



PUBLIC DISCLOSURE

August 22, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MainStreet Bank

Fairfax, Virginia

**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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Fairfax, Virginia 22030

Federal Reserve Bank of Richmond

P. O. Box 27622

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated: Outstanding.
The Lending Test is rated: Outstanding.
The Community Development Test is rated: Outstanding.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered more than reasonable in relation to the demand for credit in the assessment area.
- A substantial majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans were originated within the bank's assessment area.
- The bank's borrower distribution performance (lending to low- and moderate-income borrowers and small businesses with annual revenues of \$1 million or less) is considered reasonable overall.
- The bank's geographic distribution performance (lending in low- and moderate-income census tracts) is considered excellent overall.
- The bank's responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and services is considered excellent.
- The institution has not received any complaints regarding its CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

MainStreet Bank (MSB) was evaluated using the interagency examination procedures for intermediate small institutions developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with the procedures, all reported HMDA loans from 2019, 2020, and 2021 were reviewed. Additionally, small business loans were identified as a primary product line and were considered in the evaluation. The analysis includes all small business loans originated by MSB during the 2020 calendar year. Given its size and branch locations, MSB is required to collect and report HMDA data, but it is not required to collect or report CRA data.

As of the date of this evaluation, aggregate data from 2021 is not yet available for CRA lending. Because aggregate data captures lending done under the same business and market conditions, it is an important performance context factor needed to evaluate the bank's lending performance. Consequently, the bank's 2021 small business loan data is not included in this evaluation.

Qualified community development loans and services are considered since the previous evaluation (July 31, 2017). All qualified investments made during this same period and those outstanding as of the date of this evaluation, regardless of when made, were also considered.

To help determine the availability of community development opportunities in the assessment area, the CRA public evaluations of other financial institutions within the assessment area were reviewed. Additionally, members of the community were contacted to discern information about local economic conditions, local credit needs, performance of banks in the assessment area, and potential community development opportunities.

MSB serves one assessment area within the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (MSA), and it was evaluated using the FFIEC's full-scope evaluation procedures.

DESCRIPTION OF INSTITUTION

MSB is headquartered in Fairfax, Virginia, and operates six branch offices located within northern Virginia and Washington, DC. The bank is wholly-owned by MainStreet Bancshares, Inc., a single-bank holding company also headquartered in Fairfax, Virginia. The bank’s previous CRA rating, dated July 31, 2017, was Satisfactory. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment area.

As of June 30, 2022, MSB held total assets of approximately \$1.8 billion, of which 79% were net loans and 8.8% were securities. As of the same date, deposits totaled approximately \$1.5 billion. Various deposit and loan products are available through the institution including loans for business, residential mortgage, and consumer purpose. The composition of the loan portfolio using gross loans is represented in the following table.

Composition of Loan Portfolio

Loan Type	6/30/2022	
	\$(000s)	%
Secured by 1-4 Family dwellings	165,547	11.5
Multifamily	201,051	14.0
Construction and Development	358,062	25.0
Commercial & Industrial/ NonFarm NonResidential	692,355	48.3
Consumer Loans and Credit Cards	17,223	1.2
Agricultural Loans/ Farmland	160	0.0
All Other	0	0.0
Total	1,434,398	100.0

As indicated in the preceding table, the bank’s loan portfolio is primarily concentrated in commercial purpose, construction and development, as well as residential real estate secured loans. The bank offers other loans, such as consumer loans; however, the volume of such lending is relatively small in comparison to its commercial, development, and residential mortgage lending.

In April 2020, the Small Business Administration (SBA) created the Paycheck Protection Program (PPP). This program was designed to provide direct incentive for small businesses, allow workforces to remain employed, and promote economic stability during the Coronavirus (COVID-19) pandemic. Since the PPP was established, MSB has originated 1,672 loans totaling approximately \$277.8 million. MSB’s origination of PPP loans is an example of the bank being responsive to area credit needs.

Based on branch locations and lending patterns, the bank delineates one assessment area located in northern Virginia and Washington, DC. within the larger Washington-Arlington-Alexandria, DC-VA-MD-WV MSA. The following table details the cities and counties included in the bank’s assessment area.

Assessment Area Name	City/County	State	Census Tracts Included
Washington-Arlington-Alexandria DC-VA	District of Columbia	DC	All
	Arlington County	VA	
	Fairfax County	VA	
	Loudoun County	VA	
	Prince William County	VA	
	Alexandria City	VA	
	Fairfax City	VA	
	Falls Church City	VA	
	Manassas City	VA	
	Manassas Park City	VA	

The bank closed one branch in Fairfax, VA in August 2021 in a middle-income geography, and opened two new branch offices in Washington, DC (February 2020) in a moderate-income census tract and Leesburg, VA (April 2018) in a low-income census tract. The Fairfax branch closure and Leesburg branch opening did not impact the bank’s assessment area delineation. Due to lending patterns, the bank approved the inclusion of Washington, DC in its assessment area in November 2016, but the change was not part of the review during the previous evaluation. With the bank’s approved expansion and subsequent branch opening, Washington, DC is considered during the current evaluation as part of the Washington-Arlington-Alexandria, DC-VA assessment area.

DESCRIPTION OF WASHINGTON-ARLINGTON-ALEXANDRIA, DC-VA ASSESSMENT AREA

MSB operates six branch offices in its assessment area. Recent data (June 30, 2021) from the FDIC indicates the bank ranked 20th out of 56 institutions in local deposit market share, holding 0.6% of area deposits (excluding credit union deposits). According to 2021 aggregate HMDA loan data, the institution ranked 166th out of 782 lenders in reported home mortgage volume with less than 0.1% of the market share.

According to 2015 ACS data, the assessment area has a population of 3,030,944 and a median housing value of \$459,405. Within the assessment area, the owner-occupancy rate equals 55.1%, which is slightly below the owner-occupancy rate for both the entire Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (57.8%) and the Commonwealth of Virginia (59.2%). Within the assessment area, 6% of families are considered below the poverty level, which is similar to the poverty rate in the larger Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (6.1%) and lower than the rate in the Commonwealth of Virginia (8.2%).

Area median family incomes during 2019, 2020, and 2021 are detailed in the following table:

Median Family Income	2019	2020	2021
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	\$114,700	\$118,700	\$122,100

The following table includes pertinent demographic data for the assessment area.

Assessment Area Demographics

Washington-Arlington-Alexandria, VA <i>(Based on 2015 ACS Data and 2020 D&B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	75	10.7	60,058	8.7	15,360	25.6	139,491	20.1
Moderate	97	13.9	96,521	13.9	8,934	9.3	99,560	14.4
Middle	208	29.8	203,581	29.4	10,188	5.0	129,224	18.7
Upper	305	43.6	329,912	47.7	6,578	2.0	324,081	46.8
NA	14	2.0	2,284	0.3	411	18.0		
Total	699	100.0	692,356	100.0	41,471	6.0	692,356	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	25,432	3.9	107,773	9.7	26,771	24.8	237,660	21.4
Moderate	73,680	11.2	158,829	14.3	17,043	10.7	162,111	14.6
Middle	196,352	29.9	334,562	30.1	21,676	6.5	197,146	17.7
Upper	358,917	54.7	503,455	45.3	22,065	4.4	515,163	46.3
NA	1,564	0.3	7,461	0.6	1,468	19.7		
Total	655,945	100.0	1,112,080	100.0	89,023	8.0	1,112,080	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	8,790	4.6	8,274	4.8	463	2.8	53	3.3
Moderate	25,489	13.4	22,864	13.3	2,467	15.1	158	10.0
Middle	55,193	29.0	49,633	28.8	5,170	31.7	390	24.6
Upper	99,157	52.1	90,329	52.4	8,021	49.1	807	50.9
NA	1,783	0.9	1,404	0.7	201	1.3	178	11.2
Total	190,412	100.0	172,504	100.0	16,322	100.0	1,586	100.0
Percentage of Total Businesses:				90.6		8.6		0.8

*NA-Tracts without household or family income as applicable

The area’s economy is diversified with a mix of federal and state government, professional and business services, health services, construction, and retail trade. Major employers include the U.S. Department of Defense, Georgetown University, Children’s National Medical Center, Arlington County School Board, Fairfax County Public Schools, the County of Fairfax, Loudoun County Schools, the County of Loudoun, Prince William County School Board, the County of Prince William, U.S. Department of Commerce, the County of Fairfax, the City of Fairfax, Micron Technology, Prince William Hospital, and Manassas Park City School Board. The following table reflects periodic unemployment rates since the previous evaluation.

Geographic Area	June-17	June-18	June-19	June-20	June-21	June-22
District of Columbia	6.5%	6.1%	5.7%	9.1%	8.1%	5.4%
Arlington County	2.5%	2.1%	1.9%	6.7%	3.7%	2.1%
Fairfax County	3.1%	2.5%	2.3%	9%	4.1%	2.5%
Loudoun County	3.1%	2.6%	2.3%	8.4%	3.6%	2.4%
Prince William County	3.4%	2.8%	2.5%	10.1%	4.6%	2.8%
Alexandria City	2.8%	2.3%	2%	9.2%	4.4%	2.4%
Fairfax City	2.8%	2.4%	2.1%	9.4%	4%	2.4%
Falls Church City	2.7%	2.3%	2.1%	5.7%	3.3%	2.2%
Manassas City	3.2%	2.7%	2.4%	10.3%	4.5%	2.7%
Manassas Park City	3.3%	2.7%	2.4%	10.7%	4.4%	2.6%
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	3.8%	3.5%	3.2%	9%	5.7%	3.7%
Commonwealth of Virginia	3.7%	3.1%	2.7%	9.4%	4.5%	3%

As indicated in the table above, unemployment rates within the assessment area were low and slightly decreasing from 2017 to 2019. Rates rose sharply during 2020 because of the COVID-19 pandemic and began to decline again in the most recent two years. Unemployment rates for the area have stabilized and are similar to pre-pandemic levels. The District of Columbia continues to have the highest unemployment rate within the assessment area. Otherwise, the level of unemployment within the assessment area is generally lower than both the MSA and statewide levels of unemployment.

Officials from a local affordable housing organization were recently contacted to discuss area economic conditions and community credit needs. The contacts stated that although the area is resilient due to the stability and nature of its workforce (primarily federal government), they noted that service industry workers were greatly impacted by the pandemic. Furthermore, the officials noted that the substantial increase in housing prices underscores the need for more funding and development of affordable housing projects within the local area. The organization partners with local and national financial institutions who help to support the mission of the organization. They noted that the performance of local financial institutions in meeting the credit needs of the community has been reasonable.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

Reported HMDA data from calendar years 2019, 2020, and 2021 as well as small business loan originations from calendar year 2020 were fully analyzed and considered in this evaluation. When evaluating a bank’s HMDA performance, relevant area demographic data from the American Community Survey (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. As such, when evaluating the bank’s HMDA performance, relevant area demographic data from the 2015 ACS is used. Similarly, Dun and Bradstreet (D&B) business demographic data from 2020 was used as a proxy for demand when evaluating the bank’s small business performance.

Aggregate loan data is also used as a proxy for demand when evaluating the bank’s HMDA and small business lending performance. The aggregate data includes all activity reported by lenders subject to reporting HMDA and CRA data, respectively, within the bank’s assessment area. Because MSB does not report CRA loan data, its small business loans are not included in the aggregate CRA data.

The borrower and geographic distribution performance of HMDA loans focused on performance for Home Purchase, Home Improvement, Refinancing, and Multi-family loan categories. Performance for the Not Applicable, Other Closed, and Other Line of Credit loan categories was not evaluated because not all HMDA reporters are required to report each loan category, or the category contains relatively few loans overall.

While HMDA loan data from calendar years 2019, 2020, and 2021 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2021 are presented in the analyses of geographic and borrower distribution performances. In instances where the performance varies significantly from the 2021 performance presented in the table, the variance and the corresponding impact on overall performance is discussed. **Appendix A** includes the 2019 and 2020 HMDA lending tables for reference.

During 2020, the bank was an active participant in the SBA's PPP. Consistent with data collection and reporting requirements of the program, financial institutions were not required to collect or report borrower revenue information for PPP loans. As PPP loans represented a significant portion of MSB's small business lending in 2020, examiners evaluated the bank's small business borrower distribution performance using loan size as a proxy for loans with revenues not available. The analysis considered the percentage of small business loans in amounts of \$100,000 or less, with a higher percentage of small dollar loans considered to be more responsive to the needs of smaller-sized businesses.

When evaluating the borrower and geographic distribution for a specific loan category within an assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated or purchased. To arrive at an overall assessment area level conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by dollar volume of such loans made in the assessment area.

MSB primarily originates HMDA loans to non-natural persons for commercial purposes, which are reported without known incomes and are excluded from the borrower distribution analysis. As previously mentioned, the bank also originated a significant volume of PPP loans during 2020 without known revenues. As a result of the limited income and revenue data available for the borrower distribution analysis, the bank's geographic distribution performance carries significantly greater weight when determining the bank's overall lending test performance.

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio as of June 30, 2022 equaled 93.2%, and it averaged 92.7% during the preceding 16-quarter period. In comparison, the average of quarterly loan-to-deposit ratios for 26 similarly situated institutions that operate in MSB's assessment area ranged from 35.4% to 101% during the same 16-quarter period. Since September 30, 2018, MSB's assets, net loans, and deposits have increased by 69.8%, 66.5%, and 70.1% respectively. The bank's level of lending activity as determined by its loan-to-deposit ratio is considered more than reasonable given the institution's size, financial condition, 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 2019, 2020, and 2021 HMDA and 2020 small business lending was 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)	%
Home Purchase	223	94.1	209,059	97.6	14	5.9	5,209	2.4
Home Improvement	15	88.2	11,829	86.7	2	11.8	1,808	13.3
Refinancing	35	92.1	43,222	98.8	3	7.9	514	1.2
Multi-Family Housing	72	88.9	305,693	92.3	9	11.1	25,393	7.7
Other Purpose Closed/Exempt	1	100.0	10	100.0	0	0.0	0	0.0
Total HMDA related	346	92.5	569,813	94.5	28	7.5	32,924	5.5
Small Business	853	78.8	91,624	78.9	229	21.2	24,471	21.1
TOTAL LOANS	1,199	82.3	661,437	92.0	257	17.7	57,395	8.0

As indicated in the preceding table, a substantial majority of the total number (82.3%) and dollar amount (92%) of HMDA and small business loans were extended within the bank’s assessment area. Overall, the institution’s level of lending within its assessment area is considered highly responsive to community credit needs.

Lending to Borrowers of Different Incomes and To Businesses of Different Sizes

Within the assessment area, the bank originated HMDA loans totaling \$201.8 million and small business loans totaling \$91.6 million during 2020. While HMDA loan origination volume is greater than small business loan volume, a majority of the HMDA loans were originated to non-natural persons for commercial purpose limiting the amount of loans with known incomes within the analysis. For this reason, the bank’s small business lending is given more weight than its HMDA lending when evaluating overall lending performance to borrowers of different incomes and to businesses of different sizes.

The bank’s distribution of HMDA lending is considered poor overall, while small business lending is considered reasonable. Overall, the distribution is considered reasonable and reflects greater weight attributed to small business performance as mentioned previously.

Distribution of HMDA Loans by Income Level of Borrower

Washington-Arlington-Alexandria, VA (2021)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	0	0.0	0	0.0	11,475	6.1	2,784,964	3.2
Moderate	0	0.0	0	0.0	33,416	17.8	10,989,958	12.6
Middle	0	0.0	0	0.0	48,651	25.9	19,780,484	22.7
Upper	4	100.0	4,530	100.0	94,556	50.2	53,700,803	61.5
Total	4	100.0	4,530	100.0	188,098	100.0	87,256,209	100.0
Unknown	108		221,608		47,996		27,195,056	

Percentages (%) are calculated on all loans where incomes are known

During 2021, MSB’s residential mortgage lending to low-income borrowers (0%) significantly lagged the percentage of low-income families in the area (20.1%) as well as the aggregate level of lending to such borrowers (6.1%). Similarly, the bank’s lending to moderate-income borrowers (0%) significantly lagged both the percentage of moderate-income families in the area (14.4%) and the aggregate level of lending to such borrowers (17.8%). MSB’s 2021 performance is considered very poor, and its performance in 2020 is substantially similar.

During 2019, MB extended 13 loans totaling \$9.3 million for which borrower’s incomes were known. Of this total, none were extended to low-income borrowers, which was significantly less than the percentage of low-income families in the area (20.1%) and less than the aggregate level of lending to such borrowers (5.3%). Furthermore, one HMDA loan (7.7%) totaling \$436,000 (4.7%) was extended to a moderate-income borrower. This level of lending lagged the percentage of moderate-income families in the area (14.4%) as well as the aggregate level of lending to such borrowers (17.5%). MSB’s 2019 performance is considered poor.

Based on the bank’s relative volume of HMDA lending over the three-year period and the contextual factors provided above, including the volume of HMDA loans originated to non-natural persons for commercial purposes, slightly greater weight was attributed to 2019 lending. Overall, the bank’s borrower distribution performance is considered poor.

Distribution of Lending by Loan Amount and Size of Business

Washington-Arlington-Alexandria, VA (2020)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	19	2.2	5,390	5.9	41,060	44.0	1,346,604	24.9
Over \$1 Million	12	1.4	5,526	6.0	NA	NA	NA	NA
Unknown	822	96.4	80,709	88.1	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	619	72.6	21,010	22.9	81,374	87.3	1,677,502	31.1
\$100,001-\$250,000	130	15.2	21,084	23.0	6,604	7.1	1,067,093	19.8
\$250,001-\$1 Million	104	12.2	49,531	54.1	5,260	5.6	2,654,265	49.1
Total	853	100.0	91,625	100.0	93,238	100.0	5,398,860	100.0

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

As previously mentioned, the bank’s participation in PPP represented a significant portion of its small business lending in 2020, and revenue information is not available (consistent with data collection and reporting requirements of the program) when determining the bank’s distribution of lending among businesses of different sizes. Instead, loan size was used as a proxy for loans with revenues not available, and conclusions are based on the institution’s percentage of small business loans in amounts of \$100,000 or less. A higher percentage of such loans is considered more responsive to the needs of smaller-sized businesses. During 2020, a significant percentage of the bank’s small business loans were in amounts of \$100,000 or less (72.6%), and this level of lending is considered reasonable.

Geographic Distribution of Loans

As previously mentioned, the bank originated HMDA loans totaling \$201.8 million and small business loans totaling \$91.6 million within the assessment area during 2020. Accordingly, HMDA lending carries greater weight in determining the bank’s overall geographic distribution performance.

MSB’s geographic distribution performance is considered excellent for HMDA lending and reasonable for small business lending. Overall, the combined geographic distribution performance is considered excellent given the greater weight afforded to HMDA lending and the relative strength of performance by product and year.

Distribution of HMDA Loans by Income Level of Census Tract

Washington-Arlington-Alexandria, VA (2021)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(69)				(78,378)			
	Home Purchase							
Low	4	5.8	3,771	4.4	3,814	4.9	1,656,170	3.8
Moderate	5	7.2	2,723	3.2	10,025	12.8	4,079,255	9.4
Middle	8	11.6	7,273	8.4	24,426	31.3	11,810,745	27.1
Upper	52	75.4	72,331	84.0	39,828	51.0	26,019,826	59.7
	(11)				(150,130)			
	Refinance							
Low	0	0.0	0	0.0	5,635	3.8	1,980,460	3.0
Moderate	2	18.2	2,040	16.4	14,929	9.9	4,913,276	7.5
Middle	0	0.0	0	0.0	42,222	28.1	15,873,083	24.1
Upper	9	81.8	10,365	83.6	87,344	58.2	43,126,100	65.4
	(3)				(6,912)			
	Home Improvement							
Low	0	0.0	0	0.0	183	2.6	31,020	2.6
Moderate	0	0.0	0	0.0	477	6.9	66,187	5.5
Middle	2	66.7	900	45.2	1,591	23.0	235,635	19.7
Upper	1	33.3	1,091	54.8	4,661	67.5	864,048	72.2
	(29)				(270)			
	Multi-Family							
Low	11	37.9	43,414	34.6	95	35.2	432,539	12.8
Moderate	7	24.1	33,792	26.9	33	12.2	508,107	15.0
Middle	6	20.7	27,748	22.1	61	22.6	1,594,520	47.1
Upper	5	17.3	20,690	16.4	81	30.0	850,842	25.1
	HMDA Totals							
Low	15	13.4	47,185	20.9	9,727	4.1	4,100,189	3.6
Moderate	14	12.5	38,555	17.0	25,464	10.8	9,566,825	8.4
Middle	16	14.3	35,921	15.9	68,300	28.9	29,513,983	25.8
Upper	67	59.8	104,477	46.2	131,914	55.9	70,860,816	61.9
NA*	0	0.0	0	0.0	689	0.3	409,452	0.3
Total	112	100.0	226,138	100.0	236,094	100.0	114,451,265	100.0

NA*-Tracts without household or family income as applicable

Home purchase and multi-family loans represent a significant majority of MSB’s reported HMDA lending, while refinance and home purchase loans are the predominant products for the aggregate reporters in 2021. MSB’s refinance and multi-family lending are both considered excellent in 2021, while home purchase lending is considered reasonable. It is also important to note that multi-family lending represents 18 of the bank’s 29 loans (61.2%) located in low- or moderate-income tracts. In addition, while 62% of the bank’s multi-family lending was located in such tracts, only 34% of the assessment area’s multi-family units are located low- or moderate-income tracts. Within the assessment area, home improvement lending does not represent a significant level of lending for MSB or the aggregate lenders. Consequently, the absence of home improvement lending in low- and moderate-income census tracts by MSB is not considered a critical performance deficiency.

During 2021, MSB’s HMDA lending in low-income census tracts (13.4%) significantly exceeded both the percentage of owner-occupied housing units located in low-income tracts (3.9%) and the aggregate level of lending in such tracts (4.1%). The bank’s level of lending in moderate-income census tracts (12.5%) also exceeded both the percentage of owner-occupied housing units located in moderate-income census tracts (11.2%) and the aggregate level of lending in such tracts (10.8%). Overall, MSB’s HMDA geographic distribution performance in 2021 is considered excellent, and the bank’s performance in 2019 and 2020 is substantially similar.

Distribution of Small Business Loans by Income Level of Census Tract

Washington-Arlington-Alexandria, VA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	26	3.0	3,424	3.7	3,484	3.7	158,378	2.9
Moderate	72	8.4	6,570	7.2	12,151	13.1	714,593	13.3
Middle	273	32.0	36,984	40.4	28,308	30.4	1,715,932	31.8
Upper	477	55.9	44,334	48.4	48,478	52.1	2,763,614	51.3
NA*	5	0.7	313	0.3	585	0.7	36,863	0.7
Total	853	100.0	91,625	100.0	93,006	100.0	5,389,380	100.0

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

The bank’s level of small business lending in low-income census tracts (3%) slightly lagged the percentage of businesses located in low-income census tracts (4.6%) but approximated the aggregate level of lending in such tracts (3.7%). The bank’s lending to small businesses in moderate-income census tracts (8.4%) lagged the percentage of businesses located in moderate-income census tracts (13.4%) as well as the aggregate level of lending in such tracts (13.1%). Overall, the bank’s small business geographic distribution performance during 2020 is considered reasonable.

Community Development Loans, Investments, and Services

Discussions with individuals knowledgeable of the local community, as well as the review of community development activities of other financial institutions that operate in MSB’s assessment area, indicate that a considerable amount of local community development opportunities are available within the assessment area. The bank faces no constraints in providing community development loans, investments, and services consistent with its capacity and available opportunities.

During the evaluation period, the bank supported community development initiatives by making qualified loans and investments, and by providing community development services. The following summarizes the bank’s overall level of activity:

- 60 community development loans totaling \$174.6 million
- 25 qualified investments totaling \$38.6 million
- 12 donations totaling \$100,011 to organizations that provide community development services
- Four bank employees provided financial expertise or other support to four different organizations that provide community development services within the bank’s assessment area

Of the 60 community development loans originated during the evaluation period:

- 29 loans totaling \$120.6 million were extended to organizations that provide affordable housing and other community development services targeted to low- and moderate-income residents of the bank’s assessment area.
- 31 loans totaling \$54 million were extended under the PPP that support job retention and economic stability in response to the COVID-19 pandemic.

MSB holds the following qualified investments that support community development activities:

- The bank holds 13 qualified investments in the Virginia Housing Development Authority (VHDA) totaling \$10.3 million. The VHDA promotes affordable housing by financing single- and multi-family mortgages for low- and moderate-income individuals throughout the Commonwealth of Virginia.

- The bank invested \$4.8 million in an equity fund issued by the Virginia Community Development Corporation (VCDC). The VCDC is a non-profit organization that revitalizes communities by facilitating affordable housing, redevelopment of historic properties, and community revitalization throughout the Commonwealth of Virginia.
- The bank holds \$17.6 million in nine FHLMC and FNMA bonds which include mortgage loans to qualified low- and moderate-income home buyers within the assessment area.
- The bank made an investment totaling \$879,870 in the Washington Housing Initiative Impact Fund which promotes affordable housing for low- and moderate-income individuals and revitalization efforts within the District of Columbia.
- The bank made an investment in the Redbrick Opportunity Fund totaling \$5 million which supports affordable housing and revitalization efforts in low- and moderate-income census tracts in the District of Columbia.
- MSB made charitable contributions totaling \$100,011 to 12 different organizations during the evaluation period.

MSB and its employees provided financial expertise through service on the Board of Directors or through leadership roles on special committees which facilitated community development activities to the following organizations that provide community development services targeted to area low- and moderate-income residents and promote economic development:

- Barber Family Foundation
- United Way of the National Capital Area
- Britepaths
- Dulles Regional Chamber of Commerce

Since the previous evaluation, MSB opened one branch office in a low-income census tract (April 2018) and one branch office in a moderate-income census tract (February 2020), while closing one branch in a middle-income census tract (August 2021).

A significant portion of MSB's community development activities provide direct benefit to its assessment area and align with the area's credit needs (affordable housing). The bank has demonstrated an excellent level of responsiveness to local community needs through community development loans, qualified investments, and community development services. Overall, the bank's community development performance is rated Outstanding.

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.

APPENDIX A

FULL-SCOPE REVIEW TABLES

2019 and 2020 HMDA: Washington-Arlington-Alexandria, DC-VA Assessment Area

Borrower Distribution Tables

Distribution of HMDA Loans by Income Level of Borrower

Washington-Arlington-Alexandria, VA (2019)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
HMDA Totals								
Low	0	0.0	0	0.0	6,093	5.3	1,331,689	2.7
Moderate	1	7.7	436	4.7	19,978	17.5	5,965,033	12.0
Middle	1	7.7	80	0.9	29,531	25.9	11,120,515	22.3
Upper	11	84.6	8,799	94.4	58,578	51.3	31,430,012	63.0
Total	13	100.0	9,315	100.0	114,180	100.0	49,847,249	100.0
Unknown	118		132,570		21,017		14,278,484	

Percentages (%) are calculated on all loans where incomes are known

Distribution of HMDA Loans by Income Level of Borrower

Washington-Arlington-Alexandria, VA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
HMDA Totals								
Low	0	0.0	0	0.0	9,511	4.5	2,273,585	2.5
Moderate	0	0.0	0	0.0	33,568	16.0	10,639,500	11.5
Middle	0	0.0	0	0.0	56,351	26.9	22,177,813	24.0
Upper	1	100.0	1,560	100.0	110,290	52.6	57,475,600	62.0
Total	1	100.0	1,560	100.0	209,720	100.0	92,566,498	100.0
Unknown	101		200,220		45,943		25,289,913	

Percentages (%) are calculated on all loans where incomes are known

Geographic Distribution Tables

Distribution of HMDA Loans by Income Level of Census Tract

Washington-Arlington-Alexandria, VA (2019)								
Income Categories	Bank				Aggregate			
	#	%	\$ (000s)	% \$	#	%	\$ (000s)	% \$
	(91)				Home Purchase (68,749)			
Low	12	13.2	6,642	11.3	3,326	4.9	1,281,356	3.9
Moderate	18	19.8	7,677	13.0	8,659	12.6	3,067,005	9.4
Middle	29	31.9	15,157	25.7	21,127	30.8	8,686,639	26.6
Upper	32	65.1	29,515	50.0	35,453	51.7	19,580,547	60.1
	(15)				Refinance (59,398)			
Low	1	6.7	1,600	11.3	2,541	4.3	859,087	3.3
Moderate	6	40.0	2,175	15.3	6,050	10.2	1,965,158	7.6
Middle	3	20.0	5,542	39.0	16,793	28.3	6,330,044	24.4
Upper	5	33.3	4,893	34.4	34,014	57.2	16,781,251	64.7
	(12)				Home Improvement (6,596)			
Low	1	8.3	245	2.5	221	3.4	31,326	3.5
Moderate	3	25.0	1,984	20.2	555	8.4	57,323	6.5
Middle	4	33.3	3,079	31.3	1,720	26.1	195,942	22.1
Upper	4	33.3	4,530	46.0	4,100	62.1	602,467	67.9
	(12)				Multi-Family (271)			
Low	2	16.7	5,786	10.1	85	31.4	497,502	11.1
Moderate	4	33.3	12,014	20.9	45	16.6	1,181,874	26.4
Middle	2	16.7	20,595	35.9	51	18.8	1,091,269	24.3
Upper	4	33.3	19,010	33.1	90	33.2	1,711,313	38.2
	HMDA Totals							
Low	16	12.2	14,273	10.1	6,173	4.6	2,669,271	4.2
Moderate	31	23.7	23,850	16.8	15,309	11.3	6,271,360	9.8
Middle	38	29.0	44,373	31.3	39,691	29.4	16,303,894	25.4
Upper	45	34.4	57,948	40.8	73,657	54.5	38,675,578	60.3
NA*	1	0.7	1,441	1.0	367	0.2	205,630	0.3
Total	131	100.0	141,885	100.0	135,197	100.0	64,125,733	100.0

NA*-Tracts without household or family income as applicable

Distribution of HMDA Loans by Income Level of Census Tract

Washington-Arlington-Alexandria, VA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(62)				Home Purchase (69,036)			
Low	2	3.2	1,125	1.8	3,431	5.0	1,463,529	4.2
Moderate	12	19.4	10,792	17.0	8,763	12.7	3,378,416	9.6
Middle	12	19.4	8,933	14.1	21,279	30.9	9,499,177	27.1
Upper	36	58.0	42,517	67.1	35,297	51.4	20,717,383	59.1
	(8)				Refinance (180,062)			
Low	2	25.0	1,850	12.2	5,490	3.0	2,032,253	2.6
Moderate	1	12.5	1,400	9.2	15,667	8.7	5,331,203	6.8
Middle	1	12.5	3,531	23.3	49,667	27.6	18,957,921	24.2
Upper	4	50.0	8,385	55.3	109,238	60.7	52,131,738	66.4
	(0)				Home Improvement (5,794)			
Low	0	0.0	0	0.0	160	2.8	24,840	2.8
Moderate	0	0.0	0	0.0	431	7.4	53,119	6.0
Middle	0	0.0	0	0.0	1,341	23.1	171,876	19.3
Upper	0	0.0	0	0.0	3,862	66.7	639,566	71.9
	(31)				Multi-Family (275)			
Low	17	54.8	47,414	38.7	91	33.1	607,442	19.6
Moderate	4	12.9	10,858	8.9	41	14.9	392,434	12.7
Middle	5	16.1	35,777	29.2	67	24.4	1,454,292	46.9
Upper	5	16.2	28,595	23.2	76	27.6	643,693	20.8
	HMDA Totals							
Low	21	20.6	50,389	25.0	9,172	3.6	4,128,064	3.5
Moderate	17	16.7	23,050	11.4	24,902	9.7	9,155,172	7.8
Middle	18	17.6	48,241	23.9	72,354	28.3	30,083,266	25.5
Upper	45	44.1	79,497	39.4	148,473	58.1	74,132,380	62.9
NA*	1	1.0	603	0.3	762	0.3	357,529	0.3
Total	102	100.0	201,780	100.0	255,663	100.0	117,856,411	100.0

NA*-Tracts without household or family income as applicable

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.