



PUBLIC DISCLOSURE

August 6, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CFG COMMUNITY BANK

LUTHERVILLE, MARYLAND

**Federal Reserve Bank of Richmond
Richmond, Virginia**

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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2471239

1422 Clarkview Road

Baltimore, Maryland 21209

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated: SATISFACTORY.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to the demand for credit in the assessment area.
- A majority of the institution's small business loans were originated within the bank's assessment area.
- The bank's lending to businesses of different sizes varies by year from poor to reasonable, but is considered reasonable overall.
- The bank's geographic lending distribution performance varies by year from poor to reasonable, but is considered reasonable overall.
- The bank's community development performance is reasonable within its assessment area considering its capacity and available community development opportunities.
- The institution has not received any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation.

SCOPE OF EXAMINATION

The institution was evaluated using the interagency examination procedures for an intermediate-small bank developed by the Federal Financial Institutions Examinations Council (FFIEC). CFG Community Bank, (CFG) is required to report certain information regarding its home mortgage lending in accordance with the Home Mortgage Disclosure Act (HMDA). However, due to the limited number of loans originated, the data was not used as part of this evaluation. CFG's small business lending was identified as a primary product line and considered in the evaluation. The analysis included all small business loans originated by the institution from January 1, 2015, through December 31, 2016.

The evaluation also considers any qualified community development loans, investments, and services originated, purchased, or provided since the previous evaluation dated June 8, 2015. In addition, all qualified investments outstanding as of the evaluation date were considered, regardless of when made. To help determine the availability of community development opportunities in the assessment area, the CRA public evaluations of other financial institutions operating in the area were reviewed. Also, a member of the community was contacted to discern information about local economic conditions, affordable housing needs, local credit needs, performance of banks in the assessment area, as well as potential community development opportunities.

DESCRIPTION OF INSTITUTION

CFG is headquartered in Lutherville, Maryland, and operates three branch offices located in the City of Baltimore and Baltimore County, Maryland. The bank is wholly-owned subsidiary of Capital Funding Bancorp, Inc., a single-bank holding company headquartered in Baltimore, Maryland. The bank received a Satisfactory rating at its prior CRA evaluation dated June 8, 2015. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment area.

As of June 30, 2018, CFG held total assets of approximately \$809.4 million, of which 70.9% were net loans and 3.3% were securities. As of the same date, deposits total \$623.7 million. Various deposit and loan products are available through the institution including loans for residential mortgage, business, and consumer purposes. The composition of the loan portfolio (reflecting gross loans) as of June 30, 2018, is represented in the following table.

Composition of Loan Portfolio

| Loan Type | 6/30/2018 | |
|--|----------------|--------------|
| | \$(000s) | % |
| Secured by 1-4 Family dwellings | 25,156 | 4.3 |
| Multifamily | 9,870 | 1.7 |
| Construction and Development | 57,891 | 9.8 |
| Commercial & Industrial/ NonFarm NonResidential | 489,692 | 83.3 |
| Consumer Loans and Credit Cards | 1,259 | 0.2 |
| Agricultural Loans/ Farmland | 532 | 0.1 |
| All Other | 3,711 | 0.6 |
| Total | 588,111 | 100.0 |

As indicated in the preceding table, CFG’s primary focus is Commercial and Industrial lending. While the bank offers consumer loans, the volume of such lending is relatively small in comparison to the business lending.

DESCRIPTION OF BALTIMORE-COLUMBIA-TOWSON, MD ASSESSMENT AREA

CFG has delineated one assessment area that is a part of the Baltimore-Columbia-Towson, MD Metropolitan Statistical Area (MSA) consisting of the entirety of the City of Baltimore and the counties of Baltimore and Anne Arundel. According to recent (June 30, 2017) data from the Federal Deposit Insurance Corporation, CFG ranks 10th out of 45 institutions in the local deposit market share, holding .9% of area deposits. Additionally, according to aggregate HMDA loan data, the institution ranked 200th out of 749 institutions in 2017. According to the 2010 American Community Survey (ACS) data, the assessment area contains a total of 519 census tracts composed of 99 low-income, 136 moderate-income, 159 middle-income, 116 upper-income, and nine census tracts for which median family income was not reported. The assessment area has a population of approximately 2 million and a median housing value of \$273,388. The owner-occupancy rate for the assessment area is 57%, and is slightly lower than the rates for Maryland and the entire Baltimore-Columbia-Towson, MD MSA, at 62.2% and 61.7%, respectively. The assessment area has a higher poverty rate (7.8%) than the rates for Maryland (5.7%) and the entire MSA (6.6%). The median family income for the Baltimore-Columbia-Towson, MD MSA equaled \$89,600 and \$86,700 during 2015 and 2016, respectively.

The following table includes pertinent demographic data for the assessment area based on the 2010 ACS data and, in the cases of businesses, 2016 Dun and Bradstreet (D&B) data.

Assessment Area Demographics

| Baltimore-Columbia-Towson, MD (Based on 2010 ACS Data and 2016 D&B Information) | | | | | | | | |
|--|-------------------------------|--------------|--------------------------------------|--------------|--|--------------|---------------------------|--------------|
| Income Categories* | Tract Distribution | | Families by Tract | | Families < Poverty as a % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low | 99 | 19.1 | 60,999 | 13.0 | 15,804 | 25.9 | 116,354 | 24.9 |
| Moderate | 136 | 26.2 | 116,003 | 24.8 | 11,395 | 9.8 | 87,334 | 18.7 |
| Middle | 159 | 30.6 | 161,050 | 34.4 | 6,789 | 4.2 | 97,595 | 20.9 |
| Upper | 116 | 22.4 | 129,848 | 27.8 | 2,577 | 2.0 | 166,617 | 35.5 |
| NA | 9 | 1.7 | 0 | 0.0 | 0 | 0.0 | | |
| Total | 519 | 100.0 | 467,900 | 100.0 | 36,565 | 7.8 | 467,900 | 100.0 |
| | Owner Occupied Units by Tract | | Households | | | | | |
| | | | HHs by Tract | | HHs < Poverty by Tract | | HHs by HH Income | |
| | # | % | # | % | # | % | # | % |
| Low | 38,571 | 8.1 | 105,072 | 14.0 | 29,396 | 28.0 | 204,478 | 27.3 |
| Moderate | 105,489 | 22.0 | 199,590 | 26.6 | 25,803 | 12.9 | 127,778 | 17.0 |
| Middle | 181,481 | 37.9 | 254,416 | 33.9 | 17,668 | 6.9 | 138,840 | 18.5 |
| Upper | 153,023 | 32.0 | 190,804 | 25.5 | 8,270 | 4.3 | 278,837 | 37.2 |
| NA | 43 | 0.0 | 51 | 0.0 | 15 | 29.4 | | |
| Total | 478,607 | 100.0 | 749,933 | 100.0 | 81,152 | 10.8 | 749,933 | 100.0 |
| | Total Businesses by Tract | | Businesses by Tract and Revenue Size | | | | | |
| | | | Less than or = \$1 Million | | Over \$1 Million | | Revenue not Reported | |
| | # | % | # | % | # | % | # | % |
| Low | 8,002 | 9.3 | 7,236 | 9.3 | 717 | 9.0 | 49 | 8.1 |
| Moderate | 15,039 | 17.5 | 13,588 | 17.5 | 1,370 | 17.2 | 81 | 13.3 |
| Middle | 31,910 | 37.0 | 28,532 | 36.8 | 3,157 | 39.7 | 221 | 36.4 |
| Upper | 31,002 | 36.0 | 28,117 | 36.3 | 2,633 | 33.2 | 252 | 41.5 |
| NA | 183 | 0.2 | 107 | 0.1 | 72 | 0.9 | 4 | 0.7 |
| Total | 86,136 | 100.0 | 77,580 | 100.0 | 7,949 | 100.0 | 607 | 100.0 |
| Percentage of Total Businesses: | | | | 90.1 | | 9.2 | | 0.7 |

*NA-Tracts without household or family income as applicable

CFG operates in one of the stronger and more diversified local economies in the country. The broader MSA market historically has had a stable employment history due to job opportunities offered by the federal government and related industries. Because of its proximity to Washington, D.C. and other economically thriving counties, residents benefit from having various employment opportunities within the vicinity. The largest employment sectors include health care, public utilities, federal and local government, and education. Specifically, Social Security Administration and Centers for Medicare and Medicaid Services (Federal government); Fort George G. Meade (Federal military installation); T. Rowe Price (financial services); Northrop Grumman (electronic surveillance products); Southwest Airlines (transportation airline); Exelon (energy products and services); CareFirst Blue Cross Blue Shield (healthcare); McCormick and Company, Inc. (spices and food flavorings); and multiple local hospitals/medical services and universities are just a few of the top employers within the assessment area. Nonetheless, there remain pockets of economic distress within the market. The following table depicts recent unemployment rates for the city and counties within the assessment area, as well as rates for Maryland and the MSA.

| Geographic Area | June 2015 | June 2016 | June 2017 | June 2018 |
|-----------------------------------|-----------|-----------|-----------|-----------|
| Anne Arundel County, MD | 4.6% | 4% | 3.9% | 3.9% |
| Baltimore County, MD | 5.5% | 4.8% | 4.5% | 4.6% |
| City of Baltimore, MD | 7.7% | 6.7% | 6.4% | 6.3% |
| Baltimore-Columbia-Towson, MD MSA | 5.5% | 4.8% | 4.5% | 4.5% |
| State of Maryland | 5.3% | 4.6% | 4.3% | 4.5% |

As indicated in the table, area unemployment has decreased since 2015, but the levels of unemployment are relatively consistent throughout the assessment area. The City of Baltimore has the highest unemployment rates within the assessment area, trending higher than the MSA and the State of Maryland.

An individual knowledgeable of the local market conditions was contacted during the evaluation to discuss area economic conditions and community credit needs. The contact identified that economic conditions were continuing to improve; however, the demand for affordable housing remained high. The contact also noted that additional financing options and financial education programs would be beneficial to local businesses. The contact stated that the area financial institutions are reasonably servicing the banking needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

To evaluate the bank’s lending performance, small business lending activity was analyzed. While small business data from calendar years 2015 and 2016 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2016 are presented in the assessment area analysis tables. In instances where the 2015 performance varies significantly from the performance noted during 2016, such variance and the corresponding impact on the overall performance are discussed.

Area demographic and market aggregate data are used as proxies for demand when evaluating the bank’s performance. Relevant area demographic data from the 2010 ACS is used as a proxy for demand. While ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years. Dun & Bradstreet (D&B) business demographic data from 2015 and 2016 are considered when evaluating the bank’s performance. Aggregate small business lending data from 2015 and 2016 are also used as a proxy for demand in the evaluation. The aggregate data includes all activity reported by lenders that originated or purchased such loans within the bank's assessment area.

When evaluating the borrower and geographic distribution of loans, primary emphasis is placed on the number (and corresponding percentage) of loans originated or purchased. To arrive at an overall conclusion, the level of performance for each year is weighed by dollar volume of loans originated during that year. During 2015, the bank originated a total of \$6.2 million in small business loans, while it originated \$9 million during 2016. Accordingly, the bank’s 2016 performance is generally given more weight than the 2015 performance when evaluating the bank’s overall lending performance. All conclusions also take into consideration relevant performance context factors.

Within the bank’s assessment areas, a high level of small business lending activity has been reported by specialized lenders, who often originate small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans, and a substantial majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of \$1 million or less. Consequently, the presence of these lenders was considered as an aspect of performance context when evaluating the level and distribution of bank lending. Therefore, to better gauge performance, CFG’s lending is also compared to a group of traditional small business lenders that excludes credit card/specialty lenders.

Overall, the bank's lending test performance is rated Satisfactory. This rating considers the bank's loan-to-deposit ratio, level of lending in its assessment area, borrower lending distribution performance, and geographic lending distribution performance.

The bank's Community Development Test performance is Satisfactory. The review of the bank's community development activities is based on the number and amount of community development loans and qualified investments, the extent to which the bank provides community development services, and the bank's responsiveness to identified community development lending, investment, and service needs.

The components of each test are discussed in the following sections. All conclusions also take into consideration relevant performance context factors.

Loan-To-Deposit Ratio

CFG's loan-to-deposit ratio as of June 30, 2018, equaled 92% and averaged 101% for the 13-quarter period ending June 30, 2018. In comparison, the quarterly average loan-to-deposit ratios for eight similarly situated institutions that operate in CFG's assessment area ranged from 77.3% to 109.8% during the 12-quarter period ending March 31, 2018. Since March 31, 2015, CFG's assets and net loans have increased by 4.4% and 19.1%, respectively, while deposits have decreased by 10.9%. CFG's overall loan-to-deposit ratio is considered reasonable given the institution's size, financial condition, market conditions, and local credit needs.

Lending In Assessment Area

To determine the institution's volume of lending within its assessment area, the geographic location of the bank's small business loans originated in 2015 and 2016 were considered. The lending distribution inside and outside of the bank's assessment area is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area(s)

| Loan Type | Inside | | | | Outside | | | |
|--------------------|-----------|-------------|---------------|-------------|-----------|-------------|--------------|-------------|
| | # | % | \$(000) | % | # | % | \$(000) | % |
| Small Business | 45 | 73.8 | 15,178 | 64.7 | 16 | 26.2 | 8,275 | 35.3 |
| TOTAL LOANS | 45 | 73.8 | 15,178 | 64.7 | 16 | 26.2 | 8,275 | 35.3 |

As indicated in the preceding table, a majority of both the number and dollar volume of the small business loans considered in the evaluation were originated within the bank's assessment area. Overall, the institution's level of lending within its assessment area is considered responsive to the community credit needs.

Lending to Businesses of Different Sizes

CFG's borrower distribution performance varied from poor in 2015 to reasonable in 2016. As previously stated, the performance in 2016 is given greater weight due to the larger volume of lending for that year. As such, the overall borrower distribution for small business lending during the evaluation period is considered reasonable.

Distribution of Lending by Loan Amount and Size of Business

| Baltimore-Columbia-Towson, MD (2016) | | | | | | | | |
|--------------------------------------|-----------|--------------|--------------|--------------|---------------|--------------|------------------|--------------|
| by Revenue | Bank | | | | Aggregate* | | | |
| | # | % | \$(000s) | % \$ | # | % | \$(000s) | % \$ |
| \$1 Million or Less | 10 | 43.5 | 4,325 | 48.3 | 19,064 | 47.8 | 446,376 | 31.1 |
| Over \$1 Million | 13 | 56.5 | 4,638 | 51.7 | NA | NA | NA | NA |
| Unknown | 0 | 0.0 | 0 | 0.0 | NA | NA | NA | NA |
| by Loan Size | Bank | | | | Aggregate* | | | |
| \$100,000 or less | 2 | 8.7 | 125 | 1.4 | 37,477 | 94.0 | 539,181 | 37.6 |
| \$100,001-\$250,000 | 6 | 26.1 | 918 | 10.2 | 1,112 | 2.8 | 198,808 | 13.8 |
| \$250,001-\$1 Million | 15 | 65.2 | 7,920 | 88.4 | 1,260 | 3.2 | 697,529 | 48.6 |
| Total | 23 | 100.0 | 8,963 | 100.0 | 39,849 | 100.0 | 1,435,518 | 100.0 |

* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data from 2016 indicates that 90.1% of all local businesses have revenues that do not exceed \$1 million per year. During 2016, 47.8% of aggregate reported loans were to businesses with annual revenues of \$1 million or less. The remaining portion of loans were to businesses that either had revenues exceeding \$1 million or had unknown revenues. As part of performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 46.2% were made to businesses having revenues of \$1 million or less. Of the small business loans considered in the evaluation, 43.5% were to businesses with annual revenues of \$1 million or less. As such, CFG’s lending during 2016 is considered reasonable.

During 2015, CFG reported originating 22 small business loans totaling approximately \$6.2 million. Of these loans, six (27.3%) totaling \$630,000 (10.1%) were to businesses with annual revenues of \$1 million or less. This level of lending lagged behind both the peer aggregate lending performance (50.3%) and the aggregate performance of traditional banks (52.2%). As a result, CFG’s lending during 2015 is considered poor.

Geographic Distribution of Loans

CFG’s geographic distribution performance varied from poor in 2016 to reasonable in 2015. Overall geographic distribution performance is considered reasonable and takes into account the underlying strength of the distribution performance each year and relative performance context information.

Distribution of Small Business Loans by Income Level of Census Tract

| Baltimore-Columbia-Towson, MD (2016) | | | | | | | | |
|--------------------------------------|-----------|--------------|--------------|--------------|---------------|--------------|------------------|--------------|
| Income Categories | Bank | | | | Aggregate | | | |
| | # | % | \$(000s) | % \$ | # | % | \$(000s) | % \$ |
| Low | 0 | 0.0 | 0 | 0.0 | 3,061 | 7.8 | 106,076 | 7.4 |
| Moderate | 3 | 13.0 | 1,001 | 11.2 | 6,241 | 15.8 | 206,356 | 14.4 |
| Middle | 14 | 60.9 | 5,911 | 65.9 | 14,950 | 37.9 | 546,491 | 38.2 |
| Upper | 6 | 26.1 | 2,051 | 22.9 | 15,099 | 38.2 | 553,012 | 38.8 |
| NA* | 0 | 0.0 | 0 | 0.0 | 138 | 0.3 | 17,034 | 1.2 |
| Total | 23 | 100.0 | 8,963 | 100.0 | 39,489 | 100.0 | 1,428,969 | 100.0 |

*NA-Tracts without household or family income as applicable
Loans where the geographic location is unknown are excluded from this table.

According to D&B data from 2016, 9.3% of all businesses are located in low-income census tracts, and 17.5% of area businesses are located in moderate-income census tracts. As detailed in the chart above, CFG’s lack of lending in low-income tracts (0%) is much lower than the D&B figure as well as the aggregate lending in such tracts (7.8%). On the other hand, the bank’s lending in moderate-income tracts (13%) was only slightly lower than the D&B data and aggregate lending in such tracts (15.8%). Nonetheless, CFG’s performance in 2016 is considered poor, largely based on its lack of lending in low-income tracts.

CFG's performance was better the prior year. During 2015, the bank originated 22 small business loans totaling \$6.2 million within the assessment area. Of the 22 originations, one (4.5%) totaling \$50,000 (.8%) was originated in a low-income census tract, while three (13.6%) totaling \$640,000 (10.3%) were originated in moderate-income census tracts. CFG's lending performance was less than the aggregate lending level in low- and moderate-income census tracts (8.3% and 16.4%, respectively). According to D&B data from 2015, 9.5% of all businesses are located in low-income census tracts, and 17.8% of area businesses are located in moderate-income census tracts. The bank's performance during 2015 is considered reasonable.

Community Development Loans, Investments, and Services

Information from an individual knowledgeable of the local community as well as a review of the performance evaluations of other financial institutions operating within the assessment area, indicate that a considerable amount of community development opportunities exist within the Baltimore-Columbia-Towson, MD assessment area. The bank faces no constraints in providing community development loans, investments, and services consistent with its capacity and available opportunities.

CFG supported local community development by originating three community development loans totaling approximately \$2.7 million to area non-profit organizations or businesses that provide affordable housing and to organizations or businesses that provide services to low- and moderate-income individuals. The bank has also committed \$3 million dollars as a participant lender along with other financial institutions in a loan pool through Healthy Neighborhoods. The bank has presently funded \$1.5 million of its total commitment. Healthy Neighborhoods assists low- and moderate-income families in Baltimore City with the acquisition and rehabilitation of their homes.

The bank has two qualified community development investments totaling approximately \$2.6 million in a mortgage backed security bond. The loans underlying the bond were made to low- or moderate-income borrowers. Several of the loans benefited borrowers within the bank's assessment area. In addition, the bank made donations to qualifying organizations totaling \$115,000.

Since its previous evaluation, CFG and its employees volunteered their time and provided financial expertise to the following organizations that provide community development services targeted to area low- and moderate-income residents and economic development:

- Samuel Ready Scholarship- one employee serves as a board member and finance/investment committee member for the Samuel Ready Scholarship. The Samuel Ready Scholarship provides funding to local independent schools to enable qualified candidates, who are financially unable, to attend one of these independent schools.
- Financial Literacy Education- two employees conducted a financial literacy education class at the Eastport Community Center for two public housing communities: Eastport Terrace and Harbour House. Both communities are managed by the City of Annapolis Housing Authority for low-income housing.
- Junior Achievement of Central Maryland- two employees conducted a class on how to start a business with two 5th grade classes at Berkshire Elementary School in Baltimore County.
- Y of Central Maryland- one officer serves as the chair of the finance committee, as well as a member of the board of directors and the executive committee.
- Marley Elementary PTA- one employee serves as a board member and treasurer. The school is classified as a Title 1 school due to the number of low-income families in attendance.

- Community College of Baltimore County Foundation- One officer serves as president of the foundation which provides external funding and support through scholarships to qualified individuals.
- Epiphany Episcopal Church- One officer serves on a committee for Neighbor-to-Neighbor. This committee's goal is to help develops skills to achieve financial independence in the homeless community within the Baltimore Metro community.
- Mission Helpers of the Sacred Heart- One officer serves on the finance board. The organization serves the inner city of Baltimore and provides services to low- and moderate-income individuals.

When considering community development opportunities, overall, CFG has demonstrated a reasonable level of responsiveness to local community needs through its lending activities, investments that facilitate community development, and its community development services. Accordingly, the bank's overall performance under the Community Development Test is rated Satisfactory.

ASSESSMENT AREA DELINEATIONS

A review of the bank's assessment area found that its delineation complied with the requirements of Regulation BB. The assessment area delineation included all of the bank's branches and deposit taking automated teller machines. While the bank's assessment area delineation includes less than an entire MSA, the delineated area contained whole geographies, did not reflect illegal discrimination (e.g. through the exclusion of majority-minority census tracts), and did not arbitrarily exclude low- or moderate-income census tracts.

Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

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.

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, 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 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 refinancings 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.