

# **PUBLIC DISCLOSURE**

March 14, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Square Financial Services, Inc.  
Certificate Number: 59177

3165 E. Millrock Dr., Suite 160  
Salt Lake City, UT 84121

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.

Square Financial Services, Inc. (SFS) operated under an FDIC-approved Community Reinvestment Act (CRA) Strategic Plan (Plan) during the evaluation period. The evaluation covers two interim Plan years; please refer to the Scope of Evaluation section for additional information. The Plan defines five 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.

- Cumulative community development (CD) lending and investments exceed the bank's established goals for an "Outstanding" performance in both Plan years.
- New lending and investments exceed the bank's established goals for an "Outstanding" performance in both Plan years.
- CD Services exceed the bank's established goals for an "Outstanding" performance for both Plan years.
- AA concentration of small business loans met the bank's established goals for a "Satisfactory" performance for both Plan years.
- Geographic distribution of small business loans met the bank's established goals for a "Outstanding" performance for both Plan years.

## DESCRIPTION OF INSTITUTION

SFS is a Utah industrial bank that operates from a single office headquartered in Salt Lake City, Utah. The bank is wholly-owned by Block, Inc. SFS commenced operations on March 1, 2021 and this is the bank's first CRA performance evaluation since the bank opened. The bank does not intend to establish additional branches and does not have any lending affiliates or subsidiaries.

The bank's primary lending product is small-dollar, short-term, unsecured commercial loans offered to businesses that process card transactions through the Square POS payment processing platform. SFS's offers savings deposit accounts primarily offered to businesses and certificate-of-deposits offered via a non-brokered listing service.

As of the December 31, 2022 Consolidated Reports of Condition and Income (Call Report), the bank had total assets of \$463.9 million, loans of \$156.3 million and deposits of \$190.0 million. 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 and Land Development	0	0.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	0	0.0
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	0	0.0
<b>Total Real Estate Loans</b>	<b>0</b>	<b>0.0</b>
Commercial and Industrial Loans	155,849	99.7
Agricultural Loans	0	0.0
Consumer Loans	0	0.0
Other Loans	408	0.3
Lease financing receivables	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>156,257</b>	<b>100.0</b>
<i>Source: 12/31/2022 Call Report</i>		

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

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. SFS designated a single AA that consists of the Salt Lake-Provo-Orem UT Combined Statistical Area (CSA). This area includes Salt Lake City Metropolitan Statistical Area (MSA), Ogden Clearfield MSA, Provo-Orem MSA, Summit County, and Wasatch County. The AA meets regulatory requirements and does not arbitrarily exclude any LMI areas.

To establish the bank’s performance context, examiners relied on bank records, public financial information, demographic data from the 2015 American Community Survey (ACS) Census and 2020 U.S. Census, business demographics, and other public sources, as well as information obtained from a community contact.

### **Economic and Demographic Data**

Based on 2015 ACS Census data, the AA consists of 487 census tracts (CTs): 23 low-, 100 moderate-, 210 middle-, and 148 upper-income CTs. There are 6 CTs with no income designation. There are no distressed or underserved non-metropolitan middle-income CTs within the AA. The following table shows select demographic data for SFS’s AA for Plan year 2021.

Demographic Information of the Assessment Area						
Assessment Area: SLC Provo Orem CSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	487	4.7	20.5	43.1	30.4	1.2
Population by Geography	2,390,713	3.6	19.5	45.9	30.6	0.4
Housing Units by Geography	800,917	3.6	21.3	44.6	30.0	0.6
Owner-Occupied Units by Geography	513,639	1.2	15.6	48.2	34.8	0.2
Occupied Rental Units by Geography	227,951	9.1	34.5	39.6	16.1	0.6
Vacant Units by Geography	59,327	3.4	19.6	31.9	41.8	3.3
Businesses by Geography	268,496	3.4	16.5	41.6	38.0	0.4
Farms by Geography	5,610	2.1	13.7	48.4	35.6	0.2
Family Distribution by Income Level	557,939	18.8	18.1	22.6	40.5	0.0
Household Distribution by Income Level	741,590	21.4	16.7	21.1	40.8	0.0
Median Family Income MSA - #36260 Ogden-Clearfield, UT MSA		\$71,742	Median Housing Value			\$241,020
Median Family Income MSA - #39340 Provo-Orem, UT MSA		\$67,248	Median Gross Rent			\$942
Median Family Income MSA - #41620 Salt Lake City, UT MSA		\$71,849	Families Below Poverty Level			8.8%
Median Family Income Non-MSAs - UT		\$64,772				
<i>Source: 2015 ACS and 2021 D&amp;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>						

Based on 2020 U.S. Census data, the AA consists of 589 census tracts (CTs): 17 low-, 114 moderate-, 283 middle-, and 165 upper-income CTs. There are 10 CTs with no income designation. The following table shows select demographic data for SFS's AA for Plan year 2022.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: SLC Provo Orem - CSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	589	2.9	19.4	48.0	28.0	1.7
Population by Geography	2,701,129	2.4	18.3	49.6	29.2	0.5
Housing Units by Geography	879,689	2.5	20.6	48.5	28.3	0.1
Owner-Occupied Units by Geography	578,011	0.6	15.2	51.5	32.7	0.0
Occupied Rental Units by Geography	240,370	6.9	34.3	44.4	14.3	0.2
Vacant Units by Geography	61,308	3.2	18.0	35.9	42.8	0.1
Businesses by Geography	376,509	2.1	14.0	47.5	35.8	0.5
Farms by Geography	7,165	0.9	13.4	52.2	33.3	0.1
Family Distribution by Income Level	608,463	17.2	19.1	23.9	39.7	0.0
Household Distribution by Income Level	818,381	20.3	17.5	21.1	41.1	0.0
Median Family Income MSA - #36260 Ogden-Clearfield, UT MSA		\$88,021	Median Housing Value			\$341,624
Median Family Income MSA - #39340 Provo-Orem, UT MSA		\$83,669	Median Gross Rent			\$1,150
Median Family Income MSA -# 41620 Salt Lake City, UT MSA		\$90,360	Families Below Poverty Level			5.6%
Median Family Income Non-MSAs - UT		\$73,027				
<i>Source: 2020 U.S. Census and 2022 D&amp;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>						

According to data obtained from the U.S. Bureau of Labor Statistics, the Salt Lake-Provo-Orem UT CSA the AA is below the national unemployment average. The following table depicts the unemployment rates for the review period in the bank’s AA in comparison with the state and national levels.

<b>Unemployment Rates</b>		
<b>Area</b>	<b>December 2021</b>	<b>December 2022</b>
	<b>%</b>	<b>%</b>
Salt Lake-Provo-Orem UT CSA	1.8	2.0
State of Utah	2.2	2.4
National Average	3.9	3.5
<i>Source: Bureau of Labor Statistics</i>		

According to Moody’s Analytics as of January 2023, rising interest rates and economic uncertainty is putting a strain on the finance industry due to the decrease in consumer demand. There continues to be a high concentration of high-wage jobs in the tech and knowledge-based industries and the AA remains an attractive, low-cost destination for businesses relocating from the Silicon Valley. Housing prices are slowly declining however; this area continues to experience low housing

affordability, which is taking a bigger toll on migration and population growth. The current top employers for Salt Lake County are as follows: University of Utah, Intermountain Health Care, Wal-Mart Stores, Zions Bancorp and Delta Airlines.

### **Competition**

SFS is a nationwide lender, and its AA is a highly competitive market that includes several industrial banks, large national and regional financial institutions. According to FDIC Deposit Market Share Report as of June 30, 2022, 55 financial institutions operate branches within the AA. Of these institutions, SFS ranked 43rd with \$143.0 million in total deposits and hold >0.1 percent of the market share. The two largest stakeholders in the deposit market for the AA consist of Morgan Stanley Bank and Ally Bank. These competitors hold 21.0 percent and 17.7 percent, respectively, of the AA's deposits. The AA is specifically competitive for SFS, as there are other industrial banks also headquartered in Salt Lake City. Many of these industrial financial institutions are examined using the Interagency Strategic Plan Examination Procedures, as well as the limited purpose and wholesale designation procedures. This results in an unusually high level of competition for the extension of CD investments and services within the AA.

### **Community Contact**

As part of the evaluation process, examiners reviewed a recent community contact with an economic development organization that serves the bank's AA to assist in identifying the credit and CD needs. The organization focuses on creating affordable housing opportunities for residents in their community. The contact noted that financial institutions have been responsive to community credit needs; however, there continues to be a need for affordable housing as the price of homes are continuing to rise which makes it challenging for the LMI home buyers.

### **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, economic development and community services for LMI individuals, families, and school age children represent the primary credit needs of the AA.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the date SFS began operations on March 1, 2021, to the date of the current evaluation, March 14, 2023.

During the review period, examiners evaluated the institution under the Interagency Strategic Plan Examination Procedures, pursuant to its FDIC-approved CRA Plan. The Plan establishes goals for five performance criteria for each interim year the Plan is in effect. References to the bank's performance in Plan year 2021 relate to activities conducted from March 1, 2021, to December 31,

2021. References to Plan year 2022 relate to activities conducted from January 1, 2022, to December 31, 2022.

### **Activities Reviewed**

To evaluate the performance under the Plan, examiners evaluated SFS from March 1, 2021, through December 31, 2022, based on the criteria established within the Plan. The Plan sets forth measurable goals in the following areas:

- New and cumulative CD loans and qualified investments;
- New CD loans and qualified investments;
- CD services hours;
- AA concentration of small business loans; and
- Geographic Distribution of small business loans.

For purposes of evaluating the Plan’s measurable goals, management provided data on qualified investments, donations and CD services in addition to small business loans during the evaluation period from March 1, 2021, through December 31, 2022.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

The bank’s CRA performance under the Plan reflects an “Outstanding” performance in helping to meet the credit needs of the designated AA in a manner consistent with the measurable goals in the Plan that was in place during the evaluation period. The bank exceeded the outstanding thresholds for all but one of the goals in the approved Plan. The following information relates to the goals established in the Plan compared to the bank’s actual performance.

### **Community Development Lending and Investments**

The bank exceeded its established goals for “Outstanding” performance regarding new and cumulative CD loans and qualified investments for Plan years 2021 and 2022.

### **Cumulative Community Development Loans and Investments**

The bank’s CD loans and investments goal consists of the total amount of new CD loans and investments/donations and prior period qualified investments. The goal is expressed as a percentage of the bank’s average assets for any given Plan year, using the bank’s average number of assets from line 9 of Schedule RC-K for the bank’s four Call Reports during a Plan year. As this is SFS’s first performance evaluation, Plan year 2021 does not include any prior period investments.

SFS exceeded the goals for “Outstanding” performance related to cumulative CD lending and investment activities. The following table illustrates the bank’s performance and comparison to established benchmarks.

<b>Cumulative Community Development Loans and Investments</b>					
<b>Plan Year</b>	<b>Bank Established Goals</b>		<b>Bank Performance</b>		
	<b>Satisfactory (%)</b>	<b>Outstanding (%)</b>	<b>Loans and Investments Total (000s)</b>	<b>Average Assets* (000s)</b>	<b>Actual Performance (%)</b>
2021	1.35	2.00	3,051	127,024	2.40
2022	1.35	2.00	6,842	327,125	2.09

*Source: SFS Records and 2021 -2024 CRA Strategic Plan \*Bank's average assets for Plan is from line 9 of Schedule RC-K of the Bank's four Call Reports for the Plan year.*

The majority of the qualified activities supported affordable housing for LMI individuals and families, which was identified as a primary CD need in the AA. The bank made the following notable qualified investments and donations over the review period.

- In Plan year 2021, the bank originated a line of credit in the amount of \$2.0 million to an organization with a primary purpose to assist LMI individuals with affordable housing solutions in the bank’s AA. The line of credit was then renewed in Plan year 2022.
- In Plan year 2021, SFS donated \$43,000 to provide grants to organizations engaged in affordable housing and small business development.

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

The bank’s new CD loans and investments goal consists of the total amount of new CD loans and qualified investments/donations expressed as a percentage of the bank’s average assets for any given Plan year using the bank’s average number of assets from line 9 of Schedule RC-K of the bank’s four Call Reports during a Plan year.

SFS exceeded the goals for “Outstanding” performance related to new CD lending and investment activities. The following table illustrates the bank’s performance and comparison to established benchmarks.

<b>New Community Development Loans and Investments</b>					
<b>Plan Year</b>	<b>Bank Established Goals</b>		<b>Bank Performance</b>		
	<b>Satisfactory (%)</b>	<b>Outstanding (%)</b>	<b>Loans and Investments Total (000s)</b>	<b>Average Assets* (000s)</b>	<b>Actual Performance (%)</b>
2021	1.35	2.00	3,051	127,024	2.40
2022	0.75	1.00	3,843	327,125	1.17

*Source: SFS Records and 2021 -2024 CRA Strategic Plan \*Bank's average assets for Plan is from line 9 of Schedule RC-K of the Bank's four Call Reports for the Plan year.*

In additions to the affordable housing activities, the bank also made the following notable qualified investments and donations during the Plan years.

- In Plan year 2022, the bank made three separate investments of \$1.0 million each to organizations that promote economic development. The funds were used to provide CD loans to small businesses located in LMI areas or to employ LMI individuals mainly within the bank’s AA.
- In Plan year 2022, the bank made donations totaling \$73,600 to several organizations that provide a service to the community such as a local food bank, as well as training and education to LMI students within the bank’s AA.

**Community Development Services**

The bank exceeded its established goals for “Outstanding” performance regarding CD service hours for years 2021 and 2022. Examiners evaluated CD service goals based on the number of hours spent performing qualified services per Utah based bank employee. The following table illustrates the bank’s performance and comparison to established benchmarks.

<b>Community Development Service Hours</b>			
<b>Plan Year</b>	<b>Bank Established Goals</b>		<b>Bank Performance</b>
	<b>Satisfactory</b>	<b>Outstanding</b>	<b>Qualified Service Hours (per FTE in Utah)</b>
2021	8	12	24.4
2022	8	12	22.8

*Source: SFS Records and 2021 -2024 CRA Strategic Plan; Full-time Employee (FTE)*

The following are notable examples of the bank’s CD services for the evaluation period:

- In 2021 and 2022, bank employees service hours included 96 hours of financial education to elementary schools in the AA in which majority of students were eligible for free or reduced-price lunch. The activities provide community services, in the form of financial educational services, targeted to LMI individuals.
- In 2021 and 2022, a SFS officer provided a total of 71.5 hours of CD service hours as a Board member of an organization that addresses affordable housing needs in the AA. The organization provides education on pathways to homeownership and other affordable housing solutions for LMI individuals and families.

**Small Business Lending**

The Plan established satisfactory and outstanding performance goals for two separate small business lending benchmarks.

**Assessment area concentration**

SFS met the goal for a “Satisfactory” performance in small business lending inside the AA. The first lending benchmark measures the number of small business loans originated within the bank’s AA relative to the total number of small business loans originated over the Plan year. The following table illustrates the established AA concentration goals and the bank’s actual performance for each prospective year.

<b>Assessment Area Concentration for Small Business Loans</b>					
<b>Plan Year</b>	<b>Bank Established Goals</b>		<b>Bank Performance</b>		
	<b>Satisfactory (%)</b>	<b>Outstanding (%)</b>	<b>Number of Small Business Loans Inside AA</b>	<b>Total Number of Small Business Loans</b>	<b>Actual Performance (%)</b>
2021	0.50	1.00	1,631	224,552	0.73
2022	0.50	1.00	2,915	427,040	0.68
<i>Source: SFS Records and 2021-2024 CRA Strategic Plan</i>					

**Geographic Distribution**

The bank met its established goals for “Outstanding” performance in distribution of small business loans to LMI geographies within the AA. The second lending benchmark measures the percentage of loans by number originated in the AA’s combined LMI census tracts relative to the total number of small business loans originated in the AA. The table below reflects the bank’s Plan goals for geographic dispersion for small business loans and the bank’s performance in LMI geographies for each prospective year.

<b>Geographic Distribution for Small Business Loans</b>			
<b>Plan Year</b>	<b>Bank Established Goals</b>		<b>Bank Performance</b>
	<b>Satisfactory (%)</b>	<b>Outstanding (%)</b>	<b>Actual Performance (%)</b>
2021	22.49	30.00	33.20
2022	22.49	30.00	30.00
<i>Source: SFS Records and 2021 -2024 CRA Strategic Plan</i>			

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## 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.