

PUBLIC DISCLOSURE

February 20, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BMW Bank of North America
Certificate Number: 35141

2855 East Cottonwood Parkway, Suite 200
Salt Lake City, Utah 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 **Needs to Improve**.

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

BMW Bank of North America (BMW Bank) has two approved Federal Deposit Insurance Corporation (FDIC) Community Reinvestment Act (CRA) Strategic Plans (Plans) that were in place during the evaluation period. Plan One is effective for the period February 1, 2019, through January 31, 2022; and covers plan year 2021. Plan Two is effective February 1, 2022 through December 31, 2024; and covers plan years 2022 and 2023.

- BMW Bank met its outstanding goal for its new community development (CD) investments in 2021 and met its satisfactory goals in 2022 and 2023.
- BMW Bank met the satisfactory goals for its cumulative CD investments in the three plan years evaluated.
- BMW Bank did not meet the satisfactory goals for its CD service hours in the three plan years evaluated.

DESCRIPTION OF INSTITUTION

BMW Bank is a Utah industrial bank that operates from a single office located in Salt Lake City, Utah, and has been in operation since 1999. BMW Bank is wholly-owned by BMW Financial Services NA, LLC, which is wholly-owned by BMW of North America, LLC (BMW NA). BMW NA is a wholly-owned subsidiary of BMW US Holding Corporation. BMW AG is the ultimate parent company and the highest level of BMW Group, (the consolidated entity), headquartered in Munich, Germany. In addition, there have been no branches opened or closed, and no merger or acquisition activity since the previous CRA Performance Evaluation.

The bank received a "Satisfactory" CRA Rating at the previous FDIC CRA Performance Evaluation, dated March 15, 2021, based on Interagency Strategic Plan Examination Procedures.

In December 2022, the BMW Bank's main office location changed from 2735 East Parleys Way, Suite 301, Salt Lake City, Utah 84109 to 2855 East Cottonwood Parkway, Suite 200 in Salt Lake City, Utah 84121. This new location is eight miles away from the previous location. The relocation did not negatively affect the banks services or products.

The bank's only lending product is automotive loans offered through automotive dealerships nationwide. The institution offers certificates of deposit to the general public through a network of brokers. In addition, BMW Bank offers electronic bill payment and loan payment services.

As of the December 31, 2023, Consolidated Reports of Condition and Income (Call Report), assets totaled approximately \$12.0 billion, with total loans of \$9.1 billion, and total deposits of \$7.7 billion. Since the previous evaluation, total assets and loans increased by 3.9 and 4.7 percent respectively, and deposits decreased by 0.9 percent.

The table below illustrates BMW Bank’s loan product distribution as of December 31, 2023.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	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	17,267	0.2
Secured by Nonfarm Nonresidential Properties	0	0.0
Total Real Estate Loans	17,267	0.2
Commercial and Industrial Loans	0	0.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	9,103,524	99.8
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	9,120,791	100.0
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0 percent.</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas in which its CRA performance will be evaluated. BMW Bank has designated Salt Lake County as its assessment area. It is located within the Salt Lake City, Utah MSA #41620. The assessment area meets regulatory requirements and does not arbitrarily exclude any LMI areas. The assessment area remains unchanged since the previous evaluation. Examiners relied on bank records, public financial information, demographic data from the 2015 ACS and 2020 U.S. Census, business demographics, and other public sources, as well as information obtained from a community contact.

Economic and Demographic Data

During the previous evaluation, the assessment area was composed of 212 census tracts (CTs) according to 2015 ACS data. Following the demographic changes implemented by the 2020 U.S. Census, the assessment area is now composed of 251 CTs. The CTs reflect the following income

designations: 5 low-income tracts, 56 moderate-income tracts, 115 middle-income tracts, 71 upper-income tracts, and 4 tracts without an income designation.

The following table illustrates relevant demographic information of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	251	2.0	22.3	45.8	28.3	1.6
Population by Geography	1,185,238	2.0	22.4	46.4	28.6	0.6
Housing Units by Geography	404,550	1.8	24.2	46.3	27.7	0.1
Owner-Occupied Units by Geography	258,905	0.7	17.9	47.6	33.9	0.0
Occupied Rental Units by Geography	124,419	4.0	36.4	44.6	14.7	0.2
Vacant Units by Geography	21,226	3.4	29.1	39.8	27.7	0.0
Businesses by Geography	210,543	2.1	16.2	44.6	36.2	0.9
Farms by Geography	3,231	1.5	18.4	44.0	35.7	0.3
Family Distribution by Income Level	265,385	17.8	19.1	23.4	39.7	0.0
Household Distribution by Income Level	383,324	21.1	17.3	20.4	41.2	0.0
Median Family Income MSA - 41620 Salt Lake City, UT MSA		\$90,360	Median Housing Value			\$347,355
			Median Gross Rent			\$1,178
			Families Below Poverty Level			5.6%
<i>Source: 2020 U.S. Census and 2023 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2023 D&B demographic data, there are 210,543 non-farm businesses in the assessment area. The D&B data reports that 33.6 percent of non-farm businesses are service-related entities, 30.5 percent are non-classifiable establishments, 14.2 percent are involved in finance, insurance, and real estate, and 7.5 percent are retail trade. The demographic data further reports that approximately 95.1 percent of businesses in the assessment area operate from a single location and that 60.0 percent of businesses employ between one to four workers.

Data from Moody’s Data Analytics, Precip U.S. Metro (August 2023), details that the Salt Lake City metropolitan area labor market has cooled with net hiring slowing and strong gains only being made in the public sector. Moody’s Data Analytics further reports that growth in average hourly earnings is above the national pace and near its all-time high. Moody’s notes that the top employers in the area, in terms of number of employees, are the University of Utah, Intermountain Healthcare Inc., Walmart Inc., Zions Bancorp., and Delta Airlines.

The economy in the assessment area has recovered since the recession caused by the COVID-19 pandemic. According to the Bureau of Labor Statistics, the unemployment rate in Salt Lake

County has remained generally consistent throughout the evaluation period. As demonstrated in the following table, the unemployment rates in Salt Lake County were generally consistent with the State of Utah and below the national average during the evaluation period.

Unemployment Rates			
Area	November 2021	November 2022	November 2023
	%	%	%
Salt Lake County	2.0	2.1	2.6
State of Utah	2.0	2.2	2.6
National Average	3.9	3.4	3.5
<i>Source: Bureau of Labor Statistics</i>			

Competition

The assessment area is highly competitive for financial services. Salt Lake County contains several industrial banks and financial institutions. According to the FDIC Deposit Market Share data as of June 30, 2023, 47 financial institutions operate 200 offices in the assessment area. Of these institutions, BMW Bank ranked 13th with a deposit market share of 0.9 percent. Morgan Stanley Bank, National Association, was the market share leader holding approximately 19.6 percent of the deposits.

Community Contacts

As part of the examination process, examiners reviewed two community contact interviews. The first interview reviewed is with a representative from an economic development organization that serves Salt Lake County. The organization focuses on creating prosperity and economic opportunity for county residents. The contact stated that while the local economy is doing very well, housing costs and the cost of living have both increased significantly. The contact further indicated that there is a housing shortage and particularly a shortage of affordable, multi-family housing units. While the contact indicated that local financial institutions were generally responsive to community credit needs, they also indicated that there are opportunities related to financing multi-family affordable housing projects and to provide technical support for small businesses. The second interview reviewed is with a housing coalition that serves Salt Lake County. The organization focuses on creating affordable housing opportunities for LMI individuals. The contact stated that housing costs are increasing and the need for affordable housing and starter homes for first time buyers is at an all-time record for the county. The contact indicated a significant opportunity for funding starter size homes and multi-family affordable housing projects.

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 are the primary needs of the community.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 15, 2021 through the current evaluation dated February 20, 2024. Examiners used Interagency Strategic Plan Examination Procedures to evaluate BMW Bank's CRA performance.

BMW Bank operated under two approved FDIC Plans that were in place during the evaluation period. Plan One is effective for the period February 1, 2019 through January 31, 2022; and covers plan year 2021. Plan Two is effective February 1, 2022 through December 31, 2024; and covers plan years 2022 and 2023.

Activities Reviewed

To evaluate the performance under the Plans, examiners evaluated BMW Bank from January 1, 2021, through December 31, 2023, based on criteria established within the Plans. The Plans set forth measurable goals in the following areas:

- New CD qualified investments;
- New and cumulative CD qualified investments; and
- CD service hours.

For purposes of evaluating the Plan's measurable goals, management provided data on qualified CD investments and CD services during the evaluation period from January 1, 2021, through December 31, 2023.

Examiners relied upon records provided by BMW Bank. Examiners evaluated the bank's performance with consideration of the following factors:

- Current economic environment
- Demographic characteristics of the assessment area
- CD needs and opportunities for lending, investments, and services
- BMW Bank's products, services, markets, and business strategy
- BMW Bank's financial resources and constraints

CONCLUSIONS ON PERFORMANCE CRITERIA

BMW Bank's CRA performance under the Plans reflects a "Needs to Improve" performance in helping to meet the credit needs of the designated assessment area in a manner consistent with the measureable established goals in the two Plans in place during the evaluation period. While BMW Bank met the satisfactory goals for the CD investment goals established in the approved Plans, satisfactory CD service hour goals were not met in 2021, 2022, or 2023. CD investment performance did not compensate for the lack of services; therefore, the bank did not substantially meet its Plan goals. The following information summarizes the goals delineated in the Plans compared to the bank's actual performance from January 1, 2021, to December 31, 2023.

Community Development Investments

BMW Bank met the new CD investments goal for outstanding performance in 2021. The new investment activity performance is satisfactory in 2022 and 2023. BMW Bank met the cumulative CD investments goals for a satisfactory performance throughout the evaluation period.

New Community Development Investment goals

The bank established measurable goals for new CD qualified investments. The measurable goals in 2021, 2022, and 2023 are based on new CD investment activity divided by the average assets for the four quarters from the previous year. The following table shows BMW Bank's actual performance compared to each measurable goal.

New Community Development Investments					
Plan Year	Bank Established Goals		Bank Performance		
	<i>Satisfactory</i>	<i>Outstanding</i>	Investments Total (000)	Average Assets (000s)	Actual Performance
2021	0.35%	0.50%	\$78,941	\$11,501,682	0.69%
2022	0.40%	0.60%	\$58,971	\$12,131,925	0.49%
2023	0.40%	0.60%	\$49,061	\$12,129,317	0.40%

Source: Bank's Records and Plans

BMW Bank met the outstanding goal in 2021 and met the satisfactory goals in 2022 and 2023. While all Plan goals were met, performance represents a downward trend as a percent of average assets across the years of analysis. During the evaluation period, BMW Bank committed \$35.0 million in 2021, \$40.0 million in 2022, and renewed \$40.0 million in 2023 to a CD organization in the assessment area. This organization facilitates the development of affordable housing and community facilities that serve LMI individuals, families, and underserved communities in the assessment area.

BMW Bank also purchased mortgage backed securities (MBS) targeted to LMI borrowers and geographies in Utah. The bank purchased \$43.9 million MBS in 2021, \$19.0 million in 2022, and \$9.1 million in 2023.

Cumulative Community Development Investment goals

The second measurable goal is the cumulative of all new CD investments plus any prior period CD investments that are still outstanding at year-end for the plan year. Both Plans established goals by using the cumulative total of CD investment divided by average assets. Annual average assets are calculated using line 9 of Schedule RC-K of the bank's four call reports from the prior year. BMW Bank met the satisfactory goals for all plan years. The following table shows BMW Bank's actual performance compared to each measurable goal.

Cumulative Community Development Investments					
Plan Year	Bank Established Goals		Bank Performance		
	<i>Satisfactory</i>	<i>Outstanding</i>	Investments Total (000s)	Average Assets (000s)	Actual Performance
2021	1.25%	1.75%	\$152,497	\$11,501,682	1.33%
2022	1.25%	1.75%	\$162,632	\$12,131,925	1.34%
2023	1.25%	1.75%	\$164,033	\$12,129,317	1.35%

Source: Bank's Records and Plans

The prior period investments consist of MBS targeted to LMI borrowers and geographies in the state of Utah.

Community Development Services

BMW Bank established measurable goals for satisfactory and outstanding performance during the review period for qualified CD services. The following table shows BMW Bank's actual performance compared to the Plan goals.

Community Development Service Hours					
Plan One and Two Year	Bank Established Goals				Bank Performance: Qualified Service Hours
	<i>Satisfactory</i>	<i>Hours/FTE</i>	<i>Outstanding</i>	<i>Hours/FTE</i>	
2021	500	15	750	23	181
2022	400	17	650	26	256
2023	400	17	650	26	176

Source: Bank Records and Plans

BMW Bank did not meet its satisfactory goal for CD service hours in 2021, 2022, and 2023. For year 2021, the bank met 36.2 percent of the satisfactory goal, increasing to 64.0 percent in 2022, and 44.0 percent in 2023. Additionally, BMW Bank established goals of hours per year for each Full-Time-Employee (FTE) for plan year 2021, 2022 and 2023. The service hour average per FTE in 2021, 2022, and 2023 was 7.9, 8.8, and 6.1 respectively which did not meet minimum satisfactory goals.

Although BMW bank did not meet its CD service hour goals, Bank employees used their financial expertise to teach a financial education course to LMI youth ages 14 to 18.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the 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 credit 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.