PUBLIC DISCLOSURE

February 5, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Essex Savings Bank
Certificate Number: 17262

35 Plains Road
Essex, Connecticut 06426

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, NY 10118

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

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

- A majority of home mortgage and small business loans are in the institution's assessment areas.

- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels and businesses of different sizes.

- The assessment areas do not include any low- or moderate-income census tracts; therefore, the Geographic Distribution factor did not affect the Lending Test rating.

- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

Essex Savings Bank (ESB) is a state-chartered, mutual savings bank headquartered in Essex, Connecticut. It operates one wholly owned subsidiary, Essex Financial Services, which provides financial planning options, sells insurance products, and is a registered investment advisor. The FDIC assigned the bank a Satisfactory rating at the prior CRA evaluation dated June 7, 2021, based on Intermediate Small Institution Examination Procedures.

ESB's main office is located at 35 Plains Road in Essex, Connecticut. The bank also operates five full-service branches in Chester, Madison, Old Lyme, Old Saybrook, and a second location in Essex. All branches have 24-hour deposit-taking automated teller machines (ATMs), and all except for the 9 Main Street branch in Essex offer drive-up teller services. The bank also has a limited-service trust office in Essex.

ESB offers a range of consumer and commercial products, with a primary business focus of making residential and commercial loans. Deposit products include interest-bearing checking accounts, savings accounts, money market accounts, certificates of deposits, and individual retirement accounts. Loan products include residential mortgages, consumer loans, and commercial loans including Small Business Administration (SBA) 7a and 504 loans and commercial real estate loans. Customers also have access to alternative delivery systems, such as 24-hour online banking and mobile banking for personal and business use.

As of December 31, 2023, ESB reported total assets of $505.6 million, which included loans totaling $331.0 million, or 65.5 percent of total assets. The bank reported $433.6 million in total deposits. Loans secured by one-to-four family residential properties accounted for the largest portion of the loan portfolio, followed by loans secured by nonfarm nonresidential properties, and commercial and industrial loans. The following table illustrates the loan portfolio distribution.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	13,452	4.1
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	199,142	60.2
Secured by Multifamily (5 or more) Residential Properties	6,342	1.9
Secured by Nonfarm Nonresidential Properties	84,873	25.6
Total Real Estate Loans	**303,809**	**91.8**
Commercial and Industrial Loans	26,430	8.0
Agricultural Production and Other Loans to Farmers	232	<0.1
Consumer Loans	538	0.2
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	11	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	**331,020**	**100.0**
Source: Reports of Condition and Income		

Examiners did not identify any financial or legal impediments that would limit the bank's ability to help meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The bank's assessment areas include portions of Middlesex County in the Hartford-East Hartford-Middletown, Connecticut Metropolitan Statistical Area (MSA); portions of New London County in the Norwich-New London, Connecticut MSA; and portions of New Haven County in the New Haven-Milford, Connecticut MSA (New Haven MSA). The Hartford-East Hartford-Middletown, Connecticut MSA (Hartford MSA) and the Norwich-New London, Connecticut MSA (New London MSA) are part of the Hartford-East Hartford, Connecticut Combined Statistical Area (CSA). The assessment areas contain the following cities and towns.

Hartford-East Hartford, Connecticut CSA (Hartford CSA)

- **Hartford MSA**
  - **Middlesex County** – *Chester, Clinton, Deep River, Essex, Killingworth, Old Saybrook, and Westbrook*
- **New London MSA**
  - **New London County** – *Lyme and Old Lyme*

New Haven MSA

  - **New Haven County** – *Guilford and Madison*

According to the 2020 U.S. Census, the Hartford CSA assessment area contains 17 census tracts, and the New Haven MSA assessment area contains 9 census tracts. Both assessment areas remain unchanged since the previous evaluation. For this evaluation, examiners used 2015 ACS data to analyze 2021 lending activity, and 2020 U.S. Census Data to analyze 2022 and 2023 lending activity. Refer to the individual assessment area sections for specific demographic and economic information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 7, 2021, to the current evaluation dated February 5, 2024. Examiners used the Federal Financial Institutions Examination Council's (FFIEC) Interagency Intermediate Small Institution CRA Examination Procedures to evaluate the bank's CRA performance. The procedures evaluate the institution under the Small Bank Lending Test and the Community Development Test. Refer to the appendices for more information about each test.

The CRA requires separate performance analyses and conclusions for each MSA in which the bank maintains a branch. Examiners analyzed the bank's CRA performance within each MSA and determined the bank's performance was consistent across the Hartford MSA and the New London MSA. Because performance was consistent across each of the two MSAs, and both are located within the Hartford CSA, examiners presented data and conclusions at the CSA level. Examiners used full-scope examination procedures to review bank performance in the Hartford CSA.

Examiners used limited-scope procedures to evaluate bank performance in the New Haven MSA, which contains only one of the bank's six branches and approximately 14.7 percent of the combined assessment area's lending activity. Examiners placed greater weight on performance in the Hartford CSA when determining overall conclusions because of its significantly higher volume of lending (85.3 percent), deposits (87.0 percent), and branches (83.3 percent) compared to the New Haven MSA.

Activities Reviewed

This evaluation reviewed ESB's home mortgage and small business loans to assess the bank's lending performance, as these loan types represent the bank's major product lines based on the number and dollar volume of loans originated during the evaluation period. Examiners gave greater weight to home mortgage lending performance when determining Lending Test conclusions. Home mortgage loans make up a larger percentage of the loan portfolio, and the bank originated more home mortgage loans during the review period compared to small business loans. Examiners did not analyze small farm loans because the bank did not originate any small farm loans during the review period.

Examiners analyzed all home mortgage loans reported on the bank's 2021, 2022, and 2023 HMDA Loan Application Registers (LARs). ESB reported 174 home mortgage loans totaling $66.1 million in 2021; 74 home mortgage loans totaling $24.2 million in 2022; and 69 home mortgage loans totaling $18.9 million in 2023. Examiners compared the bank's home mortgage lending data to demographic data, 2021 HMDA aggregate data, and 2022 HMDA aggregate data.

Examiners analyzed all small business loans originated in 2022 and 2023. Although ESB is exempt from collecting and reporting small business loan data under the CRA due to its asset size, the bank collected this data in 2022 and 2023. Bank records reflect that the bank originated 60 small business loans totaling $17.5 million in 2022 and 45 small business loans totaling $14.3 million in 2023. Examiners did not compare the data to aggregate performance, as the bank is not a CRA data reporter. Examiners compared the small business lending activity to business demographic data for 2022 and 2023.

Although the Lending Test reflects the number and dollar volume of loans, examiners focused on the number of loans, as it better indicates the number of individuals and businesses served. Examiners obtained economic information referenced in the evaluation from the D&B, Moody's Analytics, and U.S. Bureau of Labor Statistics. In addition, examiners obtained the bank's financial data from its December 31, 2023 Report of Income and Condition (Call Report).

For the Community Development Test, examiners considered the bank's community development loans, qualified investments, and community development services since the prior CRA evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

ESB's Lending Test performance is Satisfactory. The bank's performance in the Hartford CSA assessment area primarily supports the rating.

Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs. The institution's LTD ratio averaged 70.3 percent over the past 11 calendar quarters from June 30, 2021, to December 31, 2023. The ratio ranged from a low of 64.7 percent as of December 31, 2021, to a high of 78.4 percent as of September 30, 2023. ESB's average LTD ratio is slightly lower than comparable institutions; however, it is within a reasonable range of each of these institutions and the bank's LTD ratio increased throughout the evaluation period.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	**Total Assets as of 12/31/2023 ($000s)**	**Average Net LTD Ratio (%)**
Essex Savings Bank	**505,605**	**70.3**
Dime Bank	1,179,621	73.7
The Guilford Savings Bank	1,119,445	80.2
The Milford Bank	586,383	83.2
Source: Reports of Condition and Income 06/30/2021-12/31/2023		

Assessment Area Concentration

ESB originated a majority of its home mortgage and small business loans, by number and dollar amount, inside the assessment areas. The following table depicts the bank's lending inside and outside the assessment areas by number and dollar amount.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total #**	**Dollars Amount of Loans $(000s)**				**Total $(000s)**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**		**$**	**%**	**$**	**%**	
Home Mortgage										
2021	142	81.6	32	18.4	174	57,092	86.4	9,020	13.6	66,112
2022	61	82.4	13	17.6	74	20,403	84.3	3,810	15.7	24,213
2023	55	79.7	14	20.3	69	14,901	78.9	3,993	21.1	18,894
Subtotal	**258**	**81.4**	**59**	**18.6**	**317**	**92,396**	**84.6**	**16,823**	**15.4**	**109,219**
Small Business										
2022	49	81.7	11	18.3	60	14,213	81.4	3,251	18.6	17,464
2023	35	77.8	10	22.2	45	10,805	75.7	3,468	24.3	14,273
Subtotal	**84**	**80.0**	**21**	**20.0**	**105**	**25,018**	**78.8**	**6,719**	**21.2**	**31,737**
Total	**342**	**81.0**	**80**	**19.0**	**422**	**117,414**	**83.3**	**23,542**	**16.7**	**140,956**
Source: HMDA Reported Data; Bank Data										

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The bank's reasonable penetration of loans to low- and moderate-income borrowers and to businesses with GARs of $1.0 million or less in the Hartford CSA primarily supports this conclusion; however, performance was consistent throughout the assessment areas. Refer to the individual area sections for specific borrower profile analysis of each area.

Geographic Distribution

ESB's assessment areas do not include any low- or moderate-income census tracts, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, examiners did not evaluate this criterion and it did not affect the Lending Test rating.

Response to Complaints

ESB did not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

ESB's Community Development Test performance is Satisfactory. The bank demonstrates adequate responsiveness to the community development needs in its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of community development activities in the assessment areas.

Community Development Loans

The bank originated 33 community development loans totaling approximately $8.9 million during the evaluation period. Of these, 24 loans totaling approximately $3.7 million benefitted the broader statewide area that includes the assessment areas. The bank's overall community development lending increased by number, but decreased slightly by dollar amount, from the last evaluation period when the bank made 25 community development loans totaling $9.6 million. ESB was responsive to opportunities for community development lending throughout the assessment areas.

Total community development loan activity represents 1.7 percent of average total assets and 2.7 percent of average total loans as of December 31, 2023. These ratios slightly exceeded one similarly situated bank and trailed another. The following table illustrates the bank's community development loans by year and purpose. Please refer to individual assessment area sections for more detail.

Community Development Lending										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
2021	0	0	2	160	0	0	0	0	**2**	**160**
2022	22	369	1	500	6	5,794	0	0	**29**	**6,663**
2023	0	0	0	0	2	2,120	0	0	**2**	**2,120**
YTD 2024	0	0	0	0	0	0	0	0	**0**	**0**
Total	**22**	**369**	**3**	**660**	**8**	**7,914**	**0**	**0**	**33**	**8,943**
Source: Bank Data										

The vast majority of community development loans that benefitted the broader statewide area were related to the bank's participation in a loan pool providing funding to a Community Development Financial Institution based in Connecticut. Through this participation, the bank received credit for 19 qualifying loans totaling $175,000 in 2022. The loans had a primary purpose of supporting affordable housing. Specifically, the loans financed renovations and energy-efficient improvements to multifamily rental properties designated for low- and moderate-income families.

Qualified Investments

Overall, ESB made 159 qualified grants and donations totaling $424,531. The dollar amount of qualified donations increased from $259,768 during the previous evaluation period. The bank does not have any qualified equity or debt investments. Of the total dollar amount of qualified donations, 71.5 percent supported community services targeted to low- and moderate-income individuals. The bank's donations were responsive to needs of individuals with very low incomes within the assessment areas. Additionally, 18.4 percent of donations benefited affordable housing activities, 7.8 percent benefitted economic development, and 2.3 percent benefited revitalization and stabilization. The dollar amount of qualified investments equals 0.1 percent of average total assets and 0.9 percent of average total securities.

The following table shows the number and dollar volume of total qualified grants and donations made by year and purpose. Refer to individual assessment area sections for notable examples. The table includes five donations totaling $14,500 that benefitted the broader statewide area. The bank's qualified grants and donations increased each year during the evaluation period. In September 2023, the bank provided one-time $25,000 grants to five community development organizations in the Hartford CSA. This initiative had a significant impact on the community and explains the notable increase in qualified grants and donations compared to the prior period.

Qualified Investments										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
2021	2	5	20	38	2	11	2	2	**26**	**56**
2022	4	11	59	88	1	10	1	1	**65**	**110**
2023	7	62	56	178	4	12	1	7	**68**	**259**
YTD 2024	0	0	0	0	0	0	0	0	**0**	**0**
Total	**13**	**78**	**135**	**304**	**7**	**33**	**4**	**10**	**159**	**425**
Source: Bank Data										

Community Development Services

Bank employees and directors provided 96 instances of financial or technical assistance to 24 different community development-related organizations. Employees and directors provided most of these services to organizations that provide community services to low- and moderate-income individuals and families. Community development services predominantly benefitted the Hartford CSA assessment area, with some services benefitting the New Haven MSA, and three others benefiting communities in the broader statewide area.

The bank slightly increased its community development service activities from the prior evaluation period, when ESB employees and directors provided 88 instances. The following table shows bank community development services by year and purpose. This table reflects two service activities related to affordable housing and one service activity related to community services that benefitted communities in the broader statewide area. Refer to individual assessment area sections for highlights of community development services.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	8	21	11	0	**40**
2022	8	17	10	0	**35**
2023	6	5	10	0	**21**
YTD 2024	0	0	0	0	**0**
Total	**22**	**43**	**31**	**0**	**96**
Source: Bank Data					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

HARTFORD CSA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN HARTFORD CSA

The Hartford CSA assessment areas include contiguous portions of Middlesex and New London Counties. Five of ESB's six branches, including its main office, are located within the Hartford CSA. These assessment areas include 13 census tracts within Chester, Clinton, Deep River, Essex, Killingworth, Old Saybrook, and Westbrook in Middlesex County, and 4 census tracts within Lyme and Old Lyme in New London County.

Economic and Demographic Data

The 17 census tracts consist of 9 middle-income tracts and 8 upper-income tracts. In 2022, the FFIEC released updates to Metropolitan Statistical Areas and Metropolitan Divisions, states, counties, census tracts, and income level indicators based on information collected during the 2020 U.S. Census. These updates resulted in three additional census tracts and changes to the income designations of some existing census tracts. These additions and reclassifications resulted in four additional upper-income tracts and one less middle-income tract. The following table illustrates select demographic characteristics of the Hartford CSA assessment areas.

Demographic Information of the Assessment Area Assessment Area: Hartford CSA						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	17	0.0	0.0	52.9	47.1	0.0
Population by Geography	61,486	0.0	0.0	56.0	44.0	0.0
Housing Units by Geography	32,299	0.0	0.0	53.2	46.8	0.0
Owner-Occupied Units by Geography	21,207	0.0	0.0	55.3	44.7	0.0
Occupied Rental Units by Geography	4,916	0.0	0.0	62.7	37.3	0.0
Vacant Units by Geography	6,176	0.0	0.0	38.2	61.8	0.0
Businesses by Geography	11,320	0.0	0.0	55.1	44.9	0.0
Farms by Geography	454	0.0	0.0	54.2	45.8	0.0
Family Distribution by Income Level	17,070	12.9	15.6	20.5	51.0	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 25540 Hartford-East Hartford-Middletown, CT MSA		$101,543	Median Housing Value Median Gross Rent Families Below Poverty Level			$367,569 $1,278 2.3%
Median Family Income MSA - 35980 Norwich-New London, CT MSA		$94,894				
Source: 2020 U.S. Census and 2022 D&B Data; FFIEC Estimated Median Family Income *Due to rounding, totals may not equal 100.0%* *(*) The NA category consists of geographies that have not been assigned an income classification.*						

Examiners used the FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle-, and upper-income categories for each year analyzed. Based on the relatively high median housing value of $367,569 and the income ranges listed below, low- and moderate-income families may have difficulty qualifying for home mortgage loans.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Hartford-East Hartford-Middletown, CT MSA Median Family Income (25540)				
2021 ($105,100)	<$52,550	$52,550 to <$84,080	$84,080 to <$126,120	≥$126,120
2022 ($113,200)	<$56,600	$56,600 to <$90,560	$90,560 to <$135,840	≥$135,840
2023 ($118,700)	<$59,350	$59,350 to <$94,960	$94,960 to <$142,440	≥$142,440
Norwich-New London, CT MSA Median Family Income (35980)				
2021 ($92,000)	<$46,000	$46,000 to <$73,600	$73,600 to <$110,400	≥$110,400
2022 ($106,000)	<$53,000	$53,000 to <$84,800	$84,800 to <$127,200	≥$127,200
2023 ($114,400)	<$57,200	$57,200 to <$91,520	$91,520 to <$137,280	≥$137,280
Source: FFIEC				

According to 2023 D&B data, there are 12,282 businesses in the assessment area, with 90.7 percent having GARs of $1.0 million or less. Of the remaining businesses, 2.6 percent have GARs of more than $1.0 million, and 6.7 percent have unknown revenues. Service industries represent the largest portion of businesses at 36.8 percent, followed by non-classifiable businesses at 21.0 percent, retail trade at 10.2 percent, and construction at 10.3 percent. In addition, 93.8 percent of area businesses have less than 10 employees.

The following table shows county, state, and national unemployment rates during the evaluation period. The COVID-19 pandemic contributed to high unemployment rates in 2021, but unemployment steadily decreased throughout the rest of the evaluation period.

Unemployment Rates			
Area	**2021**	**2022**	**2023***
	%	**%**	**%**
Middlesex County	5.2	3.6	3.0
New London County	6.8	4.2	3.3
Connecticut	6.3	4.2	3.3
National Average	5.3	3.6	3.7
Source: Bureau of Labor Statistics **Unemployment rates as of November 2023*			

Competition

The bank operates in a highly competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, 10 financial institutions operated 24 offices in in the assessment area's 17 census tracts. Of these institutions, ESB ranked 2nd with a 17.4 percent deposit market share. Liberty Bank held the highest share of deposits at 20.6 percent. Citizens Bank and Bank of America held 14.4 and 12.0 percent of market deposits, respectively. These competing institutions are each substantially larger than ESB.

There is a high level of competition for home mortgage loans among large national and regional banks, non-depository mortgage lenders, and other community banks in the Hartford CSA assessment areas. According to 2022 HMDA aggregate data, 220 lenders originated or purchased 2,197 loans in the assessment areas. This volume of lenders for a relatively small number of loans highlights the area's high competition. Citizens Bank ranked 1st with a 10.9 percent market share by number of loans, followed by Liberty Bank (9.4 percent) and Webster Bank (4.5 percent). ESB ranked 7th with a 2.5 percent market share. Of all top 10 lenders, 5 were large national or regional banks and 3 were national mortgage companies. Besides ESB, Liberty Bank was the only other state-chartered bank in the top 10; however, Liberty Bank is 15 times larger than ESB in terms of asset size. The bank faces significant competition for home mortgage loans from larger institutions in the Hartford CSA assessment areas.

As mentioned previously, the Lending Test's small business loan analysis does not include comparisons to aggregate data because the bank does not report its small business lending. The aggregate data, however, reflects the demand level for small business loans and assists in determining the general level of competition in the area. According to 2022 CRA aggregate data, 104 lenders made 10,464 loans in Middlesex and New London Counties. The top 10 lenders accounted for 79.7 percent of all reported small business loans. Further, all of the top 10 lenders primarily offer business credit cards and had average small business loan amounts of $27,000 or less. ESB does not offer business credit card loans.

Community Contact

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

Examiners referenced a recent contact with an affordable housing organization that builds and rehabilitates homes that are sold at an affordable price to low- and moderate-income homebuyers. The contact noted that affordable housing is a need in the area due to high property values; however, limited affordable housing opportunities are available, particularly in the southern portion of Middlesex County. The contact noted that in recent years, there have been limited listings for homes in general, and with such high home values made it difficult for the organization to find properties to purchase and convert to affordable housing.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that community services and affordable housing are the assessment area's primary community development needs. Additionally, opportunities exist for financial education. Economic development needs also exist. Many of the area's small businesses are very small, having few employees and operating from a single location. In addition to traditional small business loans, micro loans and start-up financing needs and opportunities exist. Based on the high percentage of one-to-four family owner occupied housing in the area, home mortgage lending remains the primary credit need.

CONCLUSIONS ON PERFORMANCE CRITERIA IN HARTFORD CSA

LENDING TEST

ESB's Lending Test performance is reasonable in the Hartford CSA. Reasonable performance under Borrower Profile supports this conclusion.

Borrower Profile

The distribution of borrowers in the Hartford CSA assessment area reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The following sections describe the bank's performance by loan type.

Home Mortgage Loans
The distribution of borrowers reflects reasonable penetration among individuals of different income levels, specifically low- and moderate-income borrowers. In 2021, the bank's lending to low-income borrowers slightly exceeded aggregate performance by number of loans. As shown in the following table, both aggregate performance and the bank's performance in lending to low-income borrowers was below demographics; however, low-income families in the assessment areas may have difficulty qualifying for a mortgage under conventional underwriting standards, especially considering the median home value of $367,569. EBS's performance was similar in 2022, but fell below aggregate performance. The bank's performance increased slightly in 2023.

ESB's lending to moderate-income borrowers was slightly below aggregate performance and demographics in 2021. The bank's performance declined in 2022, with the percentage of loans to moderate-income borrowers falling further below the aggregate and demographics. However, the bank's lending percentage to moderate-income borrowers increased in 2023.

As noted previously, the bank faces significant competition for home mortgage loans from national banks and mortgage companies. Considering the level of competition and the bank's positive trend in lending to both low- and moderate-income borrowers from 2022 to 2023, the bank's performance is reasonable.

The following table illustrates home mortgage lending activity among borrowers of different income levels within the Hartford CSA assessment areas.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Hartford CSA						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2021	16.0	5.2	7	5.5	1,011	2.3
2022	12.9	7.3	3	5.5	650	3.7
2023	12.9	--	3	6.4	180	1.5
Moderate						
2021	15.1	16.4	19	14.8	3,799	8.7
2022	15.6	16.6	5	9.1	893	5.1
2023	15.6	--	6	12.8	698	5.8
Middle						
2021	19.7	23.0	27	21.1	7,457	17.0
2022	20.5	21.7	10	18.2	2,203	12.5
2023	20.5	--	10	21.3	2,174	18.0
Upper						
2021	49.3	43.6	72	56.3	30,080	68.7
2022	51.0	44.1	32	58.2	12,467	70.7
2023	51.0	--	25	53.2	8,451	69.9
Income Not Available						
2021	0.0	11.8	3	2.3	1,437	3.3
2022	0.0	10.3	5	9.1	1,429	8.1
2023	0.0	--	3	6.4	581	4.8
Totals						
2021	**100.0**	**100.0**	**128**	**100.0**	**43,785**	**100.0**
2022	**100.0**	**100.0**	**55**	**100.0**	**17,642**	**100.0**
2023	**100.0**	**100.0**	**47**	**100.0**	**12,083**	**100.0**
Source: 2015 ACS and 2020 U.S. Census Data; HMDA Reported Data; HMDA Aggregate Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Business Loans

The distribution of small business loans reflects reasonable penetration among business customers of different sizes, specifically to businesses with GARs of $1.0 million or less. The bank's lending percentage to businesses with GARs of $1.0 million or less fell significantly below demographics for both years; however, the bank's percentage of loans to businesses with GARs of $1.0 million or less increased in 2023, reflecting a positive trend.

Further, as previously noted, 2022 CRA aggregate data indicated that the top 10 reporting institutions in the assessment areas primarily offered business credit cards and originated 79.7 percent of reported small business loans. ESB does not offer business credit card loans and faces a high level of competition from other financial institutions in the assessment areas to originate traditional small business loans.

Given the level of competition and the bank's increasing trend from 2022 to 2023, performance is reasonable. The following table shows the distribution of small business loans by revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Hartford CSA					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2022	90.1	13	31.0	2,916	22.3
2023	90.7	12	37.5	3,954	40.9
>$1,000,000					
2022	2.8	27	64.3	10,070	77.0
2023	2.6	17	53.1	5,429	56.1
Revenue Not Available					
2022	7.1	2	4.8	87	0.7
2023	6.7	3	9.4	292	3.0
Totals					
2022	**100.0**	**42**	**100.0**	**13,073**	**100.0**
2023	**100.0**	**32**	**100.0**	**9,675**	**100.0**
Source: D&B Data; Bank Data; *Due to rounding, totals may not equal 100.0%*					

COMMUNITY DEVELOPMENT TEST

ESB's performance demonstrates adequate responsiveness to the community development needs within the Hartford CSA assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability for such opportunities.

Community Development Loans

ESB originated seven community development loans totaling $4.7 million in the Hartford CSA assessment areas. Community development loans within the Hartford CSA assessment areas account for 52.4 percent of total community development loans by dollar amount. Both the number and dollar volume of community development loans in this area decreased from the prior evaluation period when the bank made 20 loans totaling $6.8 million. The following table shows the number and dollar volume of community development loans by year and purpose.

Community Development Lending Assessment Area: Hartford CSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
2021	0	0	1	150	0	0	0	0	**1**	**150**
2022	2	194	0	0	4	4,344	0	0	**6**	**4,538**
2023	0	0	0	0	0	0	0	0	**0**	**0**
YTD 2024	0	0	0	0	0	0	0	0	**0**	**0**
Total	**2**	**194**	**1**	**150**	**4**	**4,344**	**0**	**0**	**7**	**4,688**
Source: Bank Data										

The following are examples of notable community development loans.

- In 2022, the bank originated a $1.4 million SBA 504 loan. The loan financed the acquisition and renovation of a new business location for a small business. This loan had a primary purpose of economic development.

- In 2022, the bank originated two loans totaling $194,000 to fund the conversion and renovation of 15 commercial condominium units into 17 affordable housing units. The project included support from a nonprofit affordable housing organization and state grants. The loans had a primary purpose of affordable housing.

Qualified Investments

Qualified grants and donations that benefitted the Hartford CSA assessment areas account for 88.1 percent of total qualified investments by dollar amount. As noted in the overall Community Development Test section, the bank's one-time large grant program in 2023 resulted in a significant increase in qualified donations compared to the prior evaluation period. In total, these large grants provided $125,000 to five community development organizations that provide affordable housing and community services for low- and moderate-income individuals in the Hartford CSA assessment areas. The following table shows the number and dollar volume of qualified grants and donations within this assessment area by year and purpose.

Qualified Investments Assessment Area: Hartford CSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
2021	2	5	18	37	1	1	0	0	**21**	**43**
2022	4	11	56	87	0	0	0	0	**60**	**98**
2023	6	61	48	170	3	2	0	0	**57**	**233**
YTD 2024	0	0	0	0	0	0	0	0	**0**	**0**
Total	**12**	**77**	**122**	**294**	**4**	**3**	**0**	**0**	**138**	**374**
Source: Bank Data										

The following are examples of notable donations in the Hartford CSA assessment areas.

- *HOPE Partnership* – ESB donated $46,073 to HOPE Partnership during the review period. This organization develops affordable housing in southern Middlesex County for local low- and moderate-income workers. The qualified grants and donations had a primary purpose of affordable housing.

- *Shoreline Soup Kitchens & Pantries (Shoreline)* – ESB donated $55,079 to Shoreline during the review period. Shoreline provides food to low-income and unemployed people throughout the Hartford CSA assessment area. The qualified grants and donations had a primary purpose of community services targeted to low- and moderate-income individuals.

- *Middlesex Habitat for Humanity* – ESB donated $30,500 to Middlesex Habitat for Humanity during the review period. This organization constructs, rehabilitates, and preserves affordable housing throughout Middlesex County. The qualified grants and donations had a primary purpose of affordable housing.

Community Development Services

During the evaluation period, employees and directors provided 85 instances of financial expertise or technical assistance to qualified organizations in the Hartford CSA assessment areas. Community development service activities in the assessment areas account for 88.5 percent of total community development services, and the level of services increased slightly from the prior evaluation period. Most services benefitted organizations that provide community services to low- and moderate-income individuals and families. The following table shows the bank's community development services by year and purpose.

Community Development Services Assessment Area: Hartford CSA					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
2021	7	18	10	0	**35**
2022	7	16	9	0	**32**
2023	6	5	7	0	**18**
YTD 2024	0	0	0	0	**0**
Total	**20**	**39**	**26**	**0**	**85**
Source: Bank Records					

Following are examples of community development services that benefited the Hartford CSA assessment areas.

- *The Coalition on Housing and Homelessness* – The coalition provides increased access to affordable housing and secure shelter for the homeless in Middlesex County. A bank director served as a member of the organization's Advisory Committee in 2021 and 2023.

- *Bare Necessities* – Bare Necessities provides diapers and wipes to low- and moderate-income families through local food pantries and community service organizations. A branch manager served as Treasurer of the Board of Directors for this organization during the review period.

- *Middlesex County Revitalization Commission (MCRC)* – MCRC works to support small businesses in Middlesex County through assisting town governments in developing and implementing economic development activities. MCRC provides loans, grants, and other financial assistance programs to small businesses in Middlesex County. In 2023, the bank president served as a committee member for MCRC.

NEW HAVEN MSA – Limited-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW HAVEN MSA

The New Haven MSA assessment area includes two towns: Guilford and Madison. ESB operates one branch (Madison) in this assessment area. This assessment area accounted for 14.7 percent of 2023 home mortgage and small business loans, 13.0 percent of total deposits, and 16.7 percent of bank branches. The following table notes demographic information for this assessment area.

Demographic Information of the Assessment Area Assessment Area: New Haven MSA						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	9	0.0	0.0	11.1	88.9	0.0
Population by Geography	39,764	0.0	0.0	8.3	91.7	0.0
Housing Units by Geography	17,580	0.0	0.0	9.2	90.8	0.0
Owner-Occupied Units by Geography	13,151	0.0	0.0	8.0	92.0	0.0
Occupied Rental Units by Geography	2,120	0.0	0.0	23.5	76.5	0.0
Vacant Units by Geography	2,309	0.0	0.0	3.1	96.9	0.0
Businesses by Geography	7,548	0.0	0.0	17.4	82.6	0.0
Farms by Geography	198	0.0	0.0	10.1	89.9	0.0
Family Distribution by Income Level	11,413	11.3	12.0	16.7	60.0	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 35300 New Haven-Milford, CT MSA		$92,508	Median Housing Value Median Gross Rent Families Below Poverty Level			$431,666 $1,626 1.9%

Source: 2020 U.S. Census and 2022 D&B Data; FFIEC Estimated Median Family Income
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW HAVEN MSA

LENDING TEST

ESB's lending performance in the New Haven MSA assessment area is consistent with its overall lending performance.

Borrower Profile

The following tables show the distribution of borrowers within the New Haven MSA assessment area for each product type.

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: New Haven MSA						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2021	8.0	2.0	0	0.0	0	0.0
2022	11.3	2.8	0	0.0	0	0.0
2023	11.3	--	0	0.0	0	0.0
Moderate						
2021	13.0	7.5	2	14.3	316	2.4
2022	12.0	8.1	2	33.3	381	13.8
2023	12.0	--	0	0.0	0	0.0
Middle						
2021	14.8	17.2	3	21.4	456	3.4
2022	16.7	15.6	0	0.0	0	0.0
2023	16.7	--	4	50.0	811	28.8
Upper						
2021	64.2	63.0	8	57.1	4,661	35.0
2022	60.0	64.1	4	66.7	2,381	86.2
2023	60.0	--	4	50.0	2,007	71.2
Income Not Available						
2021	0.0	10.4	1	7.1	7,875	59.2
2022	0.0	9.4	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Totals						
2021	**100.0**	**100.0**	**14**	**100.0**	**13,307**	**100.0**
2022	**100.0**	**100.0**	**6**	**100.0**	**2,762**	**100.0**
2023	**100.0**	**--**	**8**	**100.0**	**2,818**	**100.0**
Source: 2015 ACS and 2020 U.S. Census Data; HMDA Reported Data; HMDA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: New Haven MSA					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2022	91.9	2	33.3	335	35.7
2023	92.2	2	66.7	530	46.9
>$1,000,000					
2022	2.5	3	50.0	556	59.1
2023	2.3	0	0.0	0	0.0
Revenue Not Available					
2022	5.6	1	16.7	49	5.2
2023	5.5	1	33.3	600	53.1
Totals					
2022	**100.0**	**6**	**100.0**	**940**	**100.0**
2023	**100.0**	**3**	**100.0**	**1,130**	**100.0**
Source: D&B Data; Bank Data; *Due to rounding, totals may not equal 100.0%*					

COMMUNITY DEVELOPMENT TEST

Performance in this area is consistent with ESB's community development performance overall.

Community Development Lending

During the review period, the bank made two community development loans totaling $510,000 that benefitted the New Haven MSA assessment area. Both loans had a primary purpose of providing community services to low- and moderate-income individuals.

Qualified Investments

During the review period, the bank made 16 qualified grants and donations totaling $36,231 that benefited the New Haven MSA assessment area. The vast majority of qualified donations supported economic development, as the bank donated $30,000 to an organization that provides grants and technical assistance to women-owned businesses.

Community Development Services

The bank provided eight instances of community development services that benefited the New Haven MSA assessment area. These services supported economic development and community services targeted to low- and moderate-income individuals.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

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

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

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

Community Development Service: A service that:

(1) Has as its primary purpose community development;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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