,520
Source: FFIEC				

Data obtained from the U.S. Bureau of Labor Statistics show that unemployment rates at the county, state, and national levels increased since the previous evaluation. The 2020 and 2021 unemployment rates reflect the impact of the COVID-19 pandemic. As shown in the following table, unemployment in the assessment area counties followed a trend similar to the States of Maryland and Virginia during and after the pandemic. Current unemployment rates are comparable to the state and national averages.

Unemployment Rates				
Area	**2019**	**2020**	**2021**	**June 2022**
	%	**%**	**%**	**%**
Frederick County	3.0	5.9	4.8	4.4
Montgomery County	2.8	6.3	5.5	4.4
Prince George's County	3.6	8.0	7.5	5.3
Alexandria City	2.1	6.0	3.8	2.4
Arlington County	1.9	4.5	3.0	2.1
Fairfax County	2.3	5.8	3.5	2.5
Fairfax City	2.1	5.8	3.4	2.5
Falls Church City	2.1	3.3	2.7	2.2
Loudoun County	2.3	5.3	3.1	2.5
District of Columbia	5.3	7.9	6.7	5.5
State of Maryland	3.4	6.7	5.8	3.9
State of Virginia	2.8	6.2	3.9	2.8
National Average	3.7	8.1	5.4	3.6
Source: Bureau of Labor Statistics				

<u>Competition</u>

The bank operates in a competitive market for financial services. According to recent Deposit Market Share data, 151 financial institutions operated 1,298 branches within the assessment area. Of these institutions, Forbright ranked 25th with a 0.4 percent deposit market share. The top five financial institutions, each a large national bank, operated a combined 710 branches in the assessment area and captured 54.7 percent of the deposit market share.

There is a high level of competition for home mortgage loans in the assessment area. In 2020, 856 institutions reported originating or purchasing 360,854 home mortgage loans in the assessment area. According to 2020 market share data, Forbright ranked 123rd in this group with a 0.1 percent market share. The top five lenders, each a large national bank or internet-based home mortgage lender, accounted for 17.1 percent of the market share by number of loans originated or purchased.

There is also a high level of competition for small business loans within the assessment area. Forbright is not required to report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, the aggregate data provides insight on the level of demand for small business loans among larger banks. Examiners reviewed the most recently available aggregate data to gauge the level of competition and demand for small business loans within the assessment area. According to 2020 small business lending data, 656 lenders reported originating or purchasing 8,375,713 small business in the assessment area

Community Contact

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

Examiners contacted a community agency located in Prince George's County that provides services to low- and moderate-income individuals and families. The agency works with local and national banks to create housing opportunities in low- and moderate-income areas. This contact expressed the need for more flexible loan programs to help low- and moderate-income individuals and families achieve homeownership. The contact further expressed a need for financial education, and noted that availability of affordable housing has significantly declined given the exponential increase in housing prices in the overall market area.

Examiners also contacted a representative of an economic development organization in the assessment area. The organization's primary purpose is to promote traditional economic development for black and minority-owned businesses and providing financial education to these businesses. The contact noted that black and minority-owned businesses have difficulty-securing funding for working capital, equipment, and other general business needs. The contact stated that loan programs specifically targeted to start-up and early-stage businesses would provide a positive impact on the community.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined credit and community development needs primarily include affordable housing projects, flexible small business funding, and loans to start-up businesses that cannot pledge collateral or provide historical financial records. Economic, demographic, and aggregate lending data further indicate that there are credit opportunities for banks to assist individuals and small businesses by offering flexible loan products. The high median housing value and significant percentage of businesses with GARs of $1.0 million or less reflects opportunities for banks to provide loan products that address the credit needs of potential homeowners and small businesses as noted by the community contacts.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous CRA evaluation dated July 8, 2019, to the current evaluation. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate the institution's CRA performance. These procedures include the Lending Test and the Community Development Test. Please refer to the Appendix for a complete description of the activities these tests consider. Examiners used full-scope procedures to assess the bank's performance in its designated assessment area.

Activities Reviewed

Considering its business strategy and the number and dollar volume of loans originated during the evaluation period, examiners reviewed Forbright's home mortgage and small business loans to assess its lending performance, as these loans represent the major product lines offered by the bank to address assessment area credit needs. Although consumer lending reflects a significant increase during the evaluation period, examiners did not include consumer loans in the lending performance assessment. Examiners considered that the increase occurred primarily in 2021, which resulted from recent changes in the bank's business strategy to purchase and originate loans through nationwide financial technology companies (fintechs). Moreover, bank management collected consumer loan data; however, they did not elect to have consumer loans evaluated. Forbright did not originate any farm loans during the evaluation period; therefore, the evaluation does not include small farm loan data.

Home mortgage loans contributed more weight to developing overall conclusions than small business loans, due to larger volumes of loans reported during the evaluation period, when excluding loans originated through the Small Business Administration's (SBA) Paycheck Protection Program (PPP) during the COVID-19 pandemic. In 2020, Forbright made 1,627 small business loans through the PPP totaling $229.9 million. In 2021, the bank made 891 small business loans through the PPP totaling $115.8 million.

Examiners analyzed home mortgage loans reported on Forbright's 2019, 2020, and 2021 HMDA Loan Application Registers. In 2019, Forbright reported 470 HMDA loans totaling $154.6 million. In 2020, Forbright reported 705 home mortgage loans totaling $328.9 million. In 2021, the bank reported 660 HMDA loans totaling $351.5 million. Examiners used 2019 and 2020 aggregate HMDA data and 2015 American Community Survey (ACS) U.S. Census data for comparison.

As stated previously, as an Intermediate Small institution, Forbright is not required to collect and report small business data; however, the bank opted to collect this information. Examiners analyzed

Forbright's 2019, 2020, and 2021 small business lending performance using bank records. In 2019, the bank originated 34 small business loans totaling $13.7 million. In 2020, the bank originated and purchased 1,647 small business loans totaling $241.0 million. In 2021, Forbright originated and purchased 1,995 small business loans totaling $186.6 million. In analyzing the bank's small business lending performance, examiners compared the bank's performance to 2019, 2020, and 2021 D&B demographic data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While this evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans because it is a better indicator of the number of individuals and businesses served. For the Community Development Test, management provided data on community development loans, investments, and services since the prior CRA evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Forbright demonstrated a satisfactory performance under the Lending Test. Reasonable geographic distribution and the bank's more than reasonable LTD ratio supports this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The LTD ratio, calculated from Call Report data, averaged 98.3 percent over the past 12 calendar quarters from September 30, 2019, to June 30, 2022. The ratio ranged from a high of 113.8 percent as of March 31, 2021 to a low of 80.0 percent as of June 30, 2022. As shown in the following table, Forbright's average net LTD ratio significantly exceeds those of similarly situated institutions. Examiners selected similarly situated institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	**Total Assets as of 6/30/2022 ($000s)**	**Average Net LTD Ratio (%)**
Capital Bank, N.A	2,108,330	89.9
CFG Community Bank	3,214,610	88.6
Eagle Bank	10,884,259	85.9
Forbright Bank	**6,440,675**	**98.3**
Shore United Bank, N.A	3,441,358	82.2
Source: Reports of Condition and Income 9/30/2019 – 6/30/2022		

Assessment Area Concentration

Overall, a majority of Forbright's home mortgage and small business loans are outside the assessment area. While a majority of home mortgage loans was originated outside the assessment area in 2019, the bank made a majority of its home mortgage loans inside the assessment area in

2020 and 2021. This change correlates with the bank's closing of the Tampa, Florida residential LPO in May 2019 and the Columbus, Ohio residential LPO in September 2019. Management closed these LPOs to achieve a more balanced loan portfolio centered within the assessment area. In comparison, the overall majority of small business loans, by number and dollar volume, are outside the assessment area. Calendar year 2021 demonstrates a significant change, which is due to the bank's purchase of loans originated by third-party lenders offering specialized small business loans nationwide. In 2021, the bank purchased 1,081 small business loans from nationwide fintech lenders.

The following table depicts the distribution of home mortgage and small business loans by number and dollar volume inside and outside the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total**	**Dollar Amount of Loans $(000s)**				**Total**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**	**#**	**$**	**%**	**$**	**%**	**$(000s)**
Home Mortgage										
2019	102	21.7	368	78.3	470	78,682	50.9	75,947	49.1	154,629
2020	414	58.7	291	41.3	705	238,074	72.4	90,865	27.6	328,939
2021	395	59.8	265	40.2	660	233,727	66.5	117,734	33.5	351,461
Subtotal	**911**	**49.6**	**924**	**50.4**	**1,835**	**550,483**	**65.9**	**284,547**	**34.1**	**835,030**
Small Business										
2019	16	47.1	18	52.9	34	6,053	43.9	7,745	56.1	13,798
2020	925	56.2	722	43.8	1,647	91,220	37.7	150,735	62.3	241,955
2021	620	31.1	1,375	68.9	1,995	63,112	33.8	123,495	66.2	186,607
Subtotal	**1,561**	**42.5**	**2,115**	**57.5**	**3,676**	**160,385**	**36.3**	**281,975**	**63.7**	**442,360**
Total	**2,472**	**44.9**	**3,039**	**55.1**	**5,511**	**710,868**	**55.7**	**566,522**	**44.3**	**1,277,389**
Source: Bank Data; Due to rounding, totals may not equal 100.0%										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's adequate home mortgage and small business lending performance support this overall conclusion.

Home Mortgage

The geographic distribution of home mortgage loans reflects reasonable dispersion. Examiners focused on the percentage of loans, by number, in low- and moderate-income census tracts. Forbright's performance in low-income census tracts exceeded area demographics and aggregate data over the evaluation period. However, the bank's performance in moderate-income census tracts lagged both area demographics and aggregate performance over the evaluation period. The following table reflects the distribution of loans by census tract income level in 2019, 2020, and 2021.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2019	4.3	4.9	17	16.7	11,910	15.1
2020	4.3	3.9	23	5.6	26,270	11.0
2021	4.3	4.3	19	4.8	23,254	9.9
Moderate						
2019	15.5	14.4	12	11.8	5,084	6.5
2020	15.5	12.5	16	3.9	10,763	4.5
2021	15.5	13.7	29	7.3	22,462	9.6
Middle						
2019	35.4	35.0	22	21.6	13,881	17.6
2020	35.4	33.7	107	25.8	60,660	25.5
2021	35.4	34.7	101	25.6	49,345	21.1
Upper						
2019	44.7	45.5	50	49.0	47,127	59.9
2020	44.7	49.7	267	64.5	137,660	57.8
2021	44.7	47.1	244	61.8	135,622	58.0
Not Available						
2019	0.2	0.2	1	1.0	680	0.9
2020	0.2	0.2	1	0.2	2,721	1.1
2021	0.2	0.2	2	0.5	3,043	1.3
Totals						
2019	**100.0**	**100.0**	**102**	**100.0**	**78,682**	**100.0**
2020	**100.0**	**100.0**	**414**	**100.0**	**238,074**	**100.0**
2021	**100.0**	**100.0**	**395**	**100.0**	**233,727**	**100.0**
Source: 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Data; Due to rounding, totals may not equal 100.0%						

Small Business

As shown in the following table, the geographic distribution of small business loans reflects reasonable dispersion. Examiners focused on the percentage of loans by number in low- and moderate-income census tracts. In 2019 and 2021, the bank slightly exceeded D&B demographics in low- and moderate-income census tracts, with comparable performance in 2020.

Geographic Distribution of Small Business Loans					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low					
2019	5.0	1	6.2	400	6.6
2020	5.2	39	4.2	3,599	3.9
2021	5.3	20	3.2	1,539	2.4
Moderate					
2019	16.7	3	18.8	744	12.3
2020	16.9	151	16.3	19,229	21.1
2021	17.3	112	18.1	13,009	20.6
Middle					
2019	33.3	3	18.8	1,100	18.2
2020	33.4	222	24.0	22,016	24.1
2021	33.8	147	23.7	15,964	25.3
Upper					
2019	44.3	7	43.8	2,645	43.7
2020	43.8	498	53.8	43,896	48.1
2021	43.0	333	53.7	32,081	50.8
Not Available					
2019	0.7	2	12.5	1,164	19.2
2020	0.6	15	1.6	2,480	2.7
2021	0.6	8	1.3	519	0.8
Totals					
2019	**100.0**	**16**	**100.0**	**6,053**	**100.0**
2020	**100.0**	**925**	**100.0**	**91,220**	**100.0**
2021	**100.0**	**620**	**100.0**	**63,112**	**100.0**
Source: 2019, 2020, & 2021 D&B Data; Bank Data; "--" data not available. 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 in the assessment area. Poor penetration of home mortgage and small business loans support this conclusion.

Home Mortgage

The distribution of home mortgage loans reflects poor penetration among individuals of different income levels. Examiners focused on the percentage of loans, by number, to low- and moderate-income borrowers. Forbright's performance consistently fell short when compared to aggregate and demographic data over the evaluation period, particularly to moderate-income borrowers.

The following table reflects the distribution of loans by borrower income level in 2019, 2020, and 2021.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2019	22.1	6.3	5	4.9	1,452	1.8
2020	22.1	4.8	3	0.7	747	0.3
2021	22.1	6.5	13	3.3	2,419	1.0
Moderate						
2019	16.1	16.8	1	1.0	234	0.3
2020	16.1	14.4	22	5.3	6,674	2.8
2021	16.1	16.0	21	5.3	7,546	3.2
Middle						
2019	19.6	21.5	4	3.9	1,313	1.7
2020	19.6	21.6	133	32.1	53,531	22.5
2021	19.6	20.8	114	28.9	46,095	19.7
Upper						
2019	42.2	38.1	10	9.8	5,850	7.4
2020	42.2	39.0	193	46.6	95,478	40.1
2021	42.2	36.4	181	45.8	82,194	35.2
Not Available						
2019	0.0	17.3	82	80.4	69,832	88.8
2020	0.0	20.1	63	15.2	81,645	34.3
2021	0.0	20.3	66	16.7	95,472	40.8
Totals						
2019	**100.0**	**100.0**	**102**	**100.0**	**78,682**	**100.0**
2020	**100.0**	**100.0**	**414**	**100.0**	**238,074**	**100.0**
2021	**100.0**	**100.0**	**395**	**100.0**	**233,727**	**100.0**
Source: 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

Small Business

The distribution of small business loans reflects poor penetration to businesses with GARs of $1 million or less. Lending performance to businesses with GARs of $1 million or less consistently fell short of business demographic data during the evaluation period.

The following table details the distribution of the bank's small business loans by the gross annual revenue category of the business.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2019	87.0	8	50.0	2,253	37.2
2020	88.3	592	64.0	26,692	29.3
2021	89.1	381	61.5	26,986	42.8
>$1,000,000					
2019	5.1	8	50.0	3,800	62.8
2020	4.4	308	33.3	62,888	68.9
2021	3.9	128	20.6	31,778	50.4
Revenue Not Available					
2019	7.9	0	0.0	0	0.0
2020	7.3	25	2.7	1,640	1.8
2021	7.0	111	17.9	4,348	6.9
Totals					
2019	**100.0**	**16**	**100.0**	6,053	**100.0**
2020	**100.0**	**925**	**100.0**	91,220	**100.0**
2021	**100.0**	**620**	**100.0**	63,112	**100.0**
Source: 2019, 2020, & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%.					

Response to Complaints

The institution did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to the community development needs within its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

Forbright exhibited an excellent record of originating community development loans. Since the prior evaluation, the bank originated 36 community development loans totaling approximately $188.0 million. The total dollar amount equates to 7.3 percent of average total assets of $2.6 billion since the previous evaluation and 9.5 percent of average net loans of $2.0 billion for the same period. As compared to the prior evaluation, the bank significantly increased community development lending when the bank originated four community development loans totaling $8.0 million.

In comparison to similarly situated banks (using average total assets, geographic location, and lending focus), performance is substantially higher as these similarly situated institutions originated between 13 and 15 community development loans totaling $12.5 to $27.0 million during recent evaluation periods.

Community development loans proved highly responsive to one of the assessment areas identified needs given that lending activity provided affordable housing for low- and moderate-income individuals. The following table illustrates community development lending activity by year and purpose.

Community Development Lending										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
2019	2	8,786	0	0	0	0	0	0	**2**	8,786
2020	7	16,424	2	8,799	0	0	0	0	**9**	25,224
2021	10	19,922	2	12,650	0	0	3	5,330	**15**	37,902
YTD 2022	8	111,848	0	0	0	0	2	4,243	**10**	116,091
Total	**27**	156,981	**4**	21,449	**0**	**0**	**5**	9,573	**36**	188,003
Source: Bank Data										

Below are notable examples of community development loans.

- In 2022, the bank originated a $30.3 million loan for the acquisition and renovation of a 121-unit apartment building in a low-income census tract supporting affordable housing. District of Columbia's Housing Choice Voucher Program (HCVP) will lease 88 percent of the units. HCVP is a federally funded rental assistance program that subsidizes the rent of lower-income families, the elderly, and the disabled to provide affordable, decent, safe housing. Qualifying tenants pay 30 percent of their household income to cover housing and utilities costs and the District of Columbia Housing Authority (DCHA) pays the remainder. HCVP expands the number of safe, quality homes available to low- and moderate-income residents while stimulating community stability and economic growth.

- In 2021, the bank originated an $11.5 million loan to construct a residential reentry center, which provided funding for a safe, structured, supervised housing facility to support inmates transitioning back to society. The project supports employment counseling, job placement, and financial management assistance, as individuals in the program reenter without an income source.

- In 2021, the bank originated a $1.5 million Working Capital Line of Credit to a nursing home facility in Cumberland, Maryland, which supported community services to low- and moderate-income individuals. The facility receives payment from Medicaid for a majority of its residents.

- In 2020, the bank originated a construction loan for $8.9 million for the renovation of a 34-unit apartment building to provide affordable housing for low- and moderate-income individuals. This project committed to a 10-year affordability covenant that stipulates leasing 50 percent of the units to low- and moderate-income individuals and families. DC's HCVP program will manage the other units with rental costs adhering to the Fair Market Rent standards established by the U.S. Department of Housing and Urban Development (HUD).

- In 2020, the bank originated a $7.0 million loan for the purchase of a homeless shelter, which supports community services for low- and moderate-income individuals.

Qualified Investments

Forbright's qualified investments total $11.3 million. During the evaluation period, the bank obtained eight new qualified investments totaling $7.7 million and made 38 donations for $255,000. The bank also maintained three previously qualified investments totaling $3.3 million. Total qualified investments and grants represent 0.4 percent of average total assets and 33.8 percent of average total securities since the prior evaluation. Qualified investments increased from the prior evaluation in number and dollar amount, at which time the bank reported five investments totaling $4.8 million and 25 donations totaling $73,000. However, the prior evaluation equated to 0.5 percent of average total assets, which is slightly higher than the current evaluation.

A majority (64 percent) of the bank's qualified investments by dollar volume benefited affordable housing efforts, which demonstrates the bank's responsiveness to a primary community development need of its assessment area. Forbright's donations primarily supported community service initiatives for low- and moderate-income individuals. The following table details the institution's qualified investment and donation activity by year and community development purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Prior Period	2	2,784	0	0	1	562	0	0	3	3,346
2019	1	1,010	0	0	0	0	1	2,000	2	3,010
2020	0	0	0	0	1	650	0	0	1	650
2021	3	3,380	0	0	1	250	0	0	4	3,630
YTD 2022	0	0	0	0	1	374	0	0	1	374
Subtotal	**6**	**7,174**	**0**	**0**	**4**	**1,836**	**1**	**2,000**	**11**	**11,010**
Qualified Grants & Donations	6	34	29	195	3	26	0	0	38	255
Total	**12**	**7,208**	**29**	**195**	**7**	**1,862**	**1**	**2,000**	**49**	**11,265**
Source: Bank Data										

Below are notable examples of qualified investments made during the evaluation period.

- In 2019, the bank made a $2.0 million investment in District of Columbia Income Tax Secured Revenue Bonds, which provided funding for the New Communities Initiative. This initiative revitalizes severely distressed subsidized housing and redevelops neighborhoods in low- and moderate-income census tracts. It also focuses on providing supportive services to help low- and moderate-income households achieve self-sufficiency through health and wellness, employment, education, financial literacy, and parenting.

- During the evaluation period, the bank made four investments totaling $4.5 million in Maryland's Montgomery County Housing Opportunities bond program. These bonds help fund safe and adequate housing for low- and moderate-income individuals and families in Montgomery County. The bank also maintains prior period investments of $2.0 million in this same fund.

- In 2021, the bank made a $1.9 million investment in a D.C. Housing Finance Agency Multifamily Housing Revenue Bond, which supported construction of a 100-unit, multi-family residential affordable housing complex. The D.C. Housing Finance Agency administers affordable housing programs and resources for the Washington, D.C. area. This investment supports affordable housing for low- and moderate-income individuals.

<u>Community Development Services</u>

Bank staff provided 71 instances of financial expertise and/or technical assistance during the evaluation period. These community development services supported affordable housing, community services, and economic development. The number of community services increased from the prior evaluation, at which time the bank reported 56 community development services.

The following table details the institution's qualified community development services by year and community development purpose.

Community Development Services					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	**#**	**#**	**#**	**#**
2019	1	11	1	0	**13**
2020	1	19	1	0	**21**
2021	1	7	2	0	**10**
YTD 2022	1	24	2	0	**27**
Total	**4**	**61**	**6**	**0**	**71**
Source: Bank Records					

The following highlight community development services that staff provided during the evaluation period.

- An employee provided financial expertise while serving as a Board member, Treasurer, and Finance Committee member for a nonprofit organization. The organization provides essential needs, emergency shelter services, homeless services, supportive housing, affordable housing, vocational training, and employment programs to over 35,000 residents of Montgomery County, Maryland.

- Thirty-eight employees provided almost 400 hours of financial literacy training to students as part of a partnership with a local non-profit organization. This organization promotes financial literacy, work readiness, and entrepreneurship to prepare students to make informed decisions about their education, career choices, and financial future. The organization's 2021 Annual Report reflects that the program reaches over 40,000 students in the greater Washington, D.C. area every year.

- An employee provided financial expertise working with an organization that mentors high school and college students. The organization supports students from low-income families enrolled in Washington, D.C. high schools by providing individual student mentoring. The program focuses on the skills and experience needed to complete college, with guidance to successfully standout in the workforce.

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, policies, or procedures in place to prevent the practices, any corrective action taken by the bank, or committed to take, including voluntary corrective action resulting from self-assessments, and any other relevant information.

During the evaluation period, examiners identified deceptive practices concerning the disclosure of fees relating to a consumer line of credit product involving a third-party lender. These practices violated UDAP, which is an illegal credit practice. The bank's policies and procedures were insufficient at preventing the UDAP violations, which affected a significant number of consumers. Regarding corrective actions, bank management provided the FDIC with a written commitment to comply with all applicable laws, to revise and issue appropriate fee disclosures, and to remediate impacted consumers.

The nature and extent of the UDAP violations resulted in an adjustment to the overall CRA rating from "Satisfactory" to "Needs to Improve."

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
3) The geographic distribution of the bank's loans;
4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

1) The number and amount of community development loans;
2) The number and amount of qualified investments;
3) The extent to which the bank provides community development services; and
4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five-year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

1. Support affordable housing for low- and moderate-income individuals;
2. Target community services toward low- and moderate-income individuals;
3. Promote economic development by financing small businesses or farms; or
4. Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

(1) Has as its primary purpose community development; and

(2) Except in the case of a wholesale or limited purpose institution:

(i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and

(ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

(1) Has as its primary purpose community development;

(2) Is related to the provision of financial services; and

(3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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

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

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) An unemployment rate of at least 1.5 times the national average;

(2) A poverty rate of 20 percent or more; or

(3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.
Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

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

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

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

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

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

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

Nonmetropolitan Area (also known as **non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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