

PUBLIC DISCLOSURE

December 5, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Parkside Financial Bank & Trust
Certificate Number: 58796

8112 Maryland Avenue
Clayton, Missouri 63105

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area's credit needs.
- A majority of small business loans were made in the assessment area.
- The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment area.
- The distribution of small business loans reflects poor penetration among businesses of different revenues sizes.
- The institution did not receive any CRA-related complaints since the prior evaluation performed as of December 9, 2019.

The Community Development Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

Parkside Financial Bank & Trust is a full-service, commercial bank headquartered in Clayton, Missouri. The bank is wholly owned by a one-bank holding company, Parkside Financial, Inc., located in Clayton, Missouri. Parkside Financial Bank & Trust does not have any lending subsidiaries or affiliates. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated December 9, 2019, which utilized Intermediate Small Institution Examination Procedures.

Parkside Financial Bank & Trust operates from its sole, full-service location in Clayton, Missouri, which is located in an upper-income census tract in the St. Louis, Missouri-Illinois Metropolitan Statistical Area (MSA). The bank operates one loan production office in Denver, Colorado. The main branch has a proprietary deposit-taking automated teller machine.

The bank's primary lending focus is commercial lending. Home mortgage and consumer loan products are not offered on a regular basis. The institution offers a variety of deposit services

including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include online banking, mobile banking, and electronic bill pay.

The institution’s September 30, 2022, Consolidated Reports of Condition and Income (Call Report) showed total assets of \$906.1 million, total loans of \$584.3 million, and total deposits of \$794.9 million. The following table details the loan portfolio. These figures increased from the prior evaluation where total assets equaled \$589.5 million, total loans equaled \$412.1 million, and total deposits equaled \$464.3 million. As illustrated in the table below, commercial lending represents 79.8 percent of the loan portfolio; followed by other loans at 10.7 percent; and construction, land development, and other land loans at 5.5 percent.

Loan Portfolio Distribution as of 09/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	32,374	5.5
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	16,143	2.8
Secured by Multifamily (5 or more) Residential Properties	6,410	1.1
Secured by Nonfarm Nonresidential Properties	157,824	27.0
Total Real Estate Loans	212,751	36.4
Commercial and Industrial Loans	308,806	52.8
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	64	0.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	62,655	10.7
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	(0.0)
Total Loans	584,276	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA regulation requires financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. Parkside Financial Bank & Trust has designated one assessment area consisting of the entirety of St. Louis County, which is located within the St. Louis, Missouri-Illinois MSA. Based on 2015 American Community Survey (ACS) data, the assessment area consists of 13 low-income census tracts, 46 moderate-income census tracts, 55 middle-income census tracts, 84 upper-income census tracts, and one census tract without an income designation.

Economic and Demographic Data

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)	199	6.5	23.1	27.6	42.2	0.5
Population by Geography	1,001,327	5.5	22.2	29.3	43.1	0.0
Housing Units by Geography	438,076	6.0	23.5	30.2	40.3	0.0
Owner-Occupied Units by Geography	282,099	3.4	19.0	29.7	47.8	0.1
Occupied Rental Units by Geography	119,740	9.6	30.9	32.8	26.7	0.0
Vacant Units by Geography	36,237	14.8	33.3	25.1	26.7	0.1
Businesses by Geography	98,649	3.2	17.5	25.2	53.0	1.1
Family Distribution by Income Level	261,710	19.4	16.2	18.6	45.8	0.0
Household Distribution by Income Level	401,839	21.4	15.7	17.0	45.8	0.0
Median Family Income- St. Louis, MO-IL MSA		\$70,718	Median Housing Value			\$197,504
Families Below Poverty Level		7.9%	Median Gross Rent			\$904
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Competition

Parkside Financial Bank & Trust operates in a highly competitive market for credit products and financial services. According to the FDIC Deposit Market share data as of June 30, 2022, there were 53 financial institutions with 302 locations within the assessment area. These institutions range from small community banks to large regional and national institutions operating in the area. Parkside Financial Bank & Trust ranked 17th with 1.4 percent of the deposit market share.

The bank is not required to collect or report its small business data; therefore, the analysis under the Lending Test does not include direct comparisons to aggregate lending data. However, this aggregate lending data reflects the demand for small business loans. Aggregate lending data for 2020, which is the most recent data available, shows 170 institutions reported 29,058 small business loans in the assessment area. This level of activity indicates a high degree of competition for small business loans.

Community Contact

Examiners conduct community contact interviews to maintain a profile of the local community, identify credit needs and opportunities, and evaluate local financial institutions' responsiveness to those needs.

Examiners conducted a community contact with a representative of a community development organization located within the bank's assessment area. The contact explained that the local economy has steadily improved since the onset of the COVID-19 pandemic; however, low- to moderate-income individuals still struggle to obtain financing for affordable housing and small business needs. Affordable housing continues to be an issue due to rising rental prices and interest rate increases. Further, small business owners continue to struggle to obtain financing for start-up costs and cash flow needs. The contact described several opportunities for involvement, such as investments to local Community Development Financial Institutions that offer loan programs to

small business owners and low- to moderate-income individuals. Overall, the contact indicated financial institutions have demonstrated a sufficient level of responsiveness to the credit and community development needs of the assessment area.

Credit and Community Development Needs and Opportunities

Considering information from bank management, the community contact, and demographic and economic data, small business and home mortgage lending are the primary credit needs of the assessment area. According to the community contact, small business loans, particularly for start-up businesses and minority-owned businesses, are in high demand. Additionally, the community contact identified affordable housing for low- to moderate-income individuals and economic development for small businesses as community development needs.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated December 9, 2019, through December 5, 2022. Examiners used FFIEC Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance, which includes the Lending and Community Development tests. Please refer to the *Intermediate Small Bank Performance Criteria* section of the appendices for a summary of these tests.

Activities Reviewed

The bank's primary lending product and business focus is commercial loans. This conclusion considered the institution's business strategy, the number and dollar volume of loans originated during the evaluation period, and data from the institution's Call Report. Examiners reviewed small business loans to evaluate CRA performance. A review of small farm and home mortgage loans was not included, as they are not major product lines for the bank.

Management indicated that 2021 small business lending activity would be representative of lending during the evaluation period. For the Lending Test, examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration, which included 185 small business loans totaling \$57.7 million. Regarding the Geographic Distribution and Borrower Profile analyses, examiners focused on all small business loans made within the assessment area. Specifically, this included 108 small business loans totaling \$30.4 million. D&B data for 2021 provided a standard of comparison for small business loans.

Examiners analyzed lending performance by both number and dollar volume of loans. However, examiners emphasized performance by number of loans when evaluating the Geographic Distribution and Borrower Profile criteria, as the number of loans is generally a better indicator of the efforts to serve low- and moderate-income geographies and small businesses.

For the Community Development Test, examiners reviewed data and records provided by bank management for community development loans, qualified investments, and community development services since the prior evaluation. Examiners excluded loans considered under the Lending Test from the Community Development Test.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Parkside Financial Bank & Trust demonstrated satisfactory performance under the Lending Test, which is supported by the reasonable performance for the Loan-to-Deposit Ratio, Assessment Area Concentration, and Geographic Distribution criteria.

Loan-to-Deposit Ratio

The net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The net loan-to-deposit ratio, calculated from Call Report data, averaged 80.6 percent over the past 12 calendar quarters from December 31, 2019, to September 30, 2022. It ranged from a low of 72.1 percent as of September 30, 2022, to a high of 91.7 as of March 31, 2020.

Since the prior evaluation, the institution's average net loan-to-deposit ratio decreased from 92.5 percent to 80.6 percent. While both net loans and deposits have increased since the prior evaluation, deposit growth has significantly outpaced loan growth. Specifically, one of the bank's largest depositors has seen a significant increase in deposit growth within the last several years.

Although Parkside Financial Bank & Trust's average net loan-to-deposit ratio is lower than the comparable institutions, the ratio is reasonable considering these factors. Examiners selected the comparable institutions based on asset size, lending focus, branching structure, and geographic location.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 09/30/2022 (\$000s)	Average Net LTD Ratio (%)
Parkside Financial Bank & Trust	906,096	80.6
Midwest Regional Bank	928,829	90.2
Royal Banks of Missouri	1,010,078	82.7
St. Louis Bank	722,590	88.9

Source: Reports of Condition and Income 12/31/2019 - 09/30/2022

Assessment Area Concentration

As shown in the following table, Parkside Financial Bank & Trust extended a majority of small business loans, by both number and dollar volume, within its 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)
Small Business	108	58.4	77	41.6	185	30,404	52.7	27,316	47.3	57,720

*Source: 2021 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. Examiners focused on the percentages by number of loans made in low- and moderate-income census tracts within the assessment area.

Small Business Loans

While the bank’s performance is slightly below comparable business demographic data, the geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	3.2	1	0.9	320	1.1
Moderate	17.5	14	13.0	4,541	14.9
Middle	25.2	15	13.9	4,569	15.0
Upper	53.0	76	70.4	19,948	65.6
Not Available	1.1	2	1.9	1,026	3.4
Totals	100.0	108	100.0	30,404	100.0

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

Borrower Profile

The distribution of borrowers reflects poor penetration among businesses of different revenue sizes in the assessment area. Examiners focused on the dispersion of small business loans to entities with gross annual revenues of \$1 million or less.

Small Business Loans

The distribution of small business loans reflects poor penetration among businesses with gross annual revenues of \$1 million or less. As detailed in the following table, the bank’s lending performance to business with gross annual revenues of \$1 million or less significantly trails the percentage of businesses in this revenue category. Although not included in the table, 2021 aggregate performance data revealed that 39.4 percent of loans were to businesses with gross annual revenues of \$1 million or less. While aggregate data is significantly less than demographic data, the bank’s performance lags aggregate data by 19.0 percent.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.8	22	20.4	3,237	10.6
>\$1,000,000	5.9	73	67.6	24,225	79.7
Revenue Not Available	9.3	13	12.0	2,942	9.7
Total	100.0	108	100.0	30,404	100.0
<i>Source: 2021 D&B Data, 2021 Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Parkside Financial Bank & Trust’s community development performance demonstrates adequate responsiveness to the community development needs of 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 institution’s assessment area.

Examiners compared the bank’s level of community development activity to four financial institutions with similar business focuses and asset sizes operating within Missouri. These comparable institutions were also evaluated using Interagency Intermediate Small Institution Examination Procedures.

Community Development Loans

Parkside Financial Bank & Trust originated or renewed 69 community development loans totaling \$51.9 million during the evaluation period. This level of community development lending represents 5.7 percent of total assets and 9.1 percent of net loans as of September 30, 2022. These ratios have decreased since the prior evaluation, when the ratios were 13.8 percent and 17.8 percent, respectively. This community development activity includes one Small Business Administration Paycheck Protection Program (SBA PPP) loan totaling \$1.2 million within the bank’s assessment area. The bank extended 19 community development loans totaling \$14.6 million in the broader statewide area that promoted revitalization and stabilization. These loans are included in this analysis since the bank appropriately addressed the community development needs of its assessment area.

Parkside Financial Bank & Trust’s community development lending levels are similar to comparable institutions’ lending levels. The comparable institutions originated or renewed community development loans ranging from \$23.5 million to \$178.2 million, which includes SBA PPP loan activity. These institutions reported community development loans that ranged from 4.9 percent to 20.6 percent of total assets, and 7.8 percent to 30.1 percent of net loans.

The following tables illustrate the community development lending activity by category, assessment, and activity year.

Community Development Lending by Assessment Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
St. Louis County	14	536	0	0	6	13,846	30	22,937	50	37,319
Statewide/Regional	0	0	0	0	0	0	19	14,606	19	14,606
Total	14	536	0	0	6	13,846	49	37,543	69	51,925

Source: Bank Data

Community Development Lending by Activity Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (partial)	2	49	0	0	0	0	0	0	2	49
2020	0	0	0	0	2	3,643	24	16,915	26	20,558
2021	6	172	0	0	2	4,060	18	15,048	26	19,280
YTD 2022	6	315	0	0	2	6,143	7	5,580	15	12,038
Total	14	536	0	0	6	13,846	49	37,543	69	51,925

Source: Bank Data

The following points summarize notable examples of the bank’s community development lending.

- In 2021 and 2022, the bank made 11 loans totaling \$391,912 to a business that provides affordable housing reserved for low- and moderate-income individuals.
- In 2022, the bank made a loan totaling \$5 million to an organization that provides financing to small businesses in the area.
- In 2022, the bank renewed a working line-of-credit for \$1.5 million to a business headquartered in a low-income geography.

Qualified Investments

Since the prior evaluation, Parkside Financial Bank & Trust made 57 qualified investments, including donations and grants, totaling \$3.9 million. The volume of qualified investments and donations represents 0.4 percent of total assets and 2.9 percent of total securities as of September 30, 2022. The ratios have declined since the prior evaluation, when the ratios were 0.7 percent and 10.8 percent, respectively.

Parkside Financial Bank & Trust’s qualified investment activity falls within a reasonable range of the comparable institutions’ activities. Comparable institutions reported qualified investments that ranged from 0.3 percent to 0.9 percent of total assets, and 2.8 percent to 12.6 percent of total securities.

The following tables summarize the qualified investments and donations activity by category, assessment area, and activity year.

Community Development Investments by Assessment Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
St. Louis County	5	299	21	56	10	1,974	3	508	39	2,837
Statewide/Regional	8	1,050	8	35	2	2	0	0	18	1,087
Total	13	1,349	29	91	12	1,976	3	508	57	3,924

Source: Bank Data

Community Development Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	177	0	0	3	610	2	500	7	1,287
2019 (partial)	0	0	0	0	1	250	0	0	1	250
2020	3	389	0	0	1	250	0	0	4	639
2021	3	495	0	0	2	850	0	0	5	1,345
YTD 2022	3	273	0	0	0	0	0	0	3	273
Subtotal	11	1,334	0	0	7	1,960	2	500	20	3,794
Qualified Grants & Donations	2	15	29	91	5	16	1	8	37	130
Total	13	1,349	29	91	12	1,976	3	508	57	3,924

Source: Bank Data

The following points summarize notable examples of the bank’s qualified investment activities.

- From 2020 to 2022, the bank invested \$1.1 million in Low Income Housing Tax Credits.
- In 2020 and 2021, the bank invested \$750,000 in an entity that supports small business investment companies.

Community Development Services

The bank received consideration for a total of 86 community development services that primarily consisted of bank employees providing financial expertise to community development related organizations within the assessment area. This level of activity increased from 67 activities at the prior evaluation. This level of community development services exceeds the activity of the four comparable institutions previously discussed. These institutions received consideration for community development services ranging from 45 to 83.

The following tables illustrate the community development services by category, assessment area, and activity year.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
St. Louis County	5	57	8	2	72
Statewide/Regional	0	12	2	0	14
Total	5	69	10	2	86

Source: Bank Data

Community Development Services by Activity Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	3	18	3	0	24
2021	1	27	4	1	33
YTD 2022	1	24	3	1	29
Total	5	69	10	2	86

Source: Bank Data

The following points summarize notable examples of the bank’s community development services provided by bank employees.

- Four bank officers provided financial education through an organization that focuses on empowering low- to moderate-income women through educational, professional, and economic support initiatives.
- A bank officer served as a credit committee member for an organization focused on economic development in the St. Louis area.

In addition to community development services, Parkside Financial Bank & Trust offers a variety of retail services including credit and deposit products for consumer and commercial customers. Products and services that are responsive to the needs to low- and moderate-income individuals include internet/mobile banking and consumer loans.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank’s compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any evidence of discriminatory or other illegal credit practices.

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.