

# **PUBLIC DISCLOSURE**

January 30, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Comenity Capital Bank  
Certificate Number: 57570

12921 South Vista Station Boulevard  
Draper, Utah 84020

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 **Outstanding**.

An institution in this group has an outstanding 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.

Comenity Capital Bank's outstanding Community Reinvestment Act (CRA) performance under the Community Development Test supports the overall rating. Examiners considered the bank's capacity and the need and availability of community development opportunities in the assessment area. The following points summarize the bank's Community Development Test performance:

- Comenity Capital Bank has a high level of qualified investments, community development loans, and community development services.
- Comenity Capital Bank occasionally uses innovative or complex qualified investments, or community development services.
- Comenity Capital Bank exhibits excellent responsiveness to the credit and community development needs in its assessment area and the broader statewide and regional area (BSRA) that includes the assessment area.

## DESCRIPTION OF INSTITUTION

Comenity Capital Bank is a state-chartered industrial bank headquartered in Draper, Utah (UT) that primarily offers credit cards. Comenity Capital Bank also offers personal installment loans, and has a limited commercial credit card portfolio. Comenity Capital Bank's primary focus is on consumer credit card lending, including private label and co-brand partners. The bank operates in all 50 states and offers credit cards through national and regional retailers, manufacturers, distributors, health care providers, dental care providers, and time-shares. Comenity Capital Bank also offers certificates of deposit and savings accounts. Comenity Capital Bank does not operate traditional bank branches or maintain any retail offices. Customers conduct transactions through the bank's website, telephone, mail, email, or other forms of electronic communication.

As of December 31, 2022, the bank's assets totaled \$14.9 billion, including total loans of \$13.0 billion, cash balances due from depository institutions totaling \$2.4 billion, and total securities of \$101.5 million. Bank deposits totaled \$9.2 billion. The bank's parent company, Bread Financial Holdings, Inc. (BFH), headquartered in Columbus, Ohio (OH), restructured since the previous evaluation. As of October 2022, the bank is a wholly owned subsidiary of Bread Financial Payments, Inc. (BFPI), also headquartered in Columbus, OH, which is a subsidiary of BFH. BFH also serves as the parent company of Comenity Bank, a sister institution located in Wilmington, Delaware (DE).

Comenity Capital Bank was assigned an "Outstanding" rating using Limited Purpose Institution Examination Procedures during the prior evaluation dated May 11, 2020. Examiners did not

identify any financial, legal, or other impediments affecting 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 its supervisory agency will evaluate its CRA performance. Comenity Capital Bank designates a single assessment area consisting of Salt Lake County, UT, located in the Salt Lake City, UT Metropolitan Statistical Area (MSA) #41620. The designated assessment area has not changed from the previous CRA evaluation.

### **Economic and Demographic Data**

There are 251 census tracts within the assessment area. The tracts reflect the following income designations according to the 2020 United States (U.S.) Census:

- 5 low-income census tracts,
- 56 moderate-income census tracts,
- 115 middle-income census tracts,
- 71 upper-income census tracts, and
- 4 census tracts with no income designation.

The following table presents select demographic data for the assessment area:

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 - 41620 Salt Lake City, UT MSA		\$90,360	Median Housing Value			\$347,355
Families Below Poverty Level		5.6%	Median Gross Rent			\$1,178
Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%						
(*) The NA category consists of geographies that have not been assigned an income classification.						

The assessment area contains 404,550 housing units. Of these units, 64.0 percent are owner-occupied, 30.8 percent are occupied rental units, and 5.2 percent are vacant.

Data obtained from the U.S. Bureau of Labor and Statistics as of November 2022 reflected a 2.0 percent unemployment rate for both Salt Lake County and UT statewide. The unemployment rate for Salt Lake County and UT statewide was below the national unemployment rate of 3.6 percent for the same period.

### **Competition**

Comenity Capital Bank's assessment area is highly competitive in the market for financial services. Salt Lake City headquarters a large number of industrial loan and regional banks. Many of these banks operate as limited purpose, wholesale, or strategic plan institutions as defined by the CRA regulation. These institutions provide a high level of competition for the extension of community development loans, investments, and services within 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. Information obtained reflects the responsiveness of local financial institutions to credit and community development needs, and opportunities for participation in related activities.

For this evaluation, examiners contacted a representative of an organization based in Salt Lake City that is a provider of services for income-eligible families in the areas of education, housing, utilities, health, and food. The contact stated the top four needs within the community include affordable rental housing, food security, keeping utilities connected, and affordable healthcare. However, within the 18 to 25 year-old age group, their primary needs include good jobs, access to childcare, and services for mental health. The contact stated that local financial institutions have been responsive to the credit and community development needs in Salt Lake City and the surrounding areas.

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

Considering information from demographic and economic data, the community contact, and bank management, examiners determined that affordable rental housing programs, along with first-time homebuyer programs, are important credit and community development needs in Salt Lake County, UT. Investments that support affordable housing is also an identified community development need.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated May 11, 2020 through December 31, 2022. Examiners used Interagency Limited Purpose Institution Examination Procedures to evaluate Comenity Capital Bank's CRA performance. These procedures include a Community Development Test.

The Community Development Test considered the bank's performance according to the following criteria:

- Number and dollar amount of qualified community development loans and investments, and participation in community development services;
- Use of innovative or complex community development loans, qualified investments, and community development services; and
- Responsiveness to community credit and development needs.

### **Activities Reviewed**

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation. This evaluation also considered qualified investments and community development services made by the bank's affiliates. According to the CRA, a bank may include qualified investments and community development services made by an affiliate if another bank does not receive CRA credit for the same activity. Therefore, certain investment and community development service activities were considered on a pro rata basis between Comenity Capital Bank and its sister institution, Comenity Bank. Since the average asset size during the evaluation period for the two banks were similar, bank management elected to divide the affiliates' qualified investments and community development services equally between both banks.

During the evaluation period, Comenity Capital Bank was responsive to the community development needs of its assessment area. Therefore, examiners also considered qualified community development activities that benefited the BSRA and/or nationwide area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

Comenity Capital Bank has a high level of community development loans, qualified investments, and community development services, and exhibits excellent responsiveness to credit and community economic development needs in the assessment area. In addition, the bank occasionally uses innovative or complex qualified investments and community development loans.

### **Community Development Loans**

During the evaluation period, Comenity Capital Bank began originating community development loans in order to help meet the affordable housing needs of the assessment area and BSRA.

Historically, the bank has not originated community development loans and has exclusively focused on obtaining qualified investments. However, bank management's community outreach efforts identified an increased need for loans. As a result, Comenity Capital Bank originated five community development loans totaling \$85.0 million since the previous evaluation. The following table presents the bank's community development loan activity by year and purpose.

<b>Community Development Loans</b>										
<b>Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Total</b>	
	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>
5/12/2020 – 12/31/2020	1	15,000	0	0	0	0	0	0	1	15,000
2021	2	35,000	0	0	0	0	0	0	2	35,000
2022	2	35,000	0	0	0	0	0	0	2	35,000
<b>Total</b>	<b>5</b>	<b>85,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>85,000</b>
<i>Source: Bank Records</i>										

In 2020, the bank made a \$15.0 million annual loan commitment to a Community Development Financial Institution (CDFI) headquartered in Salt Lake City, UT. The CDFI manages a \$565.0 million loan commitment pool comprised of approximately 39 participating financial institutions. In 2021 and 2022, the bank increased its annual loan commitment to \$25.0 million. The CDFI uses loan consortium funds to finance low- to moderate-income multifamily residential rental projects. These housing projects involve low-income housing tax credits and provide affordable housing for low- and moderate-income families. During the evaluation period, the bank provided \$8.0 million in financing and participated in 65 loans that collectively provided nearly 3,800 affordable housing units to low- and moderate-income families within the BSRA.

In addition to the annual loan commitments, the bank provided an annual \$10.0 million line of credit to the CDFI in 2021 and 2022. The lines of credit provided temporary financing for the affordable housing projects until the CDFI received permanent financing from its member participating banks. As per the community contact conducted during this evaluation, one of the top needs of the assessment area is affordable housing. The bank's origination of these lines of credit were especially responsive to the community development needs of the assessment area.

### **Qualified Investments**

The bank has a high level of qualified investments and donations, and exhibits excellent responsiveness to credit and community economic development needs in the assessment area. In addition, the bank made occasional use of innovative or complex qualified investments and donations.

Comenity Capital Bank and its affiliates have 199 qualified investments totaling approximately \$149.7 million. This volume includes 24 new qualified investments for \$102.3 million, 44 prior period investments still outstanding totaling \$43.3 million, 102 bank donations and grants totaling \$1.4 million, as well as 29 donations totaling \$2.6 million representing a pro rata share of affiliate donations and grants. Qualified investments equates to 1.5 percent of average total assets and 176.3 percent of average total securities since the prior evaluation. Comenity Capital Bank's dollar

volume of qualified investments slightly declined since the prior evaluation. However, this was partially due to the bank reallocating its community development investment dollars to community development loans in response to the needs of the assessment area and BRSA. While the percentage of qualified investments to average total assets slightly declined since the prior evaluation, the percentage of qualified investments to average total securities slightly increased. At the prior evaluation, the bank had qualified investments totaling \$167.3 million. This amount equated to 1.9 percent of average total assets and 151.2 percent of average total securities at that evaluation. The following table presents the bank's qualified investment activity by year and purpose.

Qualified Investments										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
Prior Period	42	35,738	0	0	2	7,564	0	0	44	43,302
5/12/2020 – 12/31/2020	9	23,377	0	0	2	1,124	0	0	11	24,501
2021	8	58,147	0	0	1	124	0	0	9	58,271
2022	3	19,440	0	0	1	124	0	0	4	19,564
<b>Subtotal</b>	<b>62</b>	<b>136,702</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>8,936</b>	<b>0</b>	<b>0</b>	<b>68</b>	<b>145,638</b>
Bank Donations & Grants	11	120	85	1,133	6	150	0	0	102	1,403
Affiliate Donations & Grants	3	265	26	2,368	0	0	0	0	29	2,633
<b>Subtotal</b>	<b>14</b>	<b>385</b>	<b>111</b>	<b>3,501</b>	<b>6</b>	<b>150</b>	<b>0</b>	<b>0</b>	<b>131</b>	<b>4,036</b>
<b>Total</b>	<b>76</b>	<b>137,087</b>	<b>111</b>	<b>3,501</b>	<b>12</b>	<b>9,086</b>	<b>0</b>	<b>0</b>	<b>199</b>	<b>149,674</b>
<i>Source: Bank Records</i>										

Below are examples of Comenity Capital Bank's qualified investments and donations:

- During the evaluation period, the bank made \$16.1 million in investments in a CRA Qualified Investment Fund. Community Capital Management, who manages the fund, earmarked these investments through nine MBSs collateralized by multifamily properties for affordable housing and single-family properties to low- and moderate-income borrowers. All properties are in Salt Lake County, UT. These investments support affordable housing in the assessment area.
- During 2020 and 2021, the bank purchased four single-family mortgage bonds totaling \$15.5 million from the Utah Housing Corporation. The 2020 and 2021, Series A Bonds provide financing for purchasing affordable housing for low- and moderate-income persons within the state of Utah. These investments enhance affordable housing in the assessment area and BSRA.
- In 2022, the bank invested \$10.0 million in the Utah Housing Preservation Fund. This fund creates and protects affordable housing throughout UT in response to its affordable housing crisis. The fund's goal is to improve and preserve affordable housing by purchasing housing properties and maintaining affordable rents. These investments enhance affordable housing in the assessment area and BSRA.

- During the evaluation period, the bank invested \$51.4 million in 12 mortgage-backed securities, consisting of six Federal Home Loan Mortgage Corporation (FHLMC), three Federal National Mortgage Association (FNMA) and three Government National Mortgage Association (GNMA) purchases. These MBS support affordable housing in the assessment area and the BSRA.
- During the evaluation period, the bank donated \$65,000 to an economic development organization that serves UT. The nonprofit organization assists underserved and low-income communities by providing business training and small business loans to entrepreneurs in start-up and existing businesses that do not qualify for traditional funding sources. The donations support economic development in the statewide area including the assessment area.
- During the evaluation period, the bank made donations totaling \$80,000 to a human services nonprofit organization in UT that provides programs addressing homelessness, substance abuse, mental illness, and domestic violence. Specifically, the donations funded the organization's Homeless Outreach Program that locates homeless individuals, provides them with basic need items, and encourages them to utilize critical community services. The donations support community development services throughout the statewide area.

### **Community Development Services**

During the evaluation period, Comenity Capital Bank staff and its affiliates provided 833 hours of community development services to 20 nonprofit organizations. When compared to the prior evaluation, the bank's volume of service hours declined. However, due to the COVID-19 pandemic, community development service opportunities, particularly in person services, were limited in 2020 and 2021. This impacted the bank's ability to perform community development services. Of particular note, the bank had 533 hours during the previous evaluation dedicated to financial literacy to schools where a majority of the students qualified for the national free or reduced-price lunch program. Due to restriction on in-person activities at schools, the bank was only able to provide 73 hours for this service during this evaluation. The following table presents the bank's community development services by activity year and purpose.

<b>Community Development Services by Number of Hours</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Total</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
5/12/2020 – 12/31/2020	29	102	42	0	173
2021	44	180	46	0	270
2022	62	216	7	0	285
<b>Subtotal</b>	<b>135</b>	<b>498</b>	<b>95</b>	<b>0</b>	<b>728</b>
Activity by Affiliates	0	105	0	0	105
<b>Total</b>	<b>135</b>	<b>603</b>	<b>95</b>	<b>0</b>	<b>833</b>
<i>Source: Bank Data</i>					

Below are notable examples of Comenity Capital Bank's community development services:

- During the evaluation period, a bank officer served as a Board member of a CDFI headquartered in Salt Lake City, UT. The CDFI facilitates the development and preservation of safe and clean affordable housing and community facilities that primarily serve low- and moderate-income individuals, families, and underserved communities throughout the region. The bank's participation in this CDFI supports affordable housing in the BSRA that includes the assessment area.
- A bank officer serves on the Board, Executive Committee, and Finance Committee of a nonprofit organization that serves the State of UT, including the Salt Lake City MSA. The organization provides community services to low- and moderate-income households through seven programs including HEAT Utility Assistance, Nutrition, Case Management and Housing, Adult Education, Head Start Preschool, Weatherization for Homes, and Service Hubs.
- During the evaluation period, a bank officer served as a Board member of a nonprofit organization that primarily serves Salt Lake City, UT. The organization promotes safety, stability, and self-sufficiency for low- and moderate-income individuals and families. The organization also supports victims of domestic violence through effective legal advocacy and assistance. By participating in this organization, the bank enhances community development services in the assessment area.
- Two bank officers serve on the Board and Investment Committee of a nonprofit organization that offers vision services to low- and moderate-income persons in the Salt Lake City area. The organization provides free vision screenings, working to ensure that people of all ages and backgrounds have access to quality eye care and sufficient information about eye safety, threats to vision, and available community resources. The bank's participation in this organization supports community development services in the assessment area.

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

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

The FDIC identified violations of Section 5 of the Federal Trade Commission Act (UDAP) that were related to credit products not evaluated for the purposes of determining the bank's CRA performance. Although bank customers were affected by the practices that caused the violations, these practices occurred during a limited period of time as they were tied to a one-time event. Bank management was able to take corrective action to prevent further consumer harm and did not delay the process of remediating impacted customers. While the bank has policies, procedures,

and internal assessments in place to prevent UDAP violations, they were not appropriately applied to the one-time event that led to the violations.

The bank's overall CRA rating was not lowered based on the short duration the violations occurred relative to the full CRA evaluation period and the corrective actions management took to remediate impacted customers.

## 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.