

PUBLIC DISCLOSURE

August 2, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of the Orient

RSSD # 777366

100 Pine Street

San Francisco, California 94111

Federal Reserve Bank of San Francisco

101 Market Street

San Francisco, California 94105

NOTE: *This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.*

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INSTITUTION RATING

Institution's Community Reinvestment Act (CRA) Rating

Bank of the Orient is rated "SATISFACTORY"

The following table shows the performance ratings for the lending and community development tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	LENDING TEST	COMMUNITY DEVELOPMENT TEST
OUTSTANDING		
SATISFACTORY	X	X
NEEDS TO IMPROVE		
SUBSTANTIAL NONCOMPLIANCE		

The major factors supporting the institution's rating include:

- A reasonable loan-to-deposit ratio.
- A majority of loans originated in the assessment area.
- A reasonable distribution of loans to businesses of different revenue sizes.
- A reasonable geographic distribution of small business loans.
- An adequate level of community development activities and adequate responsiveness to community development needs in the assessment areas, specifically addressing economic development, affordable housing, and community services to low- and moderate-income individuals.

INSTITUTION

Description of Institution

Bank of the Orient (bank), a wholly-owned subsidiary of Orient Bancorporation, is headquartered in San Francisco, California, and reported total assets of \$933.3 million as of March 31, 2021. The bank commenced operations in 1971 and operates a total of seven branches in two states, with six branches in Northern California, and one branch in Honolulu, Hawaii. All branches in Northern California are in the San Francisco Bay Area with four branches located in San Francisco County, one branch located in San Mateo County, and one branch located in Alameda County. The bank also opened a branch in Palo Alto, California in San Mateo County on August 15, 2018, which only operated until April 30, 2020. The bank also operates one foreign branch in Xiamen, China, and a loan production office in Sugar Land, Texas.

Bank of the Orient is a full-service community bank focused on the commercial lending needs of Asian-American small businesses. The bank offers traditional loan and deposit products and services to consumer and business clients, and primarily originates loans and lines of credit for commercial and multi-family residential real-estate acquisitions, leasehold improvements, working capital, and business expansion activities. Consumer lending products are currently limited to home equity lines of credit. Deposit products offered by the bank include checking and savings accounts, certificates of deposit, and money market accounts.

Bank of the Orient's loan portfolio, as stated in its March 31, 2021, Consolidated Report of Condition and Income depicted in Exhibit 1 below, illustrates the bank's commercial and real-estate lending focus.

EXHIBIT 1 LOANS AND LEASES AS OF MARCH 31, 2021		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	350,546	51.9
Secured by 1-4 Family Residential Real Estate	217,420	32.2
Multi-Family Residential Real Estate	78,307	11.6
Construction & Land Development	28,574	4.2
Total (Gross)	674,847	100.0

The bank received a satisfactory rating at its previous CRA examination, which was conducted as of August 20, 2018, by the Federal Reserve Bank of San Francisco using the *Interagency Intermediate Small Institution CRA Examination Procedures*.

Bank of the Orient delineates two assessment areas which remain unchanged since the prior examination, as follows:

- The San Francisco Bay Area assessment area, which includes Alameda, San Francisco, and San Mateo counties in their entirety; and
- The Honolulu assessment area, which consists of Honolulu County in its entirety and covers the island of Oahu.

During the review period, there were legal or financial impediments that inhibited Bank of the Orient's ability to meet the credit needs of its communities. Effective March 18, 2021, Orient Bancorporation, Bank of the Orient, and the Federal Reserve Bank of San Francisco entered into a Written Agreement. Bank of the Orient's limited capacity was considered as part of this evaluation.

Scope of Examination

Bank of the Orient's CRA performance was evaluated using the *Interagency Intermediate Small Institution CRA Examination Procedures*. Performance for intermediate small banks is evaluated under two tests that consider the bank's lending and community development activities. Five community representatives were contacted in connection with this examination to provide information regarding credit needs and market conditions within the assessment areas.

Each of the bank's assessment areas were evaluated using full-scope examination procedures since they are located in separate states. The San Francisco Bay Area assessment area received significant weight since most operations are conducted in this area. Activities in the Honolulu assessment area were more limited given the small branch footprint and number of staff located in this area.

LENDING TEST

The lending test portion of the evaluation was based upon the following performance criteria:

- Loan volume compared to deposits (Loan-to-Deposit Ratio);
- Lending inside versus outside of the assessment area (Lending in the Assessment Area);
- Dispersion of lending throughout the assessment area (Lending Distribution by Geography); and
- Lending to businesses of different revenue sizes (Lending Distribution by Business Revenue).

Bank of the Orient's responsiveness to consumer complaints was not evaluated since the bank did not receive any CRA-related complaints during the review period.

The lending test evaluation was based on small business loans originated from August 21, 2018 through December 31, 2020. A total of 45 small business loans were considered in the evaluation of *Lending in the Assessment Area*. Of that total, 20 small business loans extended within the bank's San Francisco Bay Area assessment area were used in the evaluation of the *Lending Distribution by Geography* and *Lending Distribution by Business Revenue*. Bank of the Orient originated four loans in the Honolulu assessment area, which is insufficient volume to perform meaningful analysis.

COMMUNITY DEVELOPMENT TEST

The community development test evaluates the bank's level of community development activities relative to assessment area credit needs and opportunities, and the bank's capacity to participate in such activities. The community development test was based on qualified community development loans, investments, and services provided by the bank from August 21, 2018 through August 2, 2021.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The following sections contain conclusions regarding Bank of the Orient’s overall performance and are followed by individual performance conclusions for California and Hawaii. Conclusions with respect to the lending and community development tests were greatly influenced by the conclusions reached for California where the majority of the bank’s lending and deposit activities are concentrated.

Lending Test

Overall, Bank of the Orient’s lending test performance is satisfactory. The bank’s average loan-to-deposit ratio is reasonable and a majority of loans were originated inside the bank’s two assessment areas. The overall geographic and borrower distributions of loans are reasonable. However, lending volume in the Honolulu assessment area is inconsistent with the bank’s capacity and available opportunities.

LOAN-TO-DEPOSIT RATIO

Bank of the Orient’s overall loan-to-deposit ratio is reasonable. The bank’s 10-quarter average loan-to-deposit ratio was 93.6 percent as of December 31, 2020. This exceeded the state of California average of 85.6 percent and the state of Hawaii average of 79.1 percent, as well as the national average of 84.7 percent during the same period.

LENDING IN ASSESSMENT AREA

As depicted in Exhibit 2 below, a majority of loans were extended inside the bank’s assessment areas.

EXHIBIT 2 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS AUGUST 21, 2018 TO DECEMBER 31, 2020								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Small Business	24	53.3	13,621	58.6	21	46.7	9,611	41.4
Total Business Related	24	53.3	13,621	58.6	21	46.7	9,611	41.4
Total Loans	24	53.3	13,621	58.6	21	46.7	9,611	41.4

GEOGRAPHIC AND BORROWER DISTRIBUTION

Bank of the Orient’s overall geographic and borrower distributions are reasonable. This performance is driven by the distributions in the San Francisco Bay Area assessment area, which reflected a reasonable distribution in low- and moderate-income geographies and a reasonable distribution to smaller businesses. However, this performance was somewhat offset by weaker performance in the Honolulu assessment area, which had limited lending volume that was insufficient to analyze for purposes of the geographic and borrower distribution of loans.

RESPONSE TO COMPLAINTS

Bank of the Orient did not receive any CRA-related complaints over the review period. As such, the bank's responsiveness to complaints was not considered in evaluating overall CRA performance.

Community Development Test

As depicted in Exhibit 3 below, Bank of the Orient's overall community development test performance is satisfactory. This conclusion is based on an adequate volume of community development loans, investments, and services provided in both the San Francisco Bay Area and Honolulu assessment areas.

EXHIBIT 3 COMMUNITY DEVELOPMENT ACTIVITIES						
Assessment Area (s)	Loans		Investments		Services	
	#	\$ ('000s)	#	\$ ('000s)	#	Hours
San Francisco Bay Area	19	25,366	53	102	261	2,186
Honolulu	1	692	8	511	18	403
Broader Statewide or Regional Area	29	145	0	0	0	0
Total	49	26,203	61	613	279	2,589

Community Development Lending

Bank of the Orient originated or participated in 49 community development loans totaling \$26.2 million. These loans helped to address the needs for economic development and affordable housing in the bank's assessment areas or broader statewide or regional areas that also include the bank's assessment areas. Community development loans that benefited the broader statewide or regional areas included loan participations with a multi-family affordable housing lender that operates throughout the state of California.

Community Development Investments

Bank of the Orient made a total of 61 investments totaling \$613,000. These investments were largely donations made to organizations that provide affordable housing and community development services for low- and moderate-income geographies or individuals in the bank's assessment areas. Donations were also responsive to community needs through the COVID-19 pandemic.

Community Development Services

Bank of the Orient provided over 2,500 community development service hours to organizations focused on providing community services to low- and moderate-income individuals. These organizations provide assistance for education and employment training, workforce development, scholarship programs for students, and cost-effective healthcare.

Fair Lending or Other Illegal Practices Review

Concurrent with this CRA evaluation, a review of Bank of the Orient's compliance with consumer protection laws and regulations was conducted. The review found no evidence of violations of the substantive provisions of anti-discrimination, fair lending, or other credit practice rules, laws, or regulations.

STATE OF CALIFORNIA

CRA Rating for California

Performance in California is rated "SATISFACTORY"

The lending test is rated: Satisfactory

The community lending test is rated: Satisfactory

The major factors supporting the institution's rating include:

- A reasonable distribution of small business loans by geography.
- A reasonable distribution of loans to businesses of different revenue sizes.
- An adequate level of community development activities was provided in response to assessment area needs.

Scope of Examination

The scope of examination for the state of California is consistent with the overall scope of the CRA examination. The San Francisco Bay Area assessment area was evaluated using full-scope examination procedures and received the greatest weight in the overall assessment due to the bank's larger presence in this area.

Description of Operations in California

Bank of the Orient operates six branches in California.¹ The state is a competitive market for financial services with 191 Federal Deposit Insurance Corporation (FDIC)-insured depository institutions operating 6,611 branches with combined deposits of \$1.8 trillion, as of June 30, 2020.² Bank of the Orient ranked 100th out of the 191 institutions in California with deposits totaling \$733 million, which represented a small deposit market share of 0.04 percent.³

The San Francisco Bay Area assessment area consists of Alameda, San Francisco, and San Mateo counties in their entireties. Each county in the assessment area is located within the San Francisco-Oakland-Berkeley, CA Metropolitan Statistical Area (MSA). As of 2019, the assessment area had a combined population of 3.3 million people.⁴ There were 58 FDIC-insured commercial institutions operating 711 offices in the assessment area as of June 30, 2020.⁵

¹ Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2020; available from: <https://www7.fdic.gov/sod/sodMarketBank.asp?barItem=2>.

² Ibid.

³ Ibid.

⁴ U.S. Census Bureau, QuickFacts, Population Estimates, July 1, 2019; available from: www.census.gov/quickfacts/.

⁵ Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2020; available from: <https://www7.fdic.gov/sod/sodMarketBank.asp?barItem=2>.

Exhibit 4 below presents key demographic and business information used to help develop a performance context for the assessment area.

EXHIBIT 4 ASSESSMENT AREA DEMOGRAPHICS SAN FRANCISCO BAY AREA ASSESSMENT AREA 2020 FFIEC CENSUS AND 2020 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	90	12.6	72,383	10.2	17,676	24.4	177,908	25.1
Moderate-income	148	20.7	143,970	20.3	15,882	11.0	111,717	15.8
Middle-income	218	30.4	236,495	33.3	12,171	5.1	127,293	17.9
Upper-income	246	34.4	254,011	35.8	6,580	2.6	292,245	41.2
Unknown-income	14	2.0	2,304	0.3	283	12.3	0	0.0
Total AA	716	100.0	709,163	100.0	52,592	7.4	709,163	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	148,672	27,113	4.7	18.2	108,155	72.7	13,404	9.0
Moderate-income	253,972	91,595	15.9	36.1	148,353	58.4	14,024	5.5
Middle-income	401,662	203,000	35.2	50.5	176,655	44.0	22,007	5.5
Upper-income	431,555	253,738	44.0	58.8	153,979	35.7	23,838	5.5
Unknown-income	10,511	1,318	0.2	12.5	7,999	76.1	1,194	11.4
Total AA	1,246,372	576,764	100.0	46.3	595,141	47.7	74,467	6.0
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	23,772	13.3	20,701	12.8	2,950	18.8	121	14.5
Moderate-income	30,402	17.0	27,941	17.2	2,344	14.9	117	14.0
Middle-income	50,545	28.3	46,426	28.6	3,907	24.9	212	25.4
Upper-income	72,273	40.4	65,596	40.4	6,312	40.2	365	43.7
Unknown-income	1,882	1.1	1,662	1.0	200	1.3	20	2.4
Total AA	178,874	100.0	162,326	100.0	15,713	100.0	835	100.0
% of Total Businesses				90.7		8.8		0.5
2020 Adjusted Median Family Income ⁶								
Alameda County			\$119,200					
San Francisco County			\$140,900					
San Mateo County			\$140,900					

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

Economic Conditions

During the review period, the area economy expanded prior to the economic downturn brought by the onset of the COVID-19 pandemic. Overall, the economic drivers in the area were technology, finance, and healthcare, with additional support from the non-defense federal government industry. The technology sector drove much of the area's economic growth early in the review period. During the three years leading up to the review period, the San Francisco Bay Area experienced a 5.9 percent compound annual growth rate in GDP, which was one of the highest rates among national economies and outpaced peer U.S. cities.⁷ The area's larger share of venture capital investment than any other U.S. region was the catalyst for the region's strength in technology and the growth of area startups.⁸ There was a large share of top-performing companies in the area, including private companies with valuations over \$1 billion as well as Fortune 500 companies, second only in number to New York.⁹

The pandemic's impact on the area economy was most pronounced in the loss of employment as of April 2020, at which point the region had 580,000, or 14 percent, fewer jobs than it had in January.¹⁰ However, most Bay Area industries showed signs of recovery from the economic impacts of the pandemic by late 2020. The construction industry had one of the most pronounced recoveries, rebounding in October 2020 to 99 percent of January employment levels.¹¹ The leisure and hospitality sector had a slower rate of recovery after half of the jobs in the sector were lost in April 2020 relative to the start of the year.¹² However, supply chain disruptions and a global shortage of semiconductors posed challenges to the area's large concentration of computer and electronic manufacturing jobs.¹³ Although the area had a diversified economy, as noted by the industries described above, the technology sector drove the area's economic expansion and recovery from the pandemic's economic pressures.

The area had a comparatively higher cost of living, primarily driven by high housing costs.¹⁴ In the first quarter of 2020, San Francisco and Oakland were among the most expensive cities in the country, based on a cost of living index.¹⁵ In addition, living cost pressures were particularly prominent for low- and mid-wage workers that were priced out of the area, which contributed to a slowdown in population growth.¹⁶ During the pandemic, most cities saw a decrease in average rent for a one-bedroom unit.¹⁷ However, home sale prices increased in seven metro areas in the region.¹⁸ Most significantly, sale prices increased by 22 percent in the Oakland metro.¹⁹ These increases in home sale prices in predominately

⁷ Bay Area Council Economic Institute, Economic Profile 2020: The Future of the Bay Area's Innovation Ecosystem; available from: <http://www.bayareaeconomy.org/report/economic-profile-2020-the-future-of-the-bay-areas-innovation-ecosystem/>.

⁸ Ibid.

⁹ Ibid.

¹⁰ Bay Area Council Economic Institute, Economic Profile 2020: Bay Area Economic Recovery Tracker; available from: <http://www.bayareaeconomy.org/report/bay-area-economic-recovery-tracker/>.

¹¹ Ibid.

¹² Ibid.

¹⁴ Bay Area Council Economic Institute, Economic Profile 2020: Housing and Transportation in a Post-Pandemic Bay Area; available from: <http://www.bayareaeconomy.org/report/housing-and-transportation-in-a-post-pandemic-bay-area/>.

¹⁴ Bay Area Council Economic Institute, Economic Profile 2020: Housing and Transportation in a Post-Pandemic Bay Area; available from: <http://www.bayareaeconomy.org/report/housing-and-transportation-in-a-post-pandemic-bay-area/>.

¹⁵ Ibid.

¹⁶ Moody's Precis Report, San Francisco-Redwood City-South San Francisco CA, November 2020.

¹⁷ Bay Area Council Economic Institute, Economic Profile 2020: Housing and Transportation in a Post-Pandemic Bay Area; available from: <http://www.bayareaeconomy.org/report/housing-and-transportation-in-a-post-pandemic-bay-area/>.

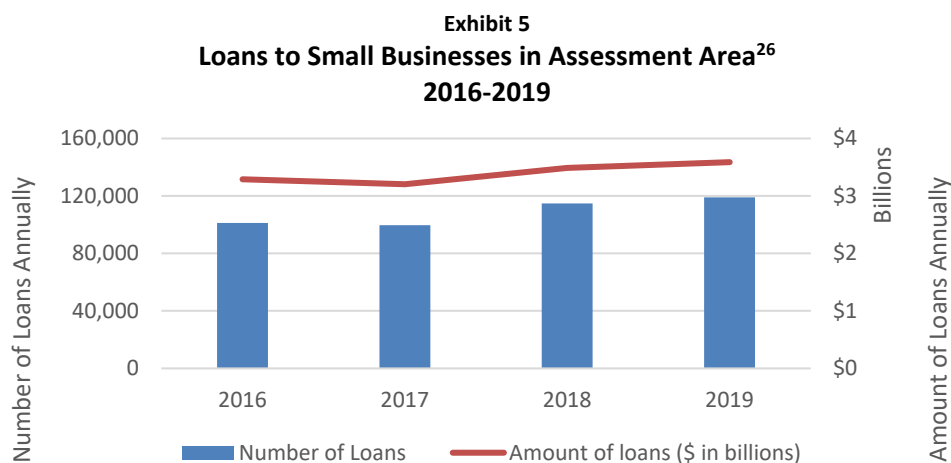
¹⁸ Ibid.

¹⁹ Ibid.

suburban areas of the region indicate a growing popularity toward suburban areas over comparatively urban areas.²⁰

Overall, the area continued to recover from the 2020 economic downturn. In addition to the data referenced above, trends in small business lending, unemployment, housing, and poverty are discussed further in the assessment area analysis below.

As depicted below in Exhibit 5, small business lending from banks subject to the CRA trended upward during the review period. In 2019, there were 118,947 loans totaling \$3.6 billion made to small businesses in the assessment area. Lending to small businesses played a critical role in the economy given that small businesses accounted for 90.7 percent of all businesses in the assessment area, as noted in Exhibit 4. In response to the COVID-19 pandemic, the federal Paycheck Protection Program (PPP) was launched to aid small businesses during the pandemic-associated shelter-in-place orders and resulted in increased lending to small businesses and farms in the first half of 2020.²¹ Nationwide, small business and farm lending by small banks grew on average by 23 percentage points, while lending by medium and large banks increased by 38 and 35 percentage points, respectively.²² The growth in lending suggests small businesses and farms turned to banks for funding and support to respond to the pandemic’s negative effect on consumer and business activity in 2020.²³ In the assessment area, over 60,000 PPP loans in the amount of less than \$1 million were made and approximately 400,000 jobs were self-reported to benefit from the loans made between April 3, 2020 and August 8, 2020.²⁴ According to the borrower firms that elected to report their industry, most loans under \$1 million were made to businesses in the Professional, Scientific, and Technical Services sector, followed by the Healthcare and Social Assistance sector.²⁵



²⁰ Ibid.

²¹ Federal Reserve Bank of San Francisco, Economic Letter, Small Business Lending during COVID-19, November 23, 2020; available from: <https://www.frbsf.org/economic-research/publications/economic-letter/2020/november/small-business-lending-during-covid-19/>.

²² Ibid.

²³ Ibid.

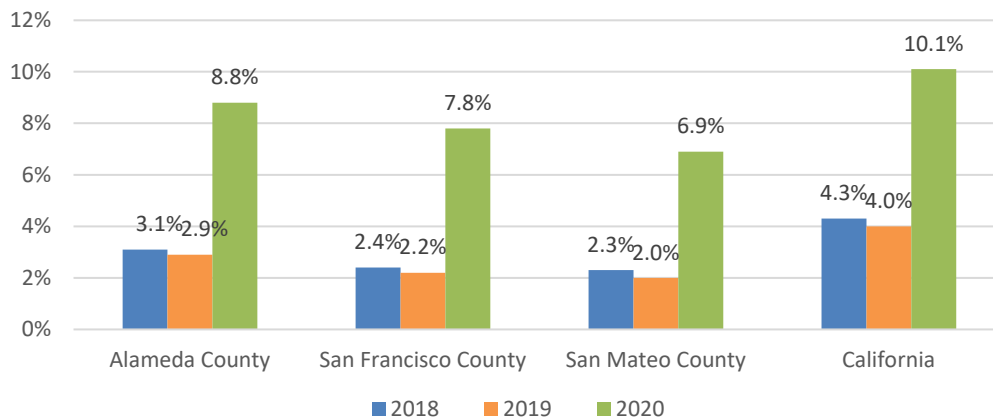
²⁴ Small Business Administration, Paycheck Protection Program Loan Data; available from: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>. [Borrower firms self-reported data and had the option to abstain from reporting certain details of the loan application, therefore data may not capture some details of each loan made.]

²⁵ Ibid.

²⁶ Aggregate CRA Small Business data reports, available from: <http://www.ffiec.gov/craadweb/national/asp>.

The unemployment rates in the area are depicted below in Exhibit 6. The unemployment rates in the area decreased early in the review period prior to spiking in 2020 after the pandemic impacted the economy. Between 2018 and 2020, the unemployment rates in the area were lower than the statewide unemployment rate.

Exhibit 6
Unemployment Rate²⁷
2018-2020

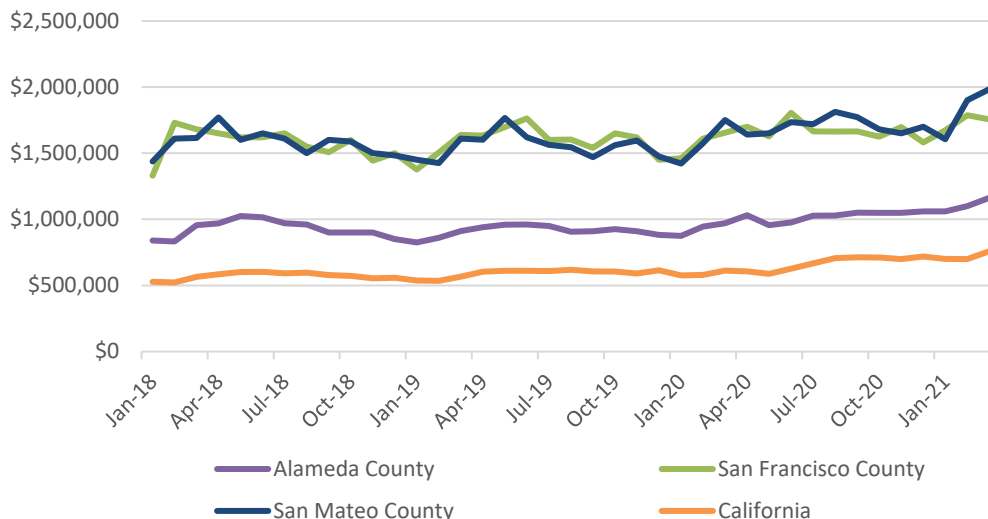


Median home prices in the area trended upward overall during the review period, as depicted in Exhibit 7 on the following page. All counties in the area had higher median home prices compared to the state's median home price. By March 2021, the median home price was \$1.99 million in San Mateo County, \$1.8 million in San Francisco County, and \$1.16 million in Alameda County. The comparatively higher median home prices in the area compared to the state correlated to lower rates of housing affordability. According to the California Association of Realtors' Housing Affordability Index, the percentage of households that could afford to purchase the median priced home in the first quarter of 2021 was 21.78 percent in Alameda County, 19.81 percent in San Francisco, and 19 percent in San Mateo County compared to the higher share of households of 26.93 percent in California.²⁸

²⁷ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-big/dsrv?la>.

²⁸ California Association of Realtors, Housing Affordability Index-Traditional, 2021 Q1 available from: <https://www.car.org/marketdata/data/haitraditional>.

Exhibit 7
Median Home Prices²⁹
January 2018-March 2021



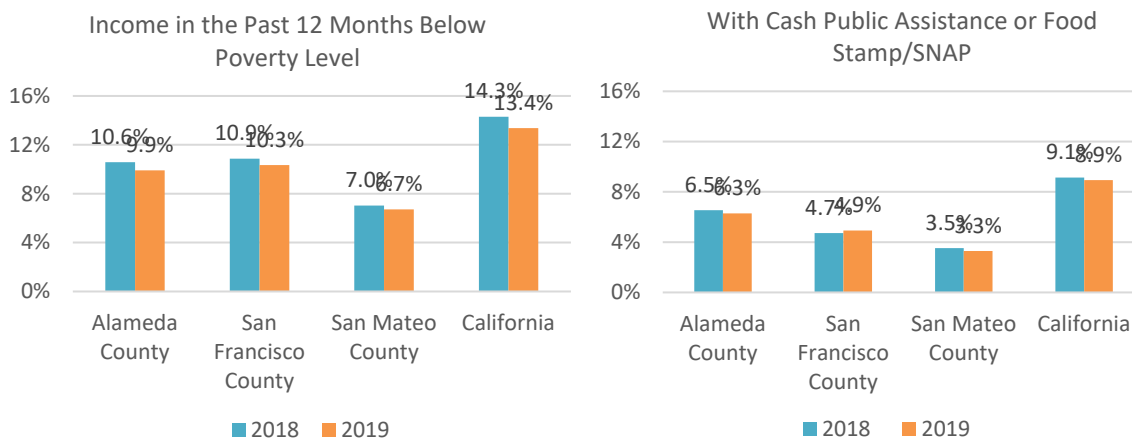
The median rent prices for a one-bedroom unit increased early in the review period and prior to the onset of the pandemic for most counties in the assessment area. Median rent prices for a one-bedroom unit increased between 2018 and 2019 in Alameda County from \$1,407 to \$1,537, in San Francisco County from \$1,827 to \$1,954, and in San Mateo County from \$1,856 to \$2,011.³⁰

The trends in the poverty rate and share of households receiving public cash assistance or food stamp/Supplemental Nutrition Assistance Program (SNAP) benefits is shown in Exhibit 8 on the following page. Poverty rates in the area and in the state decreased during the review period. Alameda and San Francisco counties had higher levels of households with incomes below the poverty level than San Mateo County. The rates of households receiving public cash assistance or food stamp/SNAP benefits decreased in most of the assessment area. Rates decreased in Alameda and San Mateo counties. However, San Francisco County had a slight increase in the share of households receiving public cash assistance or food stamp/SNAP benefits. Alameda County had the highest share of households receiving benefits, 6.3 percent, compared to the other counties in the area. Although, all counties had relatively lower rates of households receiving benefits as the state of California overall.

²⁹ California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <https://www.car.org/marketdata/data/housingdata/>.

³⁰ U.S. Census Bureau, Median Gross Rent, 1-Bedroom, American Community Survey, 5-year estimate; available from: <https://www.census.gov/data>.

Exhibit 8
Poverty and Food Stamp Usage Rates³¹
2018-2019



Credit and Community Development Needs

The economic data described above and feedback from community contacts indicate that credit and community development needs persist in the area. As previously discussed, small business lending levels remained steady during the review period before increasing in 2020 as PPP loans were distributed to meet the credit needs of small businesses enduring the impacts of COVID-19. According to the U.S. Census Bureau’s Weekly Small Business Pulse Survey, 44 percent of small business respondents in California received PPP loans within the preceding six months as of June 28, 2021.³² At that time, 17 percent of respondent small businesses projected a need to obtain financial assistance in the next six months.³³ However, 36 percent of small businesses in California reported it would take more than six months before the business returned to normal levels of operation.³⁴ Based on the survey results, some small businesses in California appeared to still hold a need for financing or assistance to recover from the economic pressures of the pandemic.

The Small Business Credit Survey was conducted in September and October 2020, which was approximately six months after the onset of the COVID-19 pandemic and shortly after the close of the first window of PPP lending. The point-in-time survey highlighted the pandemic’s impact on small businesses and their credit needs. The survey results found that of the 37 percent of small business survey respondents that applied for credit in the prior 12 month period, 37 percent received all the financing they sought.³⁵ This share of applicants was a decrease from the prior year’s survey, which found that 51 percent of applicant firms received all the financing they sought.³⁶ Small business

³¹ Poverty and Food Stamp Usage Rates, U.S. Census Bureau, American Community Survey, 5-Year Estimates; available from: <https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>.

³² U.S. Census Bureau, Weekly Small Business Pulse Survey, June 28, 2021 to July 4, 2021; available from: <https://portal.census.gov/pulse/data/#data>.

³³ Ibid.

³⁴ Ibid.

³⁵ Small Business Credit Survey, Report on Employer Firms 2021; available from: <https://www.fedsmallbusiness.org/survey/2021/report-on-employer-firms>.

³⁶ Ibid.

applicants most often sought loans or lines of credit.³⁷ A majority of applicant firms, 58 percent, cited that their reason for applying for credit was to meet operating expenses.³⁸ Only 48 percent of firms applied for less than \$100,000, a decrease since the prior year.³⁹ Despite the increase in small business lending during the pandemic, the survey results further indicate an unmet credit need for small businesses. According to a community contact, microloans under \$100,000 are needed by small and micro businesses. Forgivable loans and grants are also in high demand from businesses who are now laden with debt coming out of the pandemic, as noted by the same contact. Another community contact noted that many small businesses seek smaller-dollar loans in the amount of \$10,000 to \$25,000.

In addition to the above credit needs, a community contact indicated that small businesses are challenged in obtaining or unable to access a line of credit from banks. Business owners without sufficient collateral are particularly challenged, and the contact further indicated that many small business owners of color are further disadvantaged from accessing this credit product.

Grants, donations, and low-interest loans from banks to nonprofit organizations are also needed, according to a community contact. The contact noted that very few banks provide grants to fund loan loss reserves. However, the contact indicated that this would be helpful for the nonprofit organizations to fund low-interest loans for small businesses.

In addition, another contact noted that it is helpful if banks build partnerships with community organizations that serve the local community to help build trust between banks and community residents and business owners. For example, the contact indicated that banks could partner or invest in more CDFIs and to nonprofit organizations that provide technical assistance to small business owners and entrepreneurs.

Overall, credit and community development needs persist in the area. As described above, small business loans, investments in nonprofits organizations, and community services are some of the most impactful activities banks could participate in to help meet the area's credit needs.

³⁷ Small Business Credit Survey, Report on Employer Firms 2021; available from: <https://www.fedsmallbusiness.org/survey/2021/report-on-employer-firms>.

³⁸ Ibid.

³⁹ Ibid.

Conclusions with Respect to Performance Tests in California

LENDING TEST

Bank of the Orient's performance in the San Francisco Bay Area assessment area under the lending test is satisfactory.

Lending Distribution by Geography

The geographic distribution of loans is reasonable. As depicted in Exhibit 9 below, the bank extended loans in all geographies with particularly strong performance in low- and moderate-income geographies during the end of the review period. Although the loan volume was low, the bank's lending in low- and moderate-income census tracts compares reasonably to the aggregate lending percentage and the concentration of small businesses in these census tracts for most of the review period.

EXHIBIT 9 GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS								
Census Tract	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
San Francisco Bay Area Assessment Area 2018								
Bank Lending	1	20.0	0	0.0	2	40.0	2	40.0
Aggregate Lending	13,377	11.5	21,296	18.3	35,339	30.4	46,402	39.9
Business Concentration	23,918	13.5	30,389	17.1	50,568	28.4	72,903	41.0
San Francisco Bay Area Assessment Area 2019								
Bank Lending	1	25.0	1	25.0	2	50.0	0	0.0
Aggregate Lending	14,175	11.7	22,277	18.4	37,104	30.6	47,577	39.3
Business Concentration	23,798	13.6	30,185	17.2	49,766	28.4	71,717	40.9
San Francisco Bay Area Assessment Area 2020								
Bank Lending	2	18.2	4	36.4	5	45.5	0	0.0
Aggregate Lending	15,665	13.0	21,202	17.5	36,202	30.0	47,789	39.5
Business Concentration	23,772	13.4	30,402	17.2	50,545	28.6	72,273	40.8

Lending Distribution by Business Revenue

As depicted in Exhibit 10 on the next page, the lending distribution of loans by business revenue is reasonable. Bank lending to businesses with less than or equal to \$1 million in gross annual revenues exceeded aggregate lending for most of the review period. The bank's lending also generally compared reasonably to the percentage of businesses with less than or equal to \$1 million operating in the assessment area. Small business loans were not particularly responsive to the articulated credit need of smaller dollar loans in the assessment area.

EXHIBIT 10 BUSINESS REVENUE DISTRIBUTION OF SMALL BUSINESS LOANS							
Year	Bank Lending #	Lending to Businesses with Revenue <=\$1 Million			Originations Regardless of Revenue Size by Loan Amount		
		Bank Lending (%)	Businesses <=\$1M in Revenue (%)	Aggregate Lending (%)	<=\$100K (%)	> \$100K & <=\$250K (%)	>250K & <=\$1M (%)
2018	5	100.0	90.2	46.9	0.0	0.0	100.0
2019	4	50.0	90.5	52.5	0.0	25.0	75.0
2020	11	72.7	90.7	43.1	0.0	9.1	90.9

COMMUNITY DEVELOPMENT TEST

Bank of the Orient’s performance under the community development test is satisfactory. This assessment is based on an adequate level of community development loans, investments, and services provided in the assessment area and the broader statewide or regional area including the bank’s assessment area. Community development activities were responsive to the needs for economic development, affordable housing, and community services targeted to low- and moderate-income individuals.

Community Development Lending

Bank of the Orient originated or participated in 19 community development loans totaling \$25.4 million in the San Francisco Bay Area assessment area. This total includes 13 SBA 504 and 7a loans totaling over \$25.3 million and six affordable housing loan participations totaling over \$27,000. The SBA loans provided small businesses with funds to purchase and improve commercial real estate, expand into new geographic areas, and provided short-term working capital.

Community Development Investments

Bank of the Orient made 50 donations totaling \$102,000 in the San Francisco Bay Area assessment area. These donations were largely provided to community organizations that provide community services to low- and moderate-income individuals. These organizations aided with education and employment training, workforce development, scholarship programs for students, and provided healthcare in cost effective ways. Donations also helped assist low- and moderate-income individuals whose primary language is not English, such as immigrants in need of financial literacy training, housing, student services, and integration into the society. During the COVID-19 pandemic, Bank of the Orient also donated 15,000 masks to two hospitals within the San Francisco assessment area. These activities are consistent with community development needs expressed by community contacts.

Community Development Services

Bank of the Orient provided 2,186 community development service hours in this assessment area. Branch employees engaged in the following activities during the review period:

- Two employees provided more than 320 community development service hours serving on the boards of two business organizations that provide economic development activities for small businesses in the assessment area.
- A total of 1,350 service hours were provided to securely collect payments on behalf of two local healthcare providers that provide community services to low- and moderate-income individuals in this assessment area.
- Bank employees also provided over 160 community development service hours for an organization that provides services to unskilled and unemployed low-income immigrants to ready them for jobs and connect them to job opportunities.

STATE OF HAWAII

CRA Rating for Hawaii

Performance in Hawaii is rated “NEEDS TO IMPROVE”

The lending test is rated: Needs to Improve
The community development test is rated: Satisfactory

The major factors supporting the institution’s rating include:

- Poor lending levels; and
- An adequate level of community development activity and adequate responsiveness to community development needs of the assessment area.

Scope of Examination

The scope of examination for the state of Hawaii is consistent with the overall scope of the CRA examination. The Honolulu assessment area was evaluated using full-scope examination procedures but received much lesser weight in the overall assessment due to the bank’s limited presence in this area. While the bank’s overall presence and activity in Hawaii is significantly less than in California, the full-scope review was conducted to determine the overall rating for the state of Hawaii.

Description of Operations in Hawaii

Bank of the Orient operates one office in Hawaii.⁴⁰ There were a total of 13 FDIC-insured depository institutions operating 263 offices with combined deposits of \$51 billion, as of June 30, 2020 in the state.⁴¹ Bank of the Orient ranked 11th out of the 13 institutions in Hawaii with deposits totaling \$82 million, which represented a small deposit market share of 0.16 percent.⁴²

The Honolulu assessment area consists of Honolulu County in its entirety which forms the Urban Honolulu, HI MSA. Honolulu County covers the island of Oahu. As of 2019, the assessment area had a combined population of 974,491 people.⁴³ The Honolulu assessment area had 13 FDIC-insured commercial institutions operating 176 offices.⁴⁴

Exhibit 11 on the following page presents key demographic and business information used to help develop a performance context for the assessment area.

⁴⁰ Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2020; available from: <https://www7.fdic.gov/sod/sodMarketBank.asp?barItem=2>.

⁴¹ Ibid.

⁴² Ibid.

⁴³ U.S. Census Bureau, QuickFacts, Population Estimates, July 1, 2019; available from: www.census.gov/quickfacts/.

⁴⁴ Federal Deposit Insurance Corporation, Deposit Market Share Report, June 30, 2020; available from: <https://www7.fdic.gov/sod/sodMarketBank.asp?barItem=2>.

EXHIBIT 11 ASSESSMENT AREA DEMOGRAPHICS HONOLULU ASSESSMENT AREA 2020 FFIEC CENSUS AND 2020 DUN AND BRADSTREET DATA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	10	4.1	6,135	2.8	1,608	26.2	42,678	19.6
Moderate-income	51	20.9	46,157	21.2	5,411	11.7	40,076	18.4
Middle-income	103	42.2	98,771	45.3	5,355	5.4	47,913	22.0
Upper-income	65	26.6	66,798	30.6	1,783	2.7	87,278	40.0
Unknown-income	15	6.1	84	0.0	14	16.7	0	0.0
Total AA	244	100.0	217,945	100.0	14,171	6.5	217,945	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	9,918	1,621	1.0	16.3	7,580	76.4	717	7.2
Moderate-income	82,026	20,249	12.0	24.7	52,888	64.5	8,889	10.8
Middle-income	154,157	81,615	48.4	52.9	58,348	37.8	14,194	9.2
Upper-income	94,767	64,995	38.6	68.6	21,994	23.2	7,778	8.2
Unknown-income	371	71	0.0	19.1	241	65.0	59	15.9
Total AA	341,239	168,551	100.0	49.4	141,051	41.3	31,637	9.3
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1,851	5.3	1,510	4.8	333	10.5	8	3.0
Moderate-income	6,722	19.2	6,010	19.1	672	21.2	40	15.0
Middle-income	12,545	35.9	11,636	36.9	847	26.7	62	23.2
Upper-income	12,521	35.8	11,491	36.4	932	29.4	98	36.7
Unknown-income	1,336	3.8	893	2.8	384	12.1	59	22.1
Total AA	34,975	100.0	31,540	100.0	3,168	100.0	267	100.0
% of Total Businesses				90.2		9.1		0.8
2020 Adjusted Median Family Income ⁴⁵			\$101,600					

Economic Conditions

The area economy expanded early in the review period prior to entering a recession in 2020 at the onset of the pandemic. By the first quarter of 2021, the local economy moved into a recovery stage of the business cycle. The primary economic drivers in the area were tourism, defense, and the state government. Early in the review period, visitors to the area spent \$8.14 billion in 2019, an increase of 2.1 percent from the prior year.⁴⁶ However, the tourism-driven economy was severely impacted by the

⁴⁵ FFIEC Adjusted Median Family Income; available from: <https://www.ffiec.gov/Medianincome.htm>.

⁴⁶ Hawaii Department of Business, Economic Development and Tourism, Tourism Dashboard, Island Highlight: Oahu, December 2019 YTD; available from: <http://dbedt.hawaii.gov/visitor/tourism-dashboard/>.

pandemic that sent employment to its lowest level since 1988.⁴⁷ The leisure and hospitality industries shed 60 percent of jobs between February and May 2020.⁴⁸ Visitor arrivals to the state were down 98 percent in June 2020 since the prior year.⁴⁹ However, arrivals from the U.S. mainland improved by October 2020 to 54 percent of West Coast travelers and 67 percent of East Coast travelers from the previous year's levels.⁵⁰ By May 2021, visitor expenditure of all visitors by air was \$1.1 billion for the month, which was 78 percent of the level of spending in May 2019.⁵¹ However, international pandemic-related travel bans disproportionately affected the area's tourism industry and remained an adverse factor in the near-term outlook.⁵² For most non-tourism sectors, employment was approximately 10 percent lower than 2019 levels.⁵³ Aside from the tourism industry, another economic driver in the area was defense. Home to five military bases, the area ranked among the top five percent of U.S. areas for its share of workers in federal military and civilian roles.⁵⁴ As of 2019, federal civilian payrolls were at their highest since 2012.⁵⁵ As of July 2021, defense remained a significant economic driver as the industry accounted for over 31,000 net jobs in the area and had \$2.4 billion net dollar flows for defense-related contracts into Hawaii businesses, a 14 percent increase from 2020 in net dollar flows.⁵⁶ Overall, the net economic output of the defense industry was estimated to be \$4.5 billion in the area economy.⁵⁷

In the housing market, there were mixed indicators. Sales of condominiums in the area reached a 15-year high and single-family unit sales rose by 15 percent year over year in March 2021.⁵⁸ However, there was not a significant increase in new permits for multi- or single-family units.⁵⁹ Limited home building due to scarce usable land and high costs of construction resulted in low inventory of homes and, in turn, contributed to home price increases.⁶⁰ Further details of the area economy, including trends in unemployment, home prices, and poverty rates are discussed below.

As depicted in Exhibit 12 on the following page, loans to small businesses from banks subject to the CRA reporting requirements had a slight drop in 2017 before increasing during the review period. In 2019, 21,803 loans were made totaling \$741 million. Lending to small businesses played a critical role in the economy given that small businesses accounted for 90.2 percent of all businesses in the assessment area, as noted in Exhibit 11. As described previously, lending to small businesses nationwide increased in the first half of 2020 as a result of the federal PPP.⁶¹ In the assessment area, over 16,000 PPP loans in the amount of less than \$1 million were made and approximately 100,000 jobs were self-reported to

⁴⁷ Moody's Precis Report, Honolulu HI, July 2020.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Moody's Precis Report, Honolulu HI, March 2021.

⁵¹ Hawaii Department of Business, Economic Development and Tourism, Tourism Dashboard, Recovery from COVID-19, May 2021; available from: <http://dbedt.hawaii.gov/visitor/tourism-dashboard/>.

⁵² Moody's Precis Report, Honolulu HI, March 2021.

⁵³ University of Hawaii Economic Research Organization, Annual Hawaii Forecast with Global Outlook: Mainland COVID-19 Surge Means a Bleak Winter, but Vaccines Promise 2021 Growth; December 11, 2020; available from: https://uhero.hawaii.edu/wp-content/uploads/2020/12/20Q4_Public.pdf.

⁵⁴ Moody's Precis Report, Honolulu HI, November 2019.

⁵⁵ Ibid.

⁵⁶ Hawaii Defense Economy, Data Analysis Tool – State/County Spending Summary/Trends, Honolulu County; available from: <https://defenseeconomy.hawaii.gov/economic-impact/#countyspending>.

⁵⁷ Ibid.

⁵⁸ Moody's Precis Report, Honolulu HI, March 2021.

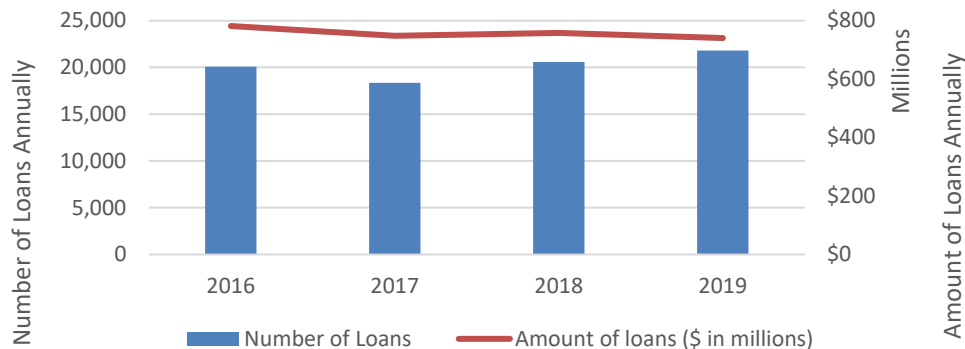
⁵⁹ Ibid.

⁶⁰ Ibid.

⁶¹ Federal Reserve Bank of San Francisco, Economic Letter, Small Business Lending during COVID-19, November 23, 2020; available from: <https://www.frbsf.org/economic-research/publications/economic-letter/2020/november/small-business-lending-during-covid-19/>.

benefit from the loans made between April 3, 2020 and August 8, 2020.⁶² According to the borrower firms that elected to report their industry, most loans under \$1 million were made to businesses in the Professional, Scientific, and Technical Services sector, followed by the Healthcare and Social Assistance sector.⁶³

Exhibit 12
Loans to Small Businesses in Assessment Area⁶⁴
2016-2019



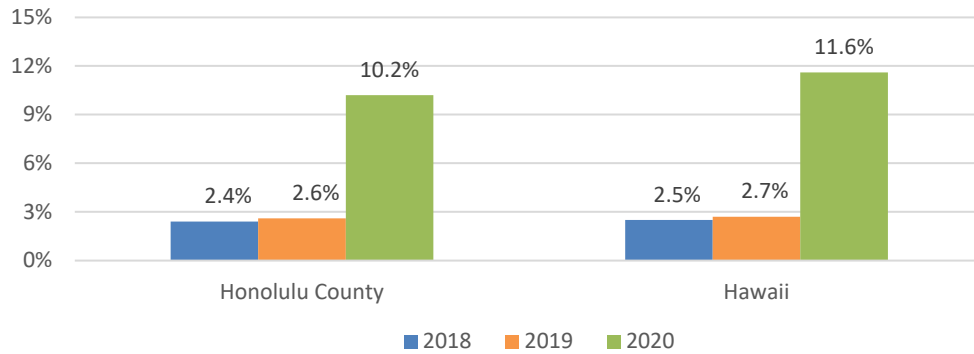
The area and state unemployment rates slightly increased early in the review period before spiking in 2020, as depicted in Exhibit 13 on the following page. The pandemic-related business operation restrictions set in 2020 impacted employment across the nation. The tourism dependent economy in the area and state were particularly impacted by the pandemic when travel and nonessential business was restricted.

⁶² Small Business Administration, Paycheck Protection Program Loan Data; available from: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>. [Borrower firms self-reported data and had the option to abstain from reporting certain details of the loan application, therefore data may not capture some details of each loan made.]

⁶³ Ibid.

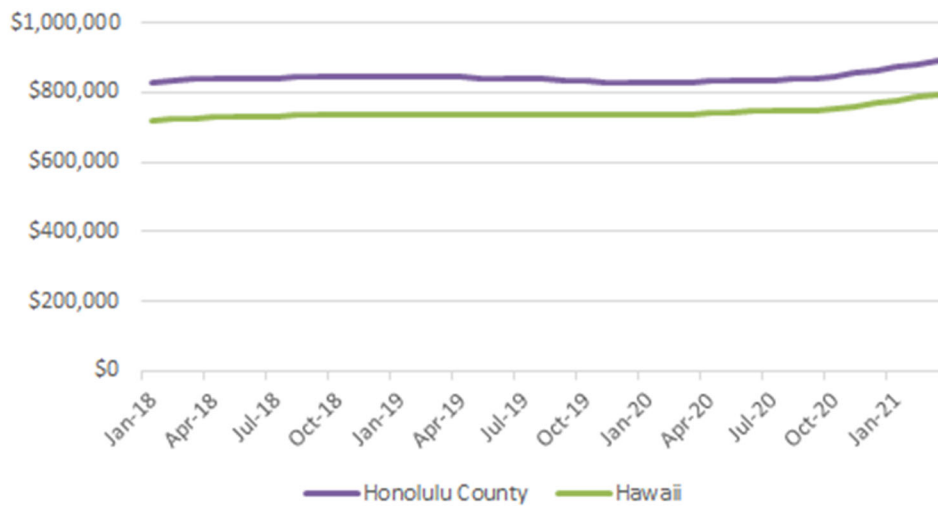
⁶⁴ Aggregate CRA Small Business data reports available from: <http://www.ffiec.gov/craadweb/national/asp>.

Exhibit 13
Unemployment Rate⁶⁵
2018-2020



The trends in median home prices in the area are depicted below in Exhibit 14. Housing prices in the assessment area increased and remained higher than the median home price in the state of Hawaii during the review period. The median home price increased from \$830,707 in January 2018, to \$893,205 in March 2021. There were a higher proportion of cost burdened homeowners in the area, 39.3 percent, compared to the nationwide share of 27.7 percent.⁶⁶

Exhibit 14
Median Home Prices⁶⁷
January 2018-March 2021



⁶⁵ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics by County; available from: <http://data.bls.gov/cgi-big/dsrv?la>.

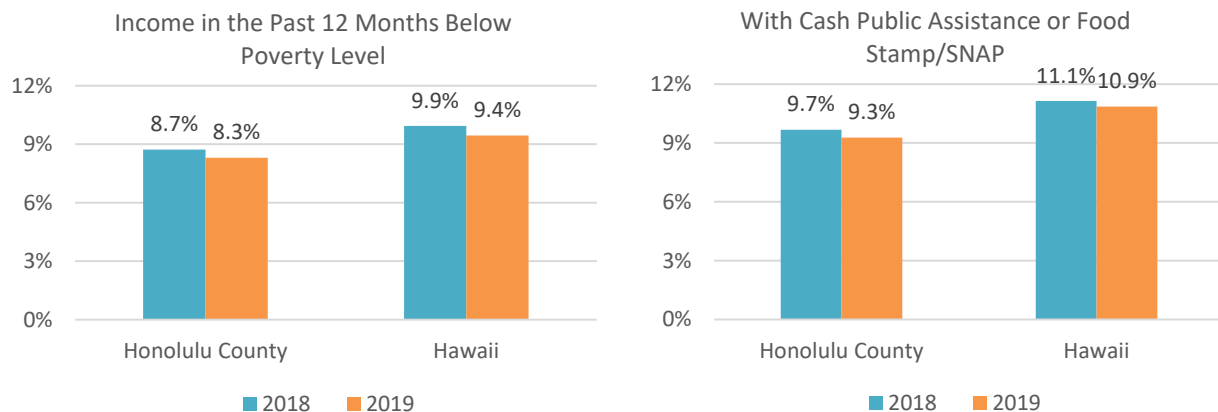
⁶⁶ Prosperity Now Scorecard, Honolulu County, HI; available from: <https://scorecard.prosperitynow.org>.

⁶⁷ Zillow Research, Zillow Home Value Index Single-Family Home Time Series; available from: <https://www.zillow.com/research/data>.

Rent prices in Honolulu County also increased during the review period. Median rent for a 1-bedroom unit increased from \$1,246 in 2018 to \$1,278 in 2019.⁶⁸

The trends in the poverty rate and share of households receiving public cash assistance or food stamp/SNAP benefits are shown below in Exhibit 15. The rate of poverty decreased in the area and in the state overall during the review period. The share of households with income below the poverty level was slightly lower in the area than in the state of Hawaii. The rate of households receiving public cash assistance or food stamp/SNAP benefits decreased slightly during the review period. By another measure of poverty, many households were liquid asset poor, or without sufficient liquid assets to subsist at the federal poverty level for three months. The percentage of households that were liquid asset poor was 30.4 percent, lower than the share across the U.S., 36.9 percent.⁶⁹

Exhibit 15
Poverty and Food Stamp Usage Rates⁷⁰
2018-2019



Credit and Community Development Needs

Similar to the discussion for the credit needs of the San Francisco Bay Area assessment area, small business lending levels slightly increased during the review period before PPP loans were distributed in 2020 to help meet the immediate credit needs of small businesses enduring the impacts of COVID-19. According to the U.S. Census Bureau’s Weekly Small Business Pulse Survey, 51 percent of small business respondents in Hawaii received PPP loans within the preceding six months as of June 28, 2021.⁷¹ At that time, 15 percent of respondent small businesses projected a need to obtain financial assistance in the next six months.⁷² However, 38 percent of small businesses in Hawaii reported it would take more than six months before the business returned to normal levels of operation.⁷³ Based on the survey results,

⁶⁸ U.S. Census Bureau, Median Gross Rent, 1-Bedroom, American Community Survey, 5-year estimate; available from: <https://www.census.gov/data>.

⁶⁹ Prosperity Now Scorecard, Honolulu County, HI; available from: <https://scorecard.prosperitynow.org>.

⁷⁰ Poverty and Food Stamp Usage Rates, U.S. Census Bureau, American Community Survey, 5-Year Estimates; available from: <https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>.

⁷¹ U.S. Census Bureau, Weekly Small Business Pulse Survey, June 28, 2021 to July 4, 2021; available from: <https://portal.census.gov/pulse/data/#data>.

⁷² Ibid.

⁷³ Ibid.

some small businesses in Hawaii appeared to still hold a need for financing or assistance to recover from the economic pressures of the pandemic.

According to a community contact, the amount of credit that is most in demand from small businesses is \$25,000 or less. In addition, one community organization that operates as a community development financial institution has a small number of businesses pursuing loans in the range between \$250,000 and \$500,000. The community organization indicated that these small businesses sought a higher loan amount to acquire equipment for their business. Multiple community contacts stated that more funding for startup businesses is needed.

In addition to the credit needs described above, community contacts noted needs for services. One community contact noted that there is a need in the area for more technical assistance for small businesses. The contact further explained that there are a limited number of organizations in the area offering technical assistance. All forms of technical assistance are needed, including education on capacity building for small business owners, according to the contact. In addition, the same contact noted that there is a need for banks to provide banking services in multiple languages that serve the diverse population in the area.

According to a contact, many people overextended their credit during the pandemic when the use of credit cards was higher. Now, those that overextended their credit are seeing their credit worsen, the contact further explained. Overall, a contact stated that due to the pandemic, general banking and credit needs are on the rise in the area.

Based on the information gathered from community contacts, the most impactful activities financial institutions could provide to meet the credit needs in the area are small business lending, as well as services such as technical assistance.

Conclusions with Respect to Performance Tests in Hawaii

LENDING TEST

Bank of the Orient's performance under the lending test is rated needs to improve. Lending levels reflect poor responsiveness to community credit needs. A total of four loans were extended in this market during the review period. Therefore, analyses of the distributions of loans by geography and business revenue are not meaningful. The volume of the bank's lending in this area is inconsistent with the bank's capacity and available opportunities in the market despite other performance context factors.

COMMUNITY DEVELOPMENT TEST

Bank of the Orient's performance under the community development test is satisfactory. The bank provided one community development loan in the amount of \$692,000 to a Community Development Financial Institution (CDFI), which will allow the CDFI to construct new affordable housing units. The bank also entered into an equity equivalent investment with the same CDFI for \$500,000, which provided financing for community development activities, including affordable housing. The bank also donated \$11,000 to organizations that operate in low- and moderate-income geographies or provide community services such as legal aid to low- and moderate-income individuals. Employees also

provided 400 community development service hours to two organizations that help improve the financial literacy of low- and moderate-income youth.

APPENDIX A

GLOSSARY OF TERMS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

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

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

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is

further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the lending and community development tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

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