

# **PUBLIC DISCLOSURE**

**March 2, 2020**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Silvergate Bank  
RSSD # 1216826**

**4250 Executive Square, Suite 300  
La Jolla, California, 92037**

**Federal Reserve Bank of San Francisco  
101 Market Street  
San Francisco, California 94105**

*NOTE: 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 the 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.*

## TABLE OF CONTENTS

<b>INSTITUTION RATING .....</b>	<b>1</b>
Institution’s Community Reinvestment Act (CRA) Rating .....	1
<b>INSTITUTION .....</b>	<b>2</b>
Description of Institution.....	2
Scope of Examination .....	3
San Diego Assessment Area.....	4
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS .....</b>	<b>11</b>
Combined Lending and Investments Goals .....	11
Combined Community Development Grants and Service Goals.....	12
Fair Lending or Other Illegal Practices Review.....	15
<b>GLOSSARY OF TERMS .....</b>	<b>16</b>

## INSTITUTION RATING

### *Institution's Community Reinvestment Act (CRA) Rating*

Silvergate Bank is rated "SATISFACTORY"

*The following table shows the performance ratings for the lending and investments, and grants and services goal categories.*

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	LENDING AND INVESTMENTS	GRANTS AND SERVICES
OUTSTANDING		
SATISFACTORY	<b>X</b>	<b>X</b>

Silvergate Bank's (Silvergate) CRA performance evidences a satisfactory record of helping to meet the credit needs of its assessment area consistent with its approved CRA Strategic Plan (Plan) for the period of January 1, 2017 through December 31, 2019. The bank achieved satisfactory CRA performance by meeting its performance goals as outlined in the Plan.

No violations of the substantive provisions of anti-discrimination, fair lending or other illegal credit practice rules, laws or regulations were identified during the consumer compliance examination conducted concurrently with this CRA performance evaluation.

# INSTITUTION

## *Description of Institution*

Silvergate’s business model is focused on offering commercial products and services to financial technology companies throughout the United States, specifically emphasizing the emerging digital currency industry. The bank, with total assets of \$2.1 billion as of December 31, 2019, is a wholly-owned subsidiary of Silvergate Capital Corporation, La Jolla, California. Silvergate has a small retail footprint with only one full-service brick and mortar branch office in La Jolla, California, which primarily serves business clients. Since the prior CRA evaluation, dated January 17, 2017, Silvergate has closed three branch offices situated in Carlsbad, Escondido and La Mesa, California. Consistent with the bank’s financial technology centered business strategy, Silvergate also sold its San Marcos, California Business Banking Center. Further, the bank’s online banking platform which historically provided a nationwide deposit funding source was closed to new activity as of January 2020.

The bank’s commercial-focused loan products include commercial and multifamily residential real estate loans, warehouse lines of credit, and correspondent loans. Silvergate’s deposit products primarily consist of business checking accounts and savings accounts, including money market deposit accounts. Silvergate does not offer any consumer lending products and consumer deposit products are only available to existing commercial customers on an accommodation basis.

Silvergate’s commercial-centric lending consists of loans secured by 1-4 family residential real estate and commercial/industrial non-farm, non-residential real estate as reflected in the December 31, 2019 Consolidated Reports or Condition and Income below:

EXHIBIT 1 LOANS AND LEASES AS OF DECEMBER 31, 2019		
Loan Type	\$ ('000s)	%
Secured by 1-4 Family Residential Real Estate	591,653	56.5
Commercial/Industrial & Non-Farm Non-Residential Real Estate	326,605	31.2
Multi-Family Residential Real Estate	81,489	7.8
All Other	39,902	3.8
Construction & Land Development	7,086	0.7
Total (Gross)	1,046,735	100.0

During the review period, there were no legal or financial impediments constraining the bank’s ability to meet the credit needs of its communities consistent with its business strategy, financial capacity, size and local economic conditions. Silvergate received an overall satisfactory rating at its previous CRA evaluation conducted as of January 17, 2017.

## ***Scope of Examination***

Silvergate's performance was evaluated in accordance with the *Interagency Strategic Plan CRA Examination Procedures*. The bank's Plan, which was approved by the Board of Governors of the Federal Reserve, outlines measurable goals for outstanding and satisfactory ratings specifically under the two categories of lending and investments, and grants and services. The Plan defines overall cumulative goals for the Plan period and also sets forth annual Plan projections. The scope of the review included Silvergate's performance in its assessment area under the Plan period which covered the three-year timeframe of January 1, 2017 through December 31, 2019.

Silvergate's performance was evaluated based upon the lending and investments, and grants and service goals outlined in the Plan to determine the organization's overall CRA rating. A performance context was developed to identify the opportunities, credit needs and local market conditions within the bank's assessment area.

## ***San Diego Assessment Area***

### **DESCRIPTION OF OPERATIONS IN SAN DIEGO**

The bank's assessment area consists of the San Diego-Chula Vista-Carlsbad, California Metropolitan Statistical Area in its entirety which is synonymous with the County of San Diego. San Diego County is located on the coast of southern California, south of Riverside and Orange counties and north of the United States-Mexico international border. As of 2018, the area was home to more than 3.3 million people.<sup>1</sup>

As of June 30, 2019, there were a total of 51 Federal Deposit Insurance Corporation-insured financial institutions operating 583 offices with deposits totaling over \$91 billion.<sup>2</sup> Silvergate had three offices and total deposits of \$1.95 billion, which accounted for 2.1 percent of the deposit market share in the area.<sup>3</sup>

Exhibit 2, on the following page, presents key demographic and business information used to help develop a performance context for the assessment area.

---

<sup>1</sup> U.S. Census Bureau, QuickFacts, Population Estimates, July 1, 2018; available from: [www.census.gov/quickfacts/](http://www.census.gov/quickfacts/).

<sup>2</sup> Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2019; available from: <https://www7.fdic.gov/sod/sodMarketBank.asp?barItem=2>.

<sup>3</sup> Ibid.

EXHIBIT 2 ASSESSMENT AREA DEMOGRAPHICS SAN DIEGO ASSESSMENT AREA 2019 FFIEC CENSUS AND 2019 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	61	9.7	57,401	7.8	18,951	33.0	172,423	23.6
Moderate-income	142	22.6	158,623	21.7	25,027	15.8	123,833	16.9
Middle-income	204	32.5	236,551	32.3	20,679	8.7	130,363	17.8
Upper-income	214	34.1	278,708	38.1	13,088	4.7	304,709	41.7
Unknown-income	7	1.1	45	0.0	0	0.0	0	0.0
Total AA	628	100.0	731,328	100.0	77,745	10.6	731,328	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	90,459	16,148	2.8	17.9	67,684	74.8	6,627	7.3
Moderate-income	255,834	87,646	15.1	34.3	148,426	58.0	19,762	7.7
Middle-income	403,508	205,291	35.5	50.9	168,950	41.9	29,267	7.3
Upper-income	430,949	269,968	46.6	62.6	129,999	30.2	30,982	7.2
Unknown-income	56	26	0.0	46.4	19	33.9	11	19.6
Total AA	1,180,806	579,079	100.0	49.0	515,078	43.6	86,649	7.3
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	9,990	5.7	9,189	5.7	754	6.2	47	5.6
Moderate-income	27,436	15.7	25,556	15.8	1,763	14.4	117	14.0
Middle-income	61,740	35.3	56,913	35.2	4,619	37.7	208	24.9
Upper-income	75,586	43.2	70,016	43.3	5,108	41.7	462	55.4
Unknown-income	138	0.1	122	0.1	16	0.1	0	0.0
Total AA	174,890	100.0	161,796	100.0	12,260	100.0	834	100.0
% of Total Businesses				92.5		7.0		0.5
2019 Median Family Income <sup>4</sup>			\$75,179	December 2019 Median Housing Value <sup>5</sup>			\$655,000	
2019 HUD Adjusted Median Family Income <sup>6</sup>			\$86,300	2019 Unemployment Rate <sup>7</sup>			3.2%	

<sup>4</sup> FFIEC Median Family Income, available from: <https://www.ffiec.gov/Medianincome.htm>.

<sup>5</sup> California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <https://www.car.org/marketdata/data/housingdata/>.

<sup>6</sup> FFIEC Adjusted Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

<sup>7</sup> Annual Unemployment Rate, U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <https://www.bls.gov/lau/>.

## Economic Conditions

During the review period, the assessment area's economy performed well overall and remained in an expansionary mode. The area had the fifth lowest unemployment rate out of the 25 most populous metros in the nation and fared better than the state of California and the nation overall.<sup>8</sup> However, late in the review period, the area showed signs of slower economic growth and the addition of new jobs at a slower pace than the U.S.<sup>9</sup> The economic drivers in the area were defense and technology.<sup>10</sup> The area is home to the largest concentration of military installations in the world, including U.S. Navy, Marine Corps, and Coast Guard bases, and is a top recipient of Defense Department contracts.<sup>11</sup> In 2017, defense-related spending contributed \$25.2 billion to the regional economy.<sup>12</sup> Over 5,600 businesses were connected to the region's defense industry, the majority being small businesses in the manufacturing, professional, scientific, and technical service sectors.<sup>13</sup> Defense contractors alone employed more than 62,000 people in the area.<sup>14</sup> Furthermore, federal and military workers together accounted for more than ten percent of all jobs, compared with only three percent nationwide.<sup>15</sup>

The technology sector was vital to the area's economy, particularly in the biotechnology, military information technology, and software engineering industries.<sup>16</sup> The area was a top recipient of venture capital funding and the performance of local startups remained strong, raising approximately \$2.5 billion in 2018, although there was a 22 percent year-over-year decrease in funding in the third quarter of 2019.<sup>17</sup> Nonetheless, the area ranked fifth out of 19 regions in the nation in the amount of venture capital funding received.<sup>18</sup> Of the \$707 million in venture capital funding received in the third quarter of 2019, the majority of the funds went to healthcare companies that received \$272 million and the technology cluster overall received \$281 million.<sup>19</sup> Technology startups were a potent source of new jobs and top universities in the area provided skilled labor to help fuel the startup ecosystem.<sup>20</sup> The high quality workforce was the area's top asset.<sup>21</sup>

Small business lending showed improvement during the review period, as shown in Exhibit 3, on the following page. Although loans to small businesses from banks subject to the CRA increased during the review period, lending remained below pre-Great Recession levels. Lending to small businesses played a critical role in the economy given that small businesses accounted for 92.5 percent of all businesses in the assessment area, as noted in Exhibit 2.

---

<sup>8</sup> San Diego Economic Development Corporation, San Diego's Quarterly Economic Snapshot, November 2019; available from: <https://www.sandiegobusiness.org/blog/economic-snapshot-q3-2019/>.

<sup>9</sup> Moody's Precis Report, San Diego-Carlsbad, CA, May 2019.

<sup>10</sup> Moody's Precis Report, San Diego-Carlsbad, CA, November 2017.

<sup>11</sup> Moody's Precis Report, San Diego-Carlsbad, CA, May 2019.

<sup>12</sup> San Diego Economic Development Corporation, Mapping San Diego's Defense Ecosystem, February 2018; available from:

<https://www.sandiegobusiness.org/sites/default/files/Mapping%20San%20Diego's%20Defense%20Ecosystem.pdf>.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> Moody's Precis Report, San Diego-Carlsbad, CA, November 2018.

<sup>16</sup> Ibid.

<sup>17</sup> Moody's Precis Report, San Diego-Carlsbad, CA, May 2019.

<sup>18</sup> Ibid.

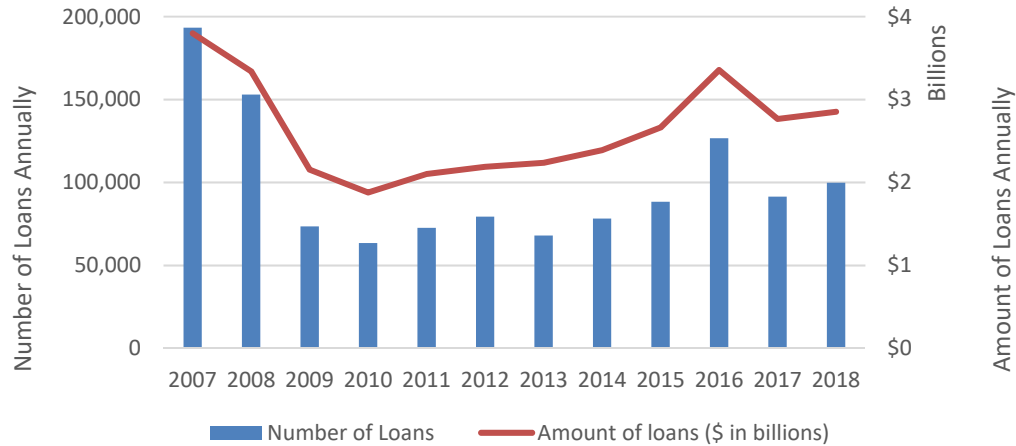
<sup>19</sup> Ibid.

<sup>20</sup> Moody's Precis Report, San Diego-Carlsbad, CA, November 2017.

<sup>21</sup> Moody's Precis Report, San Diego-Carlsbad, CA, November 2018.

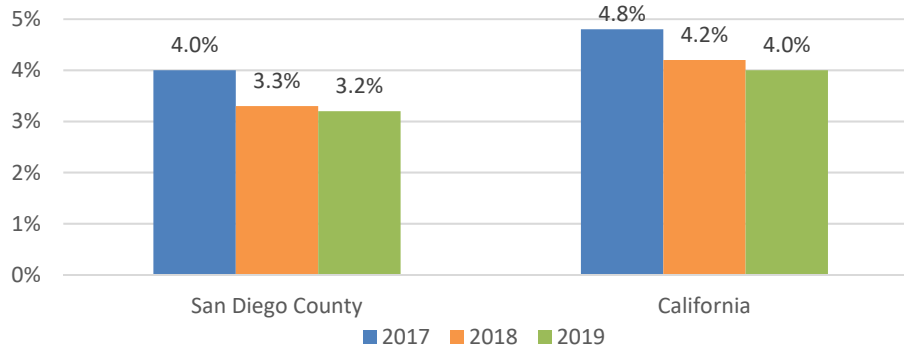


**EXHIBIT 3**  
**LOANS TO SMALL BUSINESSES IN ASSESSMENT AREA<sup>22</sup>**  
**2007-2018**



As depicted in Exhibit 4, the unemployment rate in San Diego County decreased and remained below the statewide unemployment rate during the review period.

**EXHIBIT 4**  
**UNEMPLOYMENT RATE<sup>23</sup>**  
**2017-2019**



Median home prices in the assessment area were higher than the statewide median price throughout the review period, as depicted in Exhibit 5, on the following page. In June 2019, the median home price peaked in the area at \$665,000. As of November 2019, the area had the third most expensive housing market of metro areas in the nation.<sup>24</sup> The higher housing costs in the area made homeownership less accessible to households. According to the California Association of Realtors' Traditional Housing

<sup>22</sup> Aggregate CRA Small Business data reports available from: <https://www.ffiec.gov/craadweb/aggregate.aspx>.

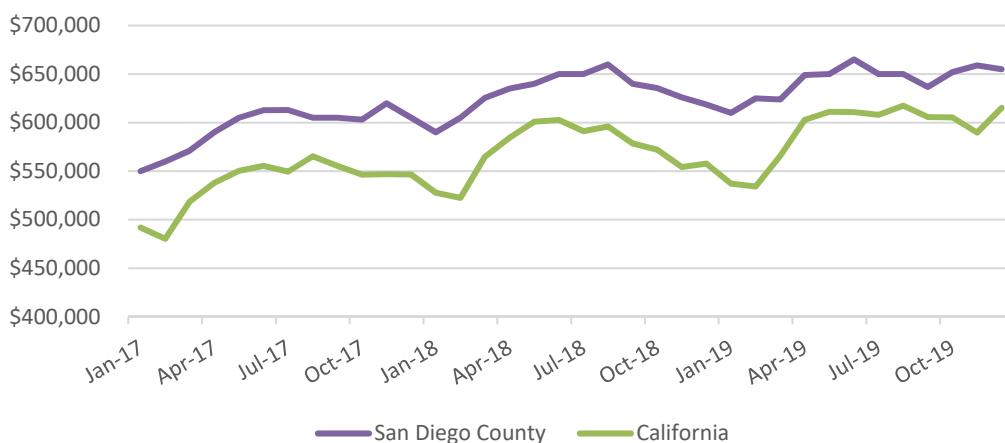
<sup>23</sup> U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <https://www.bls.gov/lau/>.

<sup>24</sup> San Diego Economic Development Corporation, San Diego's Quarterly Economic Snapshot, November 2019; available from: <https://www.sandiegobusiness.org/blog/economic-snapshot-q3-2019/>.

Affordability index, 29 percent of families could afford to purchase the median priced home in the region, compared to 56 percent of families in the U.S.<sup>25</sup> The area had a higher percentage of households, 41 percent, who were cost burdened, or spend more than 30 percent of their income on rent and utility costs, compared to only 28 percent of households nationwide.<sup>26</sup>

In addition to rising costs of homeownership, rental prices also increased during the review period. The median rent in the area peaked in July 2019 to \$1,951.<sup>27</sup> The area had a higher percentage of cost burdened-renters, 57 percent, compared to nationwide level of 50 percent.<sup>28</sup> Housing affordability was at significant lows in the City of San Diego in particular, where half of all residents could not afford market-rate rental housing.<sup>29</sup> Furthermore, in measuring rental affordability by income group, all low-income households could not afford rental housing in the City of San Diego.<sup>30</sup> In 2017, the assessment area ranked sixth in the nation for metropolitan areas with the most severe shortage of affordable rental units for its poorest families.<sup>31</sup>

EXHIBIT 5  
MEDIAN HOME PRICES<sup>32</sup>  
JANUARY 2017- DECEMBER 2019



As depicted in Exhibit 6, on the following page, the assessment area had lower rates of poverty and usage of public assistance or food stamp/SNAP benefits than the state overall during the review period. The poverty rate in the area decreased during the period, and the usage rate of public assistance or food

<sup>25</sup> California Association of Realtors, Housing Affordability Index-Traditional, 2019 Q3; available from: <http://www.car.org/marketdata/data/haitradeional/>.

<sup>26</sup> Prosperity Now Scorecard, San Diego County; available from: <https://scorecard.prosperitynow.org/>.

<sup>27</sup> Zillow, Zillow Median Rent List Price, 1-Bedroom; available from: <https://www.zillow.com/research/data/>.

<sup>28</sup> Prosperity Now Scorecard, San Diego County; available from: <https://scorecard.prosperitynow.org/>.

<sup>29</sup> San Diego Housing Commission, Addressing the Housing Affordability Crisis: San Diego Housing Production Objectives, September 2017; available from: [https://www.sdhc.org/2017-09-21\\_sdhc-housing-affordability-production-objectives\\_web/](https://www.sdhc.org/2017-09-21_sdhc-housing-affordability-production-objectives_web/).

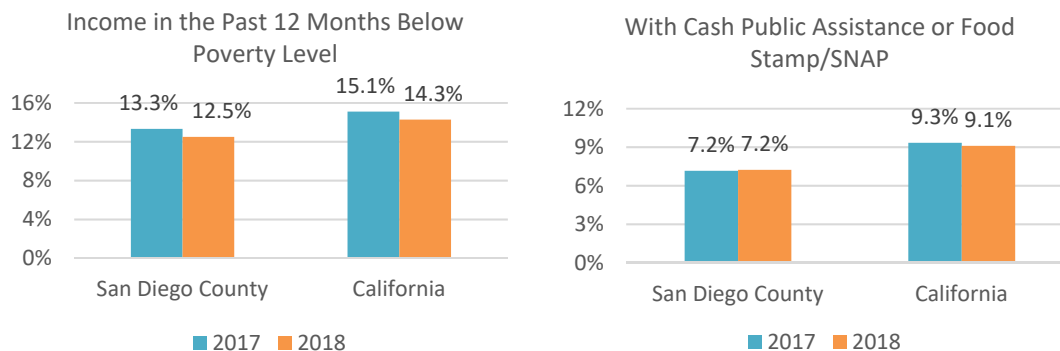
<sup>30</sup> Ibid.

<sup>31</sup> National Low Income Housing Coalition, The Gap: A Shortage of Affordable Rental Homes, March 2019; available from: <https://reports.nlihc.org/gap>.

<sup>32</sup> California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <https://www.car.org/marketdata/data/housingdata/>.

stamp/SNAP benefits was stagnant. In another measure of poverty, 35 percent of households living in the area do not have sufficient liquid assets to subsist at the federal poverty level for three months in the absence of an income source.<sup>33</sup>

**EXHIBIT 6**  
**POVERTY AND FOOD STAMP USAGE RATES<sup>34</sup>**  
**2017-2018**



**Credit and Community Development Needs**

The economic data and feedback from community contacts indicate that small businesses in the assessment area are facing challenges in accessing credit. As shown in Exhibit 3 and previously discussed, although small business lending levels improved during the review period, they remained below pre-Great Recession levels. The Small Business Credit Survey found that of the 43 percent of small businesses that applied for financing in the prior 12 month period, only 47 percent received all the credit they needed.<sup>35</sup> Most firms applied for less than \$100,000, primarily to expand their business or cover operating expenses.<sup>36</sup> More than half of applicants who sought financing in this range did not obtain the amount of financing needed.<sup>37</sup> Firms who had financing shortfalls typically had higher credit risk, did not earn a profit, were located in urban areas, or were young start-up firms less than five years old.<sup>38</sup> The survey noted that the largest funding gap was most prevalent for businesses who sought between \$100,000 and \$250,000.<sup>39</sup>

As indicated by information provided by a community contact, there is a need to help small businesses navigate refinancing debt to a manageable payment, as well as improving the general understanding of credit. To support entrepreneurs' and small business owners' financial literacy, community contacts indicated that there is a need to provide more financial education. Financial institutions could help

<sup>33</sup> Prosperity Now Scorecard, San Diego County; available from: <https://scorecard.prosperitynow.org/>.

<sup>34</sup> Poverty and Food Stamp Usage Rates, U.S. Census Bureau, American Community Survey, 5-Year Estimates; available from: <https://www.census.gov/programs-surveys/acs/data.html>.

<sup>35</sup> Small Business Credit Survey, Report on Employer Firms 2019, available from: <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-employer-firms-report.pdf>.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

<sup>39</sup> Ibid.

address this need by directly providing, or supporting organizations that offer, business advising and related financial education.

Community contacts noted the significant role that financial institutions play in investing in community organizations, including Community Development Financial Institutions (CDFIs). More investment in CDFIs, Community Development Corporations, and community service organizations is needed to provide affordable credit products to small businesses and community residents. As noted by community contacts, investments from banks help the community organizations grow their capacity by allowing them to hire additional staff to carry out critical services and operate programs such as workforce development and credit counseling.

Overall, there is a need for more investment and engagement from financial institutions to address the gaps in small business lending and financing needs of community organizations. Some of the most impactful activities that financial institutions could participate in to serve the residents most in need in their communities include increased small business lending, providing services to the community such as financial education or, business advising, as well as investments in community organizations.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Silvergate’s overall performance under its approved Plan for 2017-2019 is satisfactory. The bank met its cumulative goals for achieving a satisfactory rating with regard to its qualified lending and investments activity and its grant and service hour levels.

### *Combined Lending and Investments Goals*

The bank exceeded its cumulative lending and investments goals established under its Plan for a satisfactory rating as shown in Exhibit 7 below.

EXHIBIT 7 LENDING AND INVESTMENTS GOALS AND PERFORMANCE			
Plan year	Goals As Percentage Of Average Assets	Actual Performance As Percentage Of Average Assets	Actual Performance in Dollars (000s)
2017	Satisfactory: 1.5%	2.2%	\$25,765 <sup>40</sup>
	Outstanding: 2.5%		
2018	Satisfactory: 1.5%	1.7%	\$34,304 <sup>41</sup>
	Outstanding: 2.5%		
2019	Satisfactory: 1.5%	2.1%	\$44,213 <sup>42</sup>
	Outstanding: 2.5%		

Silvergate’s Plan identified a range of community development activities that the bank would engage in to meet or exceed its lending and investments goals. Such activities covered small business loans and community development credits originated, purchased or renewed within the review period. Other activities included CRA qualified investments consisting of both new dollars invested by the bank as well as the current book value of prior period qualified investments that directly benefitted either Silvergate’s assessment area or the broader statewide or regional area.

The bank’s combined lending and investments during the review period totaled \$104.3 million. Of this amount, community development loans and small business lending constituted 46.4 percent and 41.0 percent, respectively, while investments represented 12.6 percent. Silvergate extended a large number of community development loans that helped support 273 units of affordable housing which addressed a significant assessment area need. In addition, the bank originated 98 small business loans totaling \$42.8 million which met another critical credit need within its communities. While most of

<sup>40</sup> 2017 combined dollar total consists of \$19,962M in small business loans, \$1,750M in community development loans and \$4,053M in community development investments.

<sup>41</sup> 2018 combined dollar total includes \$15,673M in small business loans, \$11,498M in community development loans and \$7,133M in community development investments.

<sup>42</sup> 2019 combined dollar total consists of \$7,135M in small business loans, \$35,106M in community development loans and \$1,972M in community development investments.

Silvergate’s investments consisted of certificates of deposits in minority-owned financial institutions, the bank also made other investments including mortgage-backed securities and a low-income housing tax credit instrument which responded to the needs and opportunities for affordable housing.

Activity highlights include the following:

- A \$6.8 million community development loan to finance a business that acquires and renovates distressed rental properties in low-and moderate-income areas. A portion of the underlying funds will be used to rehabilitate a multifamily property that provides 37 units of affordable housing.
- A \$2.4 million loan to finance the construction and conversion of a vacant facility into a school that is situated in a targeted employment area of the San Diego Regional Enterprise Zone. This credit helps retain a total of 31 jobs.
- A \$1.9 million community development credit to a business that acquires and improves affordable housing complexes and provides housing opportunities to the homeless and veterans. The underlying loan supports 14 affordable housing units.
- A \$1.7 million community development loan to a woman-owned business situated in a historically underutilized business zone as designated by Small Business Administration. The credit supports the retention of 28 employees.
- A \$1.6 million community development loan to refinance a multifamily property that provides 22 units of affordable housing in a low-income area.

### ***Combined Community Development Grants and Service Goals***

Silvergate reached its community development grants and service performance goals established under its Plan to achieve a satisfactory rating. The Plan identified cumulative grant goals by dollar amount and service goals by total hours within the bank’s assessment area. Silvergate’s specific grant goals and performance are reflected below in Exhibit 8.

EXHIBIT 8 GRANT GOALS AND PERFORMANCE			
	Bank Established Goals		Bank Performance
Plan Year	Satisfactory Grants	Outstanding Grants	Qualified Grants
<b>2017</b>	\$52,150	\$64,145	\$70,000
<b>2018</b>	\$58,300	\$71,709	\$68,500
<b>2019</b>	\$66,500	\$81,795	\$77,000
<b>Total</b>	<b>\$176,950</b>	<b>\$217,649</b>	<b>\$215,500</b>

As set forth in the bank’s Plan, Silvergate aimed to meet or exceed its grant goals through grants or donations to nonprofit and community development organizations that provide critical services within

its assessment area. Most of the bank’s contributions benefitted organizations that provide critical services to underserved area communities.

The following examples highlight notable grant donations during the review period:

- Several donations, totaling \$45,000, to a non-profit that provides support services, including finding permanent homes, for abused and abandoned foster children.
- Three donations, totaling \$35,000, to an organization that provides support services for the placement of foster children who are low- and moderate-income.
- Three donations, totaling \$30,000, to fund a non-profit that provides economic development services, including micro-loans, loan counseling and educational workshops, to low- and moderate-income small business owners.
- Four donations, totaling \$23,000, to an organization that improves financial literacy education to low- and moderate-income students.
- Grants totaling \$19,000 to an organization that supports a city scholarship program tailored to assist low-income city college students faced with poverty and the risk of homelessness.
- Three donations, totaling \$7,500, to support a non-profit dedicated to helping low-and-moderate-income homeless youth find permanent housing.

As shown in Exhibit 9 below, Silvergate exceeded its goals to achieve a satisfactory number of community development service hours.

EXHIBIT 9 SERVICE GOALS AND PERFORMANCE			
	Bank Established Goals		Bank Performance
Plan Year	Satisfactory Hours	Outstanding Hours	Qualified Service Hours
<b>2017</b>	205	333	260
<b>2018</b>	256	416	345
<b>2019</b>	288	468	329
<b>Total</b>	<b>749</b>	<b>1,217</b>	<b>934</b>

As stipulated in its Plan, Silvergate could meet or exceed its service goals by supporting non-profits and community development organizations that provide vital services within its underlying assessment area communities. During the three-year Plan period, bank employees provided a total of 934 qualified hours that primarily helped address the need for services targeted to low- and moderate-income individuals and families. In addition, bank staff dedicated time to organizations that promote the economic development of small businesses and revitalize and stabilize local communities. Examples of the bank’s community development services are noted below:

- Silvergate staff dedicated approximately 438 hours providing financial literacy education to low- and moderate-income students in conjunction with an organization whose mission is focused on promoting work-readiness, entrepreneurship and financial literacy skills of kindergarten to twelfth grade students.

- A staff member spent 89 hours serving on the board of directors of a non-profit organization committed to finding safe and stable homes for infants and toddlers in foster care.
- One employee provided approximately 61 hours serving on the board of a non-profit entity focused on providing support services to individuals with disabilities. Such services empowers individuals to reach their full potential through the provision of opportunities to engage in meaningful activities.
- Bank staff provided 35 hours of service to a non-profit that specializes in microloans to small businesses, including low-and moderate-income-owned entities, that may lack access to traditional credit sources.
- Silvergate personnel contributed 34 hours of service to an organization that offers programs to support economic development and neighbor revitalization. These programs include making affordable housing available to low-income and vulnerable populations in underserved area communities. The entity also promotes small business development through grants and technical support in addition to developing career pathways for low-income residents.



## ***Fair Lending or Other Illegal Practices Review***

Concurrent with this CRA evaluation, a review of Silvergate's compliance with consumer banking laws and regulations was conducted. Such review found no evidence of violations of the provisions of anti-discrimination, fair lending or credit practice rules, laws or regulations.

## GLOSSARY OF TERMS

**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.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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.

**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, which 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).

**Full-scope review:** Performance under the lending and community development tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the lending and community development tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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.

**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.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**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 percent 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 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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 qualified investment is defined as any 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.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** 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, or are classified as loans to finance agricultural production and other loans to farmers.

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