

PUBLIC DISCLOSURE

April 14, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Palm Beach Community Bank
8101 Okeechobee Boulevard
West Palm Beach, Florida 33411

RSSD ID NUMBER: 3690662

FEDERAL RESERVE BANK *of* ATLANTA
1000 Peachtree Street, N.E.
Atlanta, Georgia 30309-4470

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 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 the institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

Major Factors supporting the institution's rating include:

- The bank's loan-to-deposit ratio is more than reasonable.
- A majority of loans were made in the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among businesses of different sizes.
- The bank has not received any CRA-related complaints.

SCOPE OF EXAMINATION

The CRA performance evaluation assesses the bank's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, within the context of information such as asset size and financial condition of the institution, competitive factors, and the economic and demographic characteristics of its defined assessment area. This CRA performance review was based on the bank's lending performance in its assessment area using the Interagency Small Institution Examination Procedures. "Small institution" means an institution that, as of December 31 of either of the prior two calendar years, had assets of less than \$1.202 billion. The rating was assessed using the following core criteria developed for evaluating CRA lending performance for small banks:

- Net Loan-to-Deposit Ratio
- Lending Inside the Assessment Area
- Lending to Businesses of Different Sizes and Borrowers of Different Incomes
- Geographic Distribution of Loans

The evaluation included an analysis of commercial loans originated from January 1, 2012 to December 31, 2013. This loan type represents the bank's major product line.

As part of this evaluation, one community contact was conducted with a local economic development representative familiar with the economic and demographic characteristics in the bank's assessment area. Information obtained from this contact was used to establish a context for the communities in which the bank operates and to gather information on the bank's performance. Specific information obtained from the community contact is included in the full scope assessment area section of the report. The contact stated that additional support from the area banks is needed to further support the market.

DESCRIPTION OF INSTITUTION

Palm Beach Community Bank is a full service community bank headquartered in West Palm Beach, Florida. The bank was established in 2008 and is led by a seasoned management team and board of directors who operated two predecessor banks in the same market. The bank focuses primarily on business products and commercial lending. However, Palm Beach Community Bank does offer traditional banking products, including money market deposit accounts, NOW accounts, consumer loans, home equity lines of credit, personal lines of credit, small business loans and commercial real estate loans. The bank also maintains a website (www.pbcblink.com) with online banking offering the ability to transfer funds between accounts as well as a bill payment option.

Branch Offices

Palm Beach Community Bank’s branch network has changed since the previous CRA examination. During this review period the bank opened three new locations. The main office was relocated from Boynton Beach to West Palm Beach in January 2011 and the Boynton Beach location now operates as a branch. The bank also operates branch offices in West Lake Worth, Palm Beach Gardens, and Delray Beach. All branch locations include deposit-taking ATMs. Four of the branch locations are in middle-income tracts and one branch office is located in an upper-income tract.

Loan Portfolio

According to the December 31, 2013 Report of Condition (ROC), the bank’s assets increased 7.2 percent from \$214.9 million to \$230.3 million over the previous 12 months. During the same time period, total deposits increased 10.9 percent from \$176.1 million to \$196.3 million and total loans increased 6.7 percent to \$182.6 million from \$171.2 million.

The following table and graph show the composition of the loan portfolio according to the Consolidated Reports of Condition and Income:

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	12/31/2013		9/30/2013		6/30/2013	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	12,346	6.8%	13,832	7.6%	11,410	6.5%
Secured by One- to Four- Family Dwellings	58,563	32.4%	53,530	29.4%	56,458	32.1%
Other Real Estate: Farmland	370	0.2%	0	0.0%	1,018	0.6%
Multifamily	8,187	4.5%	8,544	4.7%	6,323	3.6%
Nonfarm nonresidential	74,773	41.4%	79,903	43.9%	74,271	42.3%
Commercial and Industrial	25,654	14.2%	25,510	14.0%	25,364	14.4%
Loans to Individuals	744	0.4%	757	0.4%	799	0.5%
Agricultural Loans	0	0.0%	0	0.0%	0	0.0%
Total	\$180,637	100.00%	\$182,076	100.00%	\$175,643	100.00%

* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

As illustrated by the above chart, the bank’s loan portfolio as of December 31, 2013, consisted primarily of nonfarm residential loans, followed by loans secured by one-to-four family dwellings and commercial and industrial loans. Nonfarm nonresidential and commercial and industrial loans accounted for 55.6 percent of the portfolio. The bank makes few consumer loans to individuals and these loans make up less than one percent of the total portfolio.

Credit Products

Palm Beach Community Bank is primarily a commercial lender; however, the bank does offer consumer credit products including residential mortgage loans, construction loans, personal lines of credit, home equity lines of credit, automobile loans, and personal loans. The bank also offers wealth management services, which represents a significant part of the bank's business strategy. Although the bank may originate consumer real estate loans secured by one- to four-family dwellings, commercial lending is the primary strategy for meeting the credit needs in its assessment area.

Palm Beach Community Bank complies with the requirements of the CRA. No known legal impediments exist that would restrict the bank from meeting the credit needs of its assessment areas. The bank received a "Satisfactory" rating at its previous evaluation conducted by the Federal Reserve Bank of Atlanta dated April 5, 2010, also using the Interagency Small Bank Examination Procedures.

DESCRIPTION OF WEST PALM BEACH ASSESSMENT AREA

Overview

The West Palm Beach assessment area includes all of Palm Beach County, which is the only county in the West Palm Beach-Boca Raton-Boynton Beach Metropolitan Division (MD). The West Palm Beach assessment area consists of 338 total tracts and the demographic make-up of these tracts is discussed in the following section of the report. The bank’s assessment area does not arbitrarily exclude any low- or moderate-income census tracts and is reasonable in relation to branch locations.

Population Information

Palm Beach County, situated in the Miami-Fort Lauderdale-West Palm Beach, Florida Metropolitan Statistical Area (MSA), is the second largest county by total land area in Florida. The largest city and the county seat is West Palm Beach. Other large cities include Boca Raton, Boynton Beach, Delray Beach, Wellington, and Jupiter. With over 1.3 million residents, Palm Beach County is the third largest county by population in Florida, according to the 2010 U.S. Census. U.S. Census estimates for 2013 indicate that the total population of the bank’s assessment area increased by 3.9 percent to almost 1.4 million between 2010 and 2013. Statewide, the population increased by about 4 percent between 2010 and 2013.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses the FFEIC estimated median family income for 2012 and 2013 for the West Palm Beach-Boca Raton-Boynton Beach, Florida, MD. As shown in the table below, median family income increased from \$64,100 to \$65,600 between 2012 and 2013. The table also provides a breakdown of the estimated annual income based on income-level.

Borrower Income Levels
West Palm Beach - Boca Raton - Boynton Beach, FL MD

FFIEC Estimated Median Family Income		Low 0 - 49.99%		Moderate 50% - 79.99%		Middle 80% - 119.99%		Upper 120% - & above	
2012	\$64,100	0	- \$32,049	\$32,050	- \$51,279	\$51,280	- \$76,919	\$76,920	- & above
2013	\$64,600	0	- \$32,299	\$32,300	- \$51,679	\$51,680	- \$77,519	\$77,520	- & above

According to 2010 census data, there were 306,002 families in the assessment area. Of those families 21.5 percent were low-income, 17.8 percent were moderate-income, 18.9 percent were middle-income, and 41.7 percent were upper-income. Of the total families, 8.6 percent had income below poverty level.

Demographic Data by Census Tracts

The following table, based on 2010 U.S. Census and 2012 Dun & Bradstreet (D&B) data, presents key demographic and business information used to help develop a performance context for the assessment area and to conduct the lending analysis. As shown, there were 338 census tracts in the assessment area, of which 21 (6.2 percent) were classified as low-income and 84 (24.9 percent) were classified as moderate-income. According to 2012 D&B information, there were 109,302 businesses within the West Palm Beach assessment area of which 92.2 percent had total annual revenues less than or equal to \$1 million, and were therefore considered to be small businesses.

Combined Demographics Report

Assessment Area: Palm Beach

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	21	6.2	13,451	4.1	3,949	29.4	69,853	21.5	
Moderate-income	84	24.9	76,125	23.4	12,206	16.0	57,945	17.8	
Middle-income	106	31.4	111,619	34.4	6,984	6.3	61,493	18.9	
Upper-income	118	34.9	123,645	38.1	4,718	3.8	135,558	41.7	
Unknown-income	9	2.7	9	0.0	0	0.0	0	0.0	
Total Assessment Area	338	100.0	324,849	100.0	27,857	8.6	324,849	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	31,566	11,401	3.0	36.1	12,446	39.4	7,719	24.5	
Moderate-income	168,116	85,008	22.1	50.6	48,837	29.0	34,271	20.4	
Middle-income	227,348	139,073	36.1	61.2	45,702	20.1	42,573	18.7	
Upper-income	230,067	149,504	38.8	65.0	31,170	13.5	49,393	21.5	
Unknown-income	9	9	0.0	100.0	0	0.0	0	0.0	
Total Assessment Area	657,106	384,995	100.0	58.6	138,155	21.0	133,956	20.4	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	4,129	3.8	3,669	3.6	273	5.4	187	5.3	
Moderate-income	21,253	19.4	19,275	19.1	1,208	24.0	770	21.8	
Middle-income	34,665	31.7	31,988	31.8	1,622	32.3	1,055	29.8	
Upper-income	49,018	44.8	45,625	45.3	1,881	37.4	1,512	42.7	
Unknown-income	237	0.2	177	0.2	44	0.9	16	0.5	
Total Assessment Area	109,302	100.0	100,734	100.0	5,028	100.0	3,540	100.0	
Percentage of Total Businesses:				92.2	4.6		3.2		
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	41	5.8	34	5.1	7	16.3	0	0.0	
Moderate-income	79	11.1	69	10.4	9	20.9	1	100.0	
Middle-income	180	25.4	173	26.0	7	16.3	0	0.0	
Upper-income	409	57.6	389	58.4	20	46.5	0	0.0	
Unknown-income	1	0.1	1	0.2	0	0.0	0	0.0	
Total Assessment Area	710	100.0	666	100.0	43	100.0	1	100.0	
Percentage of Total Farms:				93.8	6.1		.1		

Based on 2013 D&B information according to 2010 ACSBoundaries.

Employment and Economic Conditions

According to the Palm Beach County Business Development Board, Palm Beach County has a growing economy. The county is one of the wealthiest in the nation with per capita personal income levels nearly 50 percent higher than state and national averages. The county's diversifying economic base, sound financial position, luxury tourism, technology, manufacturing, and agriculture all contribute to the positive outlook.

Palm Beach County is home to a variety of manufacturers including communications and information technology; aerospace and engineering; agriculture and food processing; business and financial services, and medical and pharmaceutical products. A list of these employers includes Florida Crystals, U.S. Sugar Corp, Walgreens Distribution, Tyco International (ADT), Serta Mattress, and GE Healthcare. Other major employment sectors include retail trade, professional and business services, leisure and hospitality, and local government.¹

While the economy in Palm Beach County is considered strong, the unemployment rate in the county remains elevated, indicating the lingering impact of the recent recession. As shown in the table below, the unemployment rate fell from 8.8 percent in 2012 to 7.1 percent in 2013, and is almost identical to the unemployment rate statewide.

Unemployment Rates

Assessment Area: Palm Beach MD

Area	Years - Annualized	
	2012	2013
West Palm Beach MD (Palm Beach Co.)	8.8	*7.1
Florida	8.8	7.2

Not Seasonally Adjusted

Source: Bureau of Labor Statistics

* Annual figure not yet available; average of 12 months.

Competition

The assessment area is highly competitive due to the significant presence of other banks in the area. According to the June 30, 2013 FDIC Deposit Market Share Report, the bank ranked 24th out of 69 financial institutions in Palm Beach County with a deposit market share of 0.52 percent. The institutions with the largest share of deposits in the assessment area include Wells Fargo Bank (22.3 percent), Bank of America (15.2 percent), JPMorgan Chase (8.7 percent), and PNC Bank (6.3 percent). The list also includes local banks with branch offices ranging from 1 to 5 branches and a market share from 0.02 percent to 0.56 percent. The competition from both regional and local banks has not adversely affected the bank's ability to serve the credit needs of its assessment area.

Community Contact

As part of the CRA examination, information was obtained from a private non-profit organization that provides small business technical assistance and lending. The contact stated that additional support from the banks is needed to further serve the market. They also stated that economic conditions are still weak and there are limited financial resources to support nonprofit organizations. Many of the organizations that once served the region have shut down due to the lack of funding. However, while nonprofit capacity is limited, demand for small business lending and technical assistance is growing.

¹ Palm Beach County Business Development Board. Accessed on March 14, 2014. Available from: www.pbdb.org

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overview

Palm Beach Community Bank’s overall performance rating is satisfactory. The loan-to-deposit ratio is more than reasonable. The majority of loans were originated inside the assessment area. The geographic distribution of loans reflects excellent dispersion. The distribution of borrowers reflects reasonable penetration among businesses of different sizes. Performance context information, such as competition, demographic, and other economic factors were also considered in the evaluation of the bank’s lending performance.

Loan-To-Deposit Ratio (LTD)

The bank LTD ratio is more than reasonable given the institution’s size, financial condition, competition, and assessment area credit needs. The bank’s average LTD ratio for the 16 quarters ended December 31, 2013, was 90.5 percent. The LTD ratio was compared with that of three other depository institutions of similar asset size with branch offices in the assessment area. The average LTD ratios for these three institutions over the same time period ranged from 74.5 percent to 82.4 percent.

Assessment Area Concentration

In 2013, the bank originated the majority of its commercial loans to businesses located within the West Palm Beach assessment area. As shown in the following table, 82 percent of the bank’s loans by number and 79 percent by dollar amount were extended to businesses within the assessment area. This percentage indicates the bank’s willingness to originate loans that meet credit needs within the assessment area.

Lending Inside and Outside the Assessment Area

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Commercial	73	82	\$44,616	78.9	16	18	\$11,928	21.1
Total Commercial related	73	82	\$44,616	78.9	16	18	\$11,928	21.1
TOTAL LOANS	73	82	\$44,616	78.9	16	18	\$11,928	21.1

Note: Affiliate loans not included

Geographic Distribution of Loans

The overall geographic distribution of the bank’s commercial loans reflects excellent dispersion throughout the assessment area and does not reveal any unexplained gaps in lending patterns. This conclusion is based on commercial loan originations relative to borrower location and the demographic characteristics within the assessment area. The table below summarizes 2012 and 2013 commercial loan originations inside the assessment area, and details the number and total dollar amount of those originations to businesses located in low-, moderate-, middle-, and upper-income census tracts. As shown, 14.6 percent of the bank’s loans were originated in low-income tracts where 3.6 percent of the small businesses were located, and 30.2 percent of the loans were originated in moderate-income tracts where 19.1 percent of small businesses are located. Other performance context issues including competition and economic conditions are also considered.

Geographic Distribution of Commercial Loans

Assessment Area: Palm Beach

Tract Income Levels	Bank Lending & Demographic Data Comparison				
	2012, 2013				
	Count	Bank		Small Businesses	
		#	%	Dollar \$ (000s)	\$ %
Low	6	8.2%	\$6,527	14.6%	3.6%
Moderate	25	34.2%	\$13,491	30.2%	19.1%
Middle	17	23.3%	\$6,655	14.9%	31.8%
Upper	25	34.2%	\$17,943	40.2%	45.3%
Unknown	0	0.0%	\$0	0.0%	0.2%
Tr Unknown	0	0.0%	\$0	0.0%	0.2%
<i>Total</i>	<i>73</i>	<i>100.0%</i>	<i>\$44,616</i>	<i>100.0%</i>	<i>100.0%</i>

Originations & Purchases

Based on 2013 D&B information according to 2010 ACSBoundaries.

Lending to Businesses of Different Sizes

The overall distribution of commercial loans by business revenue and loan size reflects reasonable penetration among businesses of different sizes, and does not reveal any unexplained gaps in lending patterns. The following table shows the distribution of commercial loan originations during 2012 and 2013 according to business revenue and loan size, and includes a breakdown of loans of \$1.0 million or less.

Commercial Loans by Business Revenue & Loan Size

Assessment Area: Palm Beach

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison				
		2012, 2013				
		Count	Bank		Total Businesses	
			#	%	\$ (000s)	%
BUSINESS REVENUE	\$1million or Less	43	58.9%	\$24,094	54.0%	92.2%
	Over \$1 Million	29	39.7%	\$20,462	45.9%	4.6%
	<i>Total Rev. available</i>	<i>72</i>	<i>98.6%</i>	<i>\$44,556</i>	<i>99.9%</i>	<i>96.8%</i>
	Rev. Not Known	1	1.4%	\$60	0.1%	3.2%
	<i>Total</i>	<i>73</i>	<i>100.0%</i>	<i>\$44,616</i>	<i>100.0%</i>	<i>100.0%</i>
LOAN SIZE	\$100,000 or Less	24	32.9%	\$1,239	2.8%	
	\$100,001 - \$250,000	20	27.4%	\$3,645	8.2%	
	\$250,001 - \$1 Million	14	19.2%	\$7,364	16.5%	
	Over \$1 Million	15	20.5%	\$32,368	72.5%	
	<i>Total</i>	<i>73</i>	<i>100.0%</i>	<i>\$44,616</i>	<i>100.0%</i>	
LOAN SIZE & Rev \$1 Mill or Less	\$100,000 or Less	16	37.2%	\$803	3.3%	
	\$100,001 - \$250,000	11	25.6%	\$2,073	8.6%	
	\$250,001 - \$1 Million	7	16.3%	\$4,038	16.8%	
	<i>Total</i>	<i>34</i>	<i>79.1%</i>	<i>\$6,914</i>	<i>28.7%</i>	

Originations & Purchases

Based on 2013 D&B information according to 2010 ACSData.

Of the loans reviewed, Palm Beach Community Bank originated 43 commercial loans inside the assessment area to businesses with reported revenues of \$1 million or less, which represents 58.9 percent of its commercial lending inside the assessment area. This percentage is below the percentage of businesses in the assessment area with revenues of \$1 million or less (92.2 percent). However, 16 of those 43 loans to small businesses (37.2 percent) were originated in amounts of \$100,000 or less, and another 11 (25.6 percent) were originated in amounts between \$100,001 and \$250,000. Thus 62.8 percent of the bank's commercial loans were also small loan sizes of \$250,000 or less, demonstrating the bank's willingness to make small dollar loans to help meet the credit needs of businesses in the community.

Community Development Activities

As part of this CRA performance evaluation, Palm Beach Community Bank management requested that the bank's qualifying community development investments be reviewed in order to determine if such activity could improve the bank's overall CRA rating. The bank made one qualifying investment totaling \$500,000 during the review period. This investment was in a Qualified School Construction Bond that was used to rebuild two elementary schools in Palm Beach County where more than 85 percent of students in each school are eligible for the free lunch program. The bank's investment will help improve school facilities for underserved youth and is beneficial to the community; however, it did not enhance the bank's CRA rating.

While community development loans are not specifically evaluated for a small bank CRA examination, it is noted that Palm Beach Community Bank made several community development loans during the review period that provide support for affordable housing and community services that benefit a regional area that includes the bank's assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

During this review, no substantive violations were found; no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

RESPONSE TO SUBSTANTIATED COMPLAINTS

Palm Beach Community Bank has not received any CRA related complaints since the last examination.

APPENDIX A

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED January 1, 2012 to December 31, 2013			
FINANCIAL INSTITUTION Palm Beach Community Bank		PRODUCTS REVIEWED Commercial Loans	
AFFILIATE(S) N/A	AFFILIATE RELATIONSHIP N/A	PRODUCTS REVIEWED N/A	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
<i>ASSESSMENT AREA</i>	<i>TYPE OF EXAMINATION</i>	<i>BRANCHES VISITED</i>	<i>OTHER INFORMATION</i>
West Palm Beach-Boca Raton-Boynton Beach Metropolitan Division (MD)	Full Scope Review	N/A	N/A

APPENDIX B – DEFINITIONS AND GENERAL INFORMATION

Definitions

ATM -	Automated Teller Machine
CDC -	Community Development Corporation
CDFI -	Community Development Financial Institution
CRA -	Community Reinvestment Act (Regulation BB)
FDIC -	Federal Deposit Insurance Corporation
FFIEC -	Federal Financial Institutions Examination Council
HMDA -	Home Mortgage Disclosure Act (Regulation C)
HUD	Department of Housing and Urban Development
LMI -	Low- and Moderate-Income
LTD -	Loan-to-Deposit
LTV -	Loan-to-Value Ratio
MD -	Metropolitan Division
MSA -	Metropolitan Statistical Area
OMB -	Office of Management and Budget
REIS -	Regional Economic Information System
SBA -	Small Business Administration
USDA -	United States Department of Agriculture

Rounding Convention

Because the percentages presented in tables were rounded to the nearest tenth in most cases, some columns may not total exactly 100 percent.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Palm Community Bank prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of April 14, 2014. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

APPENDIX C- 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 multi-family 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.

Effective January 19, 2010, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation revised the definition of community development to include loans, investments, and services by financial institutions that-

- I. Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
- II. Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; and
- III. Benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or areas outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

APPENDIX C- GLOSSARY (Continued)

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 nonrelatives 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, Investment, and Service 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 multi-family (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, Investment, and Service 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.

APPENDIX C – GLOSSARY (Continued)

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An 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. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an 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.

Multi-family: 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.