



**PUBLIC DISCLOSURE**

**November 14, 2022**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Coastal Bank & Trust**

**Jacksonville, North Carolina**

**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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## INSTITUTION RATING

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

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable given its size, financial condition, and assessment area credit needs.
- A majority of the institution's residential mortgage and small business loans considered in the evaluation were originated within the bank's assessment areas.
- Borrower distribution performance reflects a reasonable penetration among individuals of different incomes (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment areas.
- The institution has not received any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation.

### SCOPE OF EXAMINATION

Coastal Bank & Trust (CBT) was evaluated using the interagency evaluation procedures for a small bank developed by the Federal Financial Institutions Council (FFIEC). CBT's performance was evaluated based on residential mortgage and small business lending activity from 2021.

CBT was required to report certain information regarding its residential mortgage lending for calendar years 2018 and 2019 in accordance with the Home Mortgage Disclosure Act (HMDA). Because of changes in the HMDA reporting volume thresholds effective July 1, 2020, CBT was no longer required to report its residential mortgage loan data. Nonetheless, residential mortgage lending is a primary business line within the bank along with small business lending. Consequently, residential mortgage and small business lending from 2021 was used to evaluate CBT's performance.

### DESCRIPTION OF INSTITUTION

CBT is headquartered in Jacksonville, North Carolina, and operates a main office and three branches within the State of North Carolina. The bank has no affiliates or subsidiaries. CBT received a Satisfactory rating at its prior CRA evaluation dated August 27, 2018. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of September 30, 2022, bank assets totaled \$207 million, of which 68% were net loans and 9.5% were securities. Deposits totaled \$188.2 million during the same period. Various deposit and loan products are available through the institution, including residential mortgage, commercial, and consumer purpose loans. The composition of the loan portfolio (reflecting gross loans) as of September 30, 2022, is depicted in the following table.

**Composition of Loan Portfolio**

Loan Type	9/30/2022	
	\$(000s)	%
Secured by 1-4 Family dwellings	41,312	29.0
Multifamily	3,847	2.7
Construction and Development	19,958	14.0
Commercial & Industrial/ NonFarm NonResidential	74,611	52.4
Consumer Loans and Credit Cards	1,773	1.2
Agricultural Loans/ Farmland	905	0.6
All Other	0	0.0
<b>Total</b>	<b>142,406</b>	<b>100.0</b>

As indicated in the preceding table, CBT is an active residential mortgage and commercial lender. Small business lending (i.e. business purpose loans of \$1 million or less) is a subset of commercial lending. As such, small business and residential mortgage loans were used for this evaluation.

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, CBT has originated 411 loans totaling approximately \$17.5 million. CBT's origination of PPP loans is an example of the bank being responsive to area credit needs.

CBT serves two contiguous assessment areas located in the State of North Carolina. One assessment area is in a MSA, while the other is an adjacent rural, NonMSA portion of the state. The composition of each assessment area is detailed below.

<b>Assessment Area</b>	<b>City/County</b>	<b>Census Tracts Included</b>
Jacksonville, NC MSA	Onslow County	All
Carteret County, NC NonMSA	Carteret County	All

Since its previous evaluation, the bank opened two branches and closed one loan production office.

- In December 2018, the bank closed its loan production office located in Morehead City (Carteret County), North Carolina. The closure of this loan production office did not cause any changes the bank's assessment area<sup>1</sup>.
- In January 2019, CBT opened a branch in Onslow County, North Carolina. Because this branch was opened within an existing assessment area, its opening did not cause any assessment area changes.
- In June 2020, CBT opened a branch in Carteret County, North Carolina. The opening of this bank branch caused bank management to delineate the Carteret County, NC NonMSA assessment area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

When evaluating a bank's residential mortgage lending 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 performance, relevant area demographic data from the 2015 ACS is used as a proxy for loan demand. Dun & Bradstreet (D&B) business demographic data from 2021 is also considered when evaluating the bank's small business lending performance.

Aggregate loan data is also used as a proxy for demand when evaluating the bank's lending performance. Aggregate residential mortgage data includes all activity by lenders subject to reporting residential mortgage data within the bank's assessment area. While aggregate residential mortgage data was used, small business aggregate data was not available, and therefore not included. Because the bank was not required to report its residential mortgage lending data during 2021, its lending activity is not included in the aggregate data. Nonetheless, the aggregate lending data is an important element of performance context because the aggregate lending data occurred in the same geographic area under the same economic conditions that CBT faced when originating its residential mortgage loans.

<sup>1</sup> While Regulation BB requires banks to delineate assessment areas that include bank branches and deposit taking automated teller machines, loan production offices are not bank branches and are not subject to the regulation's assessment area delineation rules.

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. Performance in each loan category is then generally weighted by dollar volume of such loans made in the assessment area to arrive at an overall assessment area level conclusion regarding the distribution of lending. Similarly, when the performance of multiple assessment areas is considered to reach the institution's rating, the overall level of performance from each assessment area subject to full scope review is weighted primarily according to loan dollar volume within each area during the review period. At this evaluation, only one assessment area was reviewed using full-scope procedures (Jacksonville, NC MSA), and conclusions from this assessment area drive the institution's overall rating.

**Loan-To-Deposit Ratio**

The bank's loan-to-deposit ratio equaled 74.8% as of September 30, 2022, and averaged 79.2% for the 17-quarter period ending September 30, 2022. By comparison, the quarterly average loan-to-deposit ratios for eight peer banks similar in asset size and operating in CBT's assessment areas ranged from 62.5% to 97% for the same 17-quarter period. Since September 30, 2018, the bank's assets, net loans, and deposits have increased by 99.9%, 97.2%, and 119.6%, respectively. When considering relevant performance context factors such as the institution's size, financial condition, and local credit needs, the bank's loan-to-deposit ratio is considered reasonable.

**Lending in Assessment Areas**

To determine the institution's volume of lending within its assessment areas, the geographic location of CBT's small business and residential mortgage loans was considered. The lending distribution inside and outside of the bank's combined assessment areas is depicted in the following table.

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

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Small Business	236	76.9	12,526	76.7	71	23.1	3,815	23.3
Mortgage Loans	29	52.7	5,088	43.7	26	47.3	6,544	56.3
<b>TOTAL LOANS</b>	<b>265</b>	<b>73.2</b>	<b>17,614</b>	<b>63.0</b>	<b>97</b>	<b>26.8</b>	<b>10,359</b>	<b>37.0</b>

As indicated in the preceding table, a majority of the total number (73.2%) and dollar amount (63%) of small business and mortgage loans were extended within the bank's assessment areas during the review period. Overall, the institution's level of lending within its assessment areas is considered responsive to community credit needs.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN JACKSONVILLE, NC MSA ASSESSMENT AREA**

CBT operates three full-service branches within the Jacksonville, NC MSA assessment area. The bank's assessment area delineation includes the entire MSA, which consists of all census tracts in Onslow County. As previously noted, the bank opened one branch in this assessment area since the previous evaluation.

As of June 30, 2022, CBT ranked 5<sup>th</sup> out of 11 financial institutions in local deposit market share according to data compiled by the Federal Deposit Insurance Corporation and held 8.7% of the assessment area's deposits (excluding credit union deposits).

According to 2015 ACS data, the assessment area has a population of 183,753 and a median housing value of \$154,038. The owner-occupancy rate for the assessment area (45.1%) is lower than the owner-occupancy rate for the State of North Carolina (55.7%). The percentage of families living below the poverty level in the assessment area (11.9%) is also lower than the statewide rate (12.8%). The 2020 and 2021 HUD estimated median family incomes in the Jacksonville, NC MSA equaled \$57,700 and \$59,400, respectively. The following table includes pertinent demographic data for the assessment area.

**Assessment Area Demographics**

Jacksonville, NC MSA (Based on 2015 ACS Data and 2021 D&B Information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	8,183	18.3
Moderate	6	18.8	5,198	11.6	1,005	19.3	8,324	18.6
Middle	18	56.3	32,374	72.2	3,729	11.5	10,706	23.9
Upper	5	15.6	7,266	16.2	581	8.0	17,625	39.2
NA	3	9.3	0	0.0	0	0.0		
<b>Total</b>	<b>32</b>	<b>100.0</b>	<b>44,838</b>	<b>100.0</b>	<b>5,315</b>	<b>11.9</b>	<b>44,838</b>	<b>100.0</b>
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	13,104	21.1
Moderate	1,285	3.8	7,160	11.5	1,523	21.3	10,955	17.6
Middle	25,506	76.3	44,942	72.3	6,189	13.8	13,415	21.6
Upper	6,637	19.9	10,083	16.2	973	9.6	24,711	39.7
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>33,428</b>	<b>100.0</b>	<b>62,185</b>	<b>100.0</b>	<b>8,685</b>	<b>14.0</b>	<b>62,185</b>	<b>100.0</b>
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	654	11.9	597	11.5	57	23.0	0	0.0
Middle	3,792	68.9	3,607	69.3	148	59.7	37	82.2
Upper	1,027	18.7	978	18.8	43	17.3	6	13.3
NA	28	0.5	26	0.4	0	0.0	2	4.5
<b>Total</b>	<b>5,501</b>	<b>100.0</b>	<b>5,208</b>	<b>100.0</b>	<b>248</b>	<b>100.0</b>	<b>45</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			94.7		4.5		0.8

\*NA-Tracts without household or family income as applicable

Marine Corps Base Camp Lejeune is located within the assessment area and provides many employment opportunities with the Department of Defense and Marine Corps Community Services. The local county government and school board also provide a large portion of employment opportunities for residents. Aside from these entities, the largest employers include Walmart and Onslow Memorial Hospital. Recent and historical unemployment rates since the previous evaluation are included in the following table.

Geographic Area	August 2022	August 2021	August 2020	August 2019	August 2018
Jacksonville, NC MSA	4.5%	5.3%	6.2%	4.9%	4.8%
State of North Carolina	3.9%	4.8%	6.6%	4.2%	4.2%

Prior to the Covid-19 pandemic and subsequent economic shut down, the assessment area was experiencing a relatively stable but slightly increasing unemployment rate environment. Generally, unemployment rates for the assessment area were higher than unemployment rates across the state. Unemployment rates spiked in 2020 because of the pandemic-related economic disruption but have since begun declining at a pace relatively consistent with statewide unemployment levels.

A local affordable housing official was contacted during the evaluation to discuss local economic conditions and affordable housing needs. The contact indicated the local area would benefit from additional affordable housing as housing costs exceed 50% of many low-income residents' incomes. The individual also noted that investing in affordable housing funds and providing financial education in home ownership could be an opportunity for community banks to help the local community. Overall, the contact indicated that local financial institutions are reasonably serving the banking needs of the local economy.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

During 2021, the bank originated approximately \$3.8 million in residential mortgage loans and \$10.4 million in small business loans. Given the comparatively larger volume of small business lending within the assessment area, loan performance for this product is weighted more heavily when considering the bank's combined product performance.

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

CBT's borrower distribution performance is considered poor for residential mortgage lending and reasonable for small business lending within the assessment area. Based on the relative performance level and loan volume of each product, the bank's overall borrower distribution is considered reasonable. In reaching this conclusion, greater weight was placed on the bank's small business lending performance.

**Mortgage Loans by Income Level of Borrower**

Jacksonville, NC MSA (2021)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
<b>Mortgage Loan Totals</b>								
Low	0	0.0	0	0.0	296	3.2	34,849	1.8
Moderate	1	6.7	84	3.3	1,498	16.1	236,407	11.9
Middle	5	33.3	380	14.8	2,962	31.8	570,604	28.8
Upper	9	60.0	2,111	81.9	4,568	48.9	1,139,354	57.5
<b>Total</b>	<b>15</b>	<b>100.0</b>	<b>2,575</b>	<b>100.0</b>	<b>9,324</b>	<b>100.0</b>	<b>1,981,214</b>	<b>100.0</b>
Unknown	5		1,241		5,726		1,183,031	

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

During 2021, CBT did not originate any residential mortgage loans to low-income borrowers; however, the percentage of low-income families in the area (18.3%) and the aggregate level of lending (3.2%) indicate there are lending opportunities to these borrowers. The bank's lending to moderate-income borrowers (6.7%) lagged than the percentage of moderate-income families (18.6%) and aggregate bank lending levels (16.1%). Overall, this level of lending is considered poor.



**Distribution of Lending by Loan Amount and Size of Business**

Jacksonville, NC MSA (2021)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	20	10.0	4,194	40.3	NA	NA	NA	NA
Over \$1 Million	2	1.0	950	9.1	NA	NA	NA	NA
Unknown	179	89.0	5,267	50.6	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	178	88.6	4,151	39.9	NA	NA	NA	NA
\$100,001-\$250,000	14	7.0	1,893	18.2	NA	NA	NA	NA
\$250,001-\$1 Million	9	4.4	4,367	41.9	NA	NA	NA	NA
<b>Total</b>	<b>201</b>	<b>100.0</b>	<b>10,411</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

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

D&B data from 2021 indicates that 94.7% of all local businesses have revenues that do not exceed \$1 million per year. Of the small business loans considered in the evaluation, 10% were to businesses with revenues of \$1 million or less. The percentage of CBT’s small business loans extended to businesses with revenues of \$1 million or less was impacted by a large volume of loans for which borrower revenues were unknown (89% of the loans reviewed).

During 2021, the bank originated a large volume of small business loans without knowing the borrower’s revenue. During this time, many of the small business loans without borrower revenue resulted from the bank’s PPP lending, as the SBA’s PPP lending program did not require lenders to collect or consider borrower revenue. Because borrower revenue cannot be considered for a large portion of CBT’s 2021 small business loans, the distribution by loan size was considered as an element of performance context for the small business loans without revenue information. The following table reflects this distribution.

**Distribution of Sampled PPP Small Business Loans with Unknown Revenue by Loan Size**

Jacksonville, NC MSA (2021)				
Loan Size	#	%	\$(000s)	%
\$100,000 or less	168	93.8%	\$3,566	67.7%
> \$100,000 to \$250,000	10	5.6%	\$1,270	24.1%
> \$250,000 to \$1,000,000	1	0.6%	\$431	8.2%
<b>Total</b>	<b>179</b>	<b>100%</b>	<b>\$5,267</b>	<b>100%</b>

Within the Jacksonville, NC MSA assessment area, a large majority (93.8%) of PPP small business loans for which borrower revenue was not known had loan amounts of \$100,000 or less, indicating that the bank is helping to serve the needs of small businesses in the assessment area. In addition, when borrower revenues were known, 20 of CBT’s 22 small business loans were to businesses with annual revenues of \$1 million or less (90.9%). The bank’s performance is considered reasonable.

**Geographic Distribution of Loans**

CBT’s assessment area contains no low-income census tracts; therefore, the bank’s lending in moderate-income census tracts is a significant factor in determining the bank’s geographic distribution performance. While the bank’s geographic distribution performance is considered excellent for residential mortgage lending, it is poor for small business lending within the assessment area. As previously noted, the bank originated a larger dollar volume of small business loans within this assessment area than residential mortgage loans during 2021. While more weight is placed on the bank’s small business loan performance because of its larger dollar volume, the strength of performance for each loan type is also a factor when determining the bank’s overall performance. The bank’s overall performance is considered reasonable in large part because of its excellent residential mortgage loan performance.

**Mortgage Loans by Income Level of Census Tract**

Jacksonville, NC MSA (2021)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
<b>Mortgage Loan Totals</b>								
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	3	15.0	1,015	26.6	403	2.7	58,176	1.8
Middle	12	60.0	1,445	37.9	11,941	79.3	2,409,472	76.1
Upper	5	25.0	1,355	35.5	2,701	18.0	695,240	22.1
NA*	0	0.0	0	0.0	5	0.0	1,357	0.0
<b>Total</b>	<b>20</b>	<b>100.0</b>	<b>3,815</b>	<b>100.0</b>	<b>15,050</b>	<b>100.0</b>	<b>3,164,245</b>	<b>100.0</b>

NA\*-Tracts without household or family income as applicable

During 2021, the bank originated 20 residential mortgage loans totaling \$3.8 million within the assessment area, of which three loans (15%) totaling \$1 million (26.6%) were located within moderate-income census tracts. CBT’s level of lending substantially exceeded the percentage of owner-occupied housing units (3.8%) and the aggregate level of lending (2.7%) in such tracts. The bank’s performance is considered excellent.

**Distribution of Small Business Loans by Income Level of Census Tract**

Jacksonville, NC MSA (2021)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	9	4.5	586	5.6	NA	NA	NA	NA
Middle	165	82.1	8,230	79.1	NA	NA	NA	NA
Upper	27	13.4	1,594	15.3	NA	NA	NA	NA
NA*	0	0.0	0	0.0	NA	NA	NA	NA
<b>Total</b>	<b>201</b>	<b>100.0</b>	<b>10,410</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

\*NA-Tracts without household or family income as applicable

Loans where the geographic location is unknown are excluded from this table.

D&B data from 2021 indicates that 11.9% of all businesses in the assessment area are located within moderate-income census tracts. CBT’s lending performance in moderate-income census tracts (4.5%) significantly lagged the demographic proxy for demand. This level of lending is considered poor.

**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.

**NONMETROPOLITAN STATEWIDE AREA**

*(If none of the assessment areas within the nonmetropolitan statewide area were reviewed using full-scope review)*

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NONMETROPOLITAN STATEWIDE AREA**

The Carteret County, NC NonMSA assessment area was reviewed using the limited review examination procedures. This assessment area includes Carteret County, NC in its entirety and has a population of 68,228. CBT operates one branch within the assessment area located in an upper-income census tract. The 2021 statewide North Carolina area median family income equaled \$55,300.

<b>Carteret County, NC NonMSA Assessment Area Demographics</b>					
<i>(Based on 2015 ACS data and 2021 D&amp;B data)</i>					
Income Category	Tract Distribution		Percentage Families by Income	Percentage Families by Tract	Percentage of Area Businesses
	#	%			
Low	0	0%	16.5%	0%	0%
Moderate	3	7.7%	13.5%	6.6%	16%
Middle	13	33.3%	16.7%	38.3%	31.1%
Upper	20	51.3%	53.3%	55.1%	52.9%
NA	3	7.7%	0%	0%	0%
Total	39	100%	100%	100%	100%
Area Businesses with Revenue of \$1 million or less					93.2%

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Assessment area-level data reviewed regarding the bank’s performance can be found in **APPENDIX A** of this evaluation. A conclusion regarding performance, which did not impact the institution’s overall rating, is included in the following table. The conclusion conveys whether performance in the assessment area was generally below, consistent with, or exceeded the institution's overall rating.

<b>Assessment Area</b>	<b>Lending Test</b>
Carteret County, NC NonMSA Assessment Area	Consistent

CRA APPENDIX A  
LIMITED REVIEW TABLES

Carteret County, NC NonMSA Assessment Area

Performance Test Data for Carteret County, NC NonMSA Assessment Area

Limited Review Lending Table

Carteret County, NC NonMSA (2021)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	<b>Mortgage Loan Totals</b>				<b>Consumer</b>			
<i>Geographic</i>	<b>(9)</b>				<b>(NA)</b>			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	2	22.2	6.3	5.2	NA	NA	NA	NA
Middle	4	44.4	28.2	38.4	NA	NA	NA	NA
Upper	3	33.3	65.5	56.4	NA	NA	NA	NA
<i>Borrower</i>	<b>(4)</b>				<b>(NA)</b>			
Low	0	0.0	1.5	16.5	NA	NA	NA	NA
Moderate	0	0.0	6.8	13.5	NA	NA	NA	NA
Middle	0	0.0	14.8	16.8	NA	NA	NA	NA
Upper	4	100.0	76.9	53.3	NA	NA	NA	NA
	<b>Small Business</b>				<b>Small Farm</b>			
<i>Geographic</i>	<b>(35)</b>				<b>(NA)</b>			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	6	17.1	10.2	16.0	NA	NA	NA	NA
Middle	7	20.0	32.2	31.1	NA	NA	NA	NA
Upper	22	62.9	57.5	52.9	NA	NA	NA	NA
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	5	14.3	56.9	93.2	NA	NA	NA	NA

*Geographic ( ) represents the total number of bank loans for the specific Loan Purpose where geography is known  
Borrower ( ) represents the total number of bank loans for the specific Loan Purpose where income is known  
NA represents no activity in the income category*

## CRA APPENDIX B

### 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 Test (and if applicable, consideration of investments and services) 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 Test (and if applicable, consideration of investments and services) 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.