

# **PUBLIC DISCLOSURE**

May 1, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Optum Bank, Inc.  
Certificate Number: 57408

12921 S. Vista Station Blvd  
Draper, Utah 84020

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

25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105

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

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## INSTITUTION RATING

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

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

Optum Bank, Inc. (OB) operated under a Federal Deposit Insurance Corporation (FDIC)-approved Community Reinvestment Act (CRA) Strategic Plan (Plan) during the evaluation period. The Plan defines three measurable performance criteria to address the institution's responsibilities under the CRA consistent with its business strategy, capacity, and operational focus. The following factors support the overall CRA rating.

- Combined new community development (CD) lending and new qualified investments exceeded the bank's established minimum goals for an "Outstanding" performance in the Plan years.
- Combined cumulative CD lending and qualified investments exceeded the bank's minimum established goals for an "Outstanding" performance in 2020 and 2022 and exceeded the minimum goals for a "Satisfactory" performance in 2021.
- CD service hours exceeded the bank's established minimum goals for an "Outstanding" performance in 2022, but did not meet the goals for a "Satisfactory" performance in 2020 and 2021.

## DESCRIPTION OF INSTITUTION

OB was established in 2003 and is a state-chartered, industrial bank headquartered in Draper, Utah. The bank is a wholly-owned subsidiary of Optum Health Financial Services, Inc. (OHFS), which is ultimately a wholly-owned subsidiary of UnitedHealth Group, Inc. The bank operates from a single, non-retail office. During the review period, OB moved its main office from Salt Lake City, Utah to Draper, Utah, and the new location remains within the bank’s designated AA.

The FDIC rated the bank “Outstanding” at the previous CRA Performance Evaluation, dated March 2, 2020, following Interagency Strategic Plan Examination procedures. On April 10, 2018, OB received approval to be designated a wholesale bank. This designation was granted because OB is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers. OB offers various healthcare benefits, and banking products and services related to medical expenses, including acting as a custodian of health savings accounts.

As of the December 31, 2022, Consolidated Reports of Condition and Income (Call Report), assets totaled \$15.7 billion, deposits totaled \$13.4 billion, and loans totaled \$4.0 billion. The following table summarizes the bank’s loan portfolio distribution.

<b>Loan Portfolio Distribution as of 12/31/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	68,758	1.7
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	0	0.0
Secured by Multifamily (5 or more) Residential Properties	1,112,842	28.1
Secured by Nonfarm Nonresidential Properties	1,857,129	46.8
<b>Total Real Estate Loans</b>	<b>3,038,729</b>	<b>76.6</b>
Commercial and Industrial Loans	380,425	9.6
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	250,401	6.3
Obligations of State and Political Subdivisions in the U.S.	15,509	0.4
Other Loans	281,795	7.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>3,966,859</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income.</i>		

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

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs in which its CRA performance will be evaluated. OB has defined its AA as all of Salt Lake County, which is part of the Salt Lake City,

Utah Metropolitan Statistical Area (MSA) #41620. The AA meets regulatory requirements and does not reflect any illegal discrimination or arbitrary exclusion of any LMI areas. The AA has not changed since the previous evaluation.

To establish the bank’s performance context, examiners relied on bank records, public financial information, demographic data from the U.S. Bureau of Labor Statistics, 2020 U.S. Census, business demographics, and other public sources, as well as information obtained from a community contact.

**Economic and Demographic Data**

The AA consists of 251 census tracts (CTs). The CTs reflect the following income designations: 5 low-income, 56 moderate-income, 115 middle-income, 71 upper-income, and 4 CTs where income information is not available. The following table illustrates select demographic, housing, and business information of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	251	2.0	22.3	45.8	28.3	1.6
Population by Geography	1,185,238	2.0	22.4	46.4	28.6	0.6
Housing Units by Geography	404,550	1.8	24.2	46.3	27.7	0.1
Owner-Occupied Units by Geography	258,905	0.7	17.9	47.6	33.9	0.0
Occupied Rental Units by Geography	124,419	4.0	36.4	44.6	14.7	0.2
Vacant Units by Geography	21,226	3.4	29.1	39.8	27.7	0.0
Businesses by Geography	173,813	2.1	16.3	44.7	35.9	0.9
Farms by Geography	2,530	1.6	18.0	44.4	35.6	0.4
Family Distribution by Income Level	265,385	17.8	19.1	23.4	39.7	0.0
Household Distribution by Income Level	383,324	21.1	17.3	20.4	41.2	0.0
Median Family Income MSA - #41620 Salt Lake City, UT MSA		\$90,360	Median Housing Value			\$347,355
			Median Gross Rent			\$1,178
			Families Below Poverty Level			5.6%
<i>Source: 2020 U.S. Census and 2022 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0 percent</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The economy in the AA has recovered since the recession caused by the COVID-19 pandemic. According to the Bureau of Labor Statistics, the unemployment rate in Salt Lake County has decreased year-over-year since 2020. As demonstrated in the following table, the unemployment rates in Salt Lake County are generally consistent with the State of Utah and below the national average over the review period.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Salt Lake County	5.2	2.8	2.3
State of Utah	4.8	2.7	2.3
National Average	8.1	5.3	3.6
<i>Source: Bureau of Labor Statistics</i>			

Examiners obtained the following information from Moody’s Analytics as of January 2023 for Salt Lake County. According to Moody’s, Salt Lake County is a center for the financial services and technology industries, and the area maintains a highly skilled workforce. Despite a recent slowdown in growth, the economy will outpace the state, region, and nation in the near term. The technology and financial services industries will continue to be primary drivers of the local economy, but investment will decline due to high interest rates and economic uncertainty. Major strengths of the area include an elevated concentration of high-wage jobs and stable employment from local universities. Weaknesses include a relatively low office space availability and low housing affordability. The area’s top employers are the University of Utah, Intermountain Healthcare Inc., and Walmart Inc.

**Competition**

The AA is a highly competitive market for financial services that includes a large number of national and industrial banks. According to the June 30, 2022 FDIC Deposit Market Share report, 46 financial institutions operate 202 branches and manage \$804.0 billion in deposits throughout OB’s AA. OB ranked 10<sup>th</sup> with a 1.6 percent market share. The top three banks in the area are Morgan Stanley Bank, Ally Bank, and UBS Bank USA, accounting for 52.5 percent of the market share.

**Community Contact(s)**

Examiners reviewed a recent community contact with an economic development organization that serves the AA. According to the contact, the economy in Salt Lake County is strong, but rising costs of living are straining individuals and families. Specifically, affordable housing is a primary need in the area. Higher prices have limited the ability of individuals to purchase a home, while increasing rent is also contributing to the shortage of affordable housing.

**Credit and Community Development Needs and Opportunities**

Considering the information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and economic development for LMI individuals represent the primary credit needs of the AA.

## SCOPE OF EVALUATION

### **General Information**

This performance evaluation covers the period from the previous evaluation date of March 2, 2020, to the current evaluation date of May 1, 2023. Examiners used the Interagency Procedures for Institutions with Strategic Plans to evaluate OB's CRA performance. OB operated under one five-year FDIC-approved CRA Plan during the evaluation period. The Plan is in effect from January 2019 through December 2023.

### **Activities Reviewed**

Examiner reviewed OB's records and documentation of CD loans, qualified investments, and CD services. The plan sets forth measurable goals in the following areas:

- New CD loans and qualified investments compared to year-end average assets.
- Cumulative CD loans and qualified investments compared to year-end average assets.
- CD services compared to full-time employees located in Utah.

This CRA evaluation compares the bank's performance in 2020, 2021, and 2022 to the Plan's measurable goals. Examiners considered CD service activities performed by OHFS employees located in Utah as affiliated activities during this evaluation. No other affiliate activities were considered during the evaluation. Examiners also considered the economic conditions, credit and CD opportunities, and the bank's financial capacity and constraints.

## CONCLUSIONS ON PERFORMANCE CRITERIA

OB's CRA performance under the Plan reflects outstanding performance in helping to meet the needs of its designated AA in a manner consistent with its resources and capabilities. The following information details the measurable goals delineated in the Plan compared to the bank's actual performance.

### **New Community Development Loans and New Qualified Investments**

The first performance criterion is the total amount of new CD loans and new qualified investments, grants, and donations. The Plan established a measurable goal for OB's new CD lending and new qualified investment performance for each year of the review period. The bank exceeded the minimum goals established by the Plan for an "Outstanding" performance in 2020, 2021, and 2022. The goals analyze the total combined dollar amount of new CD loans and new qualified investments expressed as a percentage of each year-end average annual assets. The Plan states year-end average assets will be calculated by averaging the four quarterly average asset figures from Schedule RC-K, line 9, of the bank's Call Report for each year.

The following table summarizes the goals established by the Plan and the bank's actual performance for 2020, 2021, and 2022.

<b>New CD Lending and Investment Performance</b>					
<b>Plan Year</b>	<b>Bank Established Goals</b>		<b>Bank Performance</b>		
	<b>Satisfactory (%)</b>	<b>Outstanding (%)</b>	<b>New CD Lending and Investments (\$000)</b>	<b>Average Total Assets (\$000)</b>	<b>Actual Performance (%)</b>
2020	0.40	0.60	86,584	12,465,540	0.69
2021	0.40	0.60	126,804	15,071,311	0.84
2022	0.40	0.60	216,812	16,763,924	1.29

*Source: OB data and Plan*

The following are notable examples of the bank’s new CD lending and investments during the review period:

- Invested in a \$30.0 million bond issued by an organization that helps raise funds to assist in the creation of affordable housing for low-income households in Utah. The organization offers programs for LMI first-time homebuyers and other LMI mortgage loan programs.
- Originated a \$13.8 million loan to provide housing for individuals experiencing homelessness. The loan was originated through a strategic relationship with an organization that provides LMI individuals with medical, social, and employment services.
- Provided \$345,059 in donations and grants to 11 organizations in Utah. These organizations include a local food bank and groups that provide healthcare, emergency services and affordable housing to LMI individuals.

**Cumulative Community Development Loans and Qualified Investments**

The second performance criterion is the total cumulative amount of CD loans and qualified investments. The bank exceeded the minimum goals established by Plan for an “Outstanding” performance during 2020 and 2022. OB exceeded the minimum goals for a “Satisfactory” performance in 2021. The Plan established a measurable goal for OB’s cumulative CD lending and qualified investment performance for each year of the review period. The goals analyze the total combined dollar amount of new CD loans and qualified investments plus prior period investments still outstanding expressed as a percentage of each year-end average annual assets.

The following table summarizes the goals established by the Plan and the bank’s actual performance for 2020, 2021, and 2022.

Cumulative CD Lending and Investment Performance					
Plan Year	Bank Established Goals		Bank Performance		
	Satisfactory (%)	Outstanding (%)	CD Lending and Investments (000s)	Average Total Assets (000s)	Actual Performance (%)
2020	0.90	1.15	144,669	12,465,540	1.16
2021	1.00	1.30	178,523	15,071,311	1.18
2022	1.10	1.45	283,212	16,763,924	1.69

*Source: OB data and Plan*

### **Community Development Services**

The third performance criterion is the total amount of qualified CD service hours per full-time bank employee. OB exceeded the minimum goals established under the Plan for an “Outstanding” performance for 2022. OB did not meet the minimum goals for a “Satisfactory” rating in 2020 and 2021, as service hours were impacted by the COVID-19 pandemic. Due to the pandemic and the subsequent stay-at-home orders, employees had limited opportunities to provide service hours. The Plan states that the annual service hour requirement is calculated by taking the total number of qualified service hours and dividing it by the average number of Utah-based full-time employees over the four quarters of the prior year.

The following table summarizes the goals established by the Plan and the bank’s actual performance for 2020, 2021, and 2022.

CD Service Hours					
Plan Year	Bank Established Goals		Bank Performance		
	Satisfactory	Outstanding	Number of Employees in Utah	Qualified Service Hours	Actual Performance
2020	4.25	5.50	207	135	0.7
2021	4.25	6.00	212	221.25	1.0
2022	4.50	6.00	194	1,389.75	7.2

*Source: OB data and Plan*

The following are notable examples of the bank’s CD services during the review period:

- A bank officer volunteered on the Board of an organization aimed at providing housing services to individuals experiencing homelessness. Services offered include housing assistance, education assistance, and employment services.
- Bank employees volunteered for an organization dedicated to providing affordable housing to LMI populations. Additionally, the organization provides financial assistance and housing referral services.

- Bank employees volunteered for an organization providing financial literacy education to schools with majority LMI students. The organization provides experiential, hands-on training to help students develop competitive skills, increase knowledge, and prepare for future work opportunities.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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

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

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

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

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

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

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

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

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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