

PUBLIC DISCLOSURE

April 6, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Seacoast Commerce Bank

RSSD # 3194638

**11939 Rancho Bernardino Road, Suite 200
San Diego, California 92128**

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

Seacoast Commerce Bank is rated "Outstanding."

Seacoast Commerce Bank's (SCB) CRA performance depicts an outstanding record of helping to meet the credit needs of its assessment area, as outlined in its approved CRA Strategic Plan (Plan) for 2014. SCB met or exceeded the goals in all performance categories in order to achieve an outstanding rating. The following supports an outstanding performance rating:

- An outstanding level of community development loans supporting the revitalization and stabilization of low- and moderate-income geographies and affordable housing.
- An outstanding level of community development investments and services that were provided to organizations that helped address social service needs of low- and moderate-income individuals.
- A more than reasonable distribution of small business loans in low- and moderate-income geographies of different income levels and percentage of lending to small businesses with gross annual revenues of less than or equal to one million dollars.
- SCB did not receive any complaints relating to its CRA performance.

There was no evidence of violations of the substantive provisions of anti-discrimination and fair lending laws and regulations, or of other credit practice rules, laws or regulations identified during the consumer compliance examination conducted concurrently with this CRA performance evaluation.

INSTITUTION

Description of Institution

SCB, headquartered in San Diego, California, with total assets of \$410 million as of December 31, 2014, is a wholly-owned subsidiary of Seacoast Commerce Banc Holdings. The bank was established on June 10, 2003, and its strategic focus is to primarily originate Small Business Administration (SBA) loans. SCB is an SBA Preferred Lender, with lending activities predominately in the SBA 7(a) program. For fiscal year 2014, the U.S. SBA ranked SCB 14th in the nation for all SBA 7(a) lenders.¹

SCB currently operates three full-service branches in Chula Vista, Glendale, and San Diego, California. The bank also operates 12 loan production offices, primarily for originating SBA loans, located in Encinitas, Ladera Ranch, Sacramento and San Ramon, California; Phoenix, Arizona; Las Vegas, Nevada; Dallas and Houston, Texas; Salt Lake City, Utah; Seattle, Washington; Denver, Colorado; and Boise, Idaho. Additionally, SCB operates an office in Reno, Nevada that focusses on meeting the banking needs of property management companies and homeowners' associations.

The bank focuses on providing loans to small businesses to buy, construct, or refinance commercial real estate that houses their business (owner-occupied properties). Other business services include checking, savings, and money market deposit accounts, remote deposit capture, on-line banking, and cash management services. Consumer loans are made primarily as accommodation loans to the bank's business customers.

Exhibit 1 below depicts SCB's loan portfolio as stated in the Consolidated Reports of Condition and Income as of December 31, 2014, and reflects the bank's commercial lending focus. Commercial-purpose loans account for almost the entire portfolio. Loans secured by one-to-four family residential real estate within the portfolio are for commercial-purpose as well.

EXHIBIT 1		
LOANS AND LEASES AS OF DECEMBER 31, 2014		
Loan Type	\$ ('000s)	%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	327,066	91.6
Secured by 1-4 Family Residential Real Estate	603	0.2
Construction & Land Development	27,981	7.8
Consumer Loans & Credit Cards	117	0.0
Multi-Family Residential Real Estate	1,317	0.4
Total (Gross)	357,084	100.0

¹ U.S. SBA, SBA 7a lender rankings, Fiscal Year 2014: available from: <https://www.sba.gov/lenders-top-100> (assessed May 11, 2015)

SCB's assessment areas changed since the previous CRA evaluation due to the opening of its Glendale branch in Riverside County. As such, for this evaluation, SCB has delineated the following two assessment areas:

- San Diego assessment area consisting of San Diego County in its entirety, which is part of the San Diego-Carlsbad, California metropolitan statistical area (MSA).
- The Los Angeles assessment area consisting of Los Angeles County, also known as the Los Angeles-Long Beach-Glendale, California Metropolitan Division (MD).

SCB received a satisfactory rating from the Federal Deposit Insurance Corporation (FDIC) at its previous CRA examination, conducted as of June 15, 2010. The bank faces no legal or financial impediments that would prevent it from helping to meet the credit needs of its assessment areas consistent with its business strategy, size, financial capacity and local economic conditions.

Scope of Examination

SCB was evaluated under the Interagency Strategic Plan CRA Examination Procedures. SCB developed its Plan which was approved by the bank's prior regulator, the FDIC on April 10, 2014. The Plan outlines measurable goals for outstanding and satisfactory ratings for small business lending as well as community development lending, investments, and services. Although the Plan defines annual goals for 2014 through 2019, due to the review period, the bank's performance was evaluated against the Plan goals for 2014. This examination also included a review of the bank's 2013 lending activities which determined that performance generally met the criterion for satisfactory performance under the Interagency Small Institutions CRA Examination Procedures. Additionally, the examination involved discussions with members of the bank's local communities and bank management as well as a review of relevant information and data to help provide context for the bank's performance.

DESCRIPTION OF ASSESSMENT AREA

San Diego Assessment Area

DESCRIPTION OF OPERATIONS IN SAN DIEGO COUNTY

San Diego County is located on the coast of southern California, south of Riverside and Orange Counties and north of the US-Mexico international border, and is part of the San Diego-Tijuana MSA. The county ranks 9th statewide in terms of total land area (4,206 square miles), and is the 9th most densely populated county in California, with 736 people per square mile.² The City of San Diego is the county seat and economic center of the region, with an estimated population of 1,355,896.³ In 2013, the county population was 3,211,252;⁴ making San Diego the 2nd most populated county in California, and the median household income was \$61,426.⁵

SCB has a limited presence and small percentage of the overall deposit market share in this assessment area. As of June 30, 2014, the assessment area was home to 52 FDIC-insured institutions operating 622 offices with total deposits of \$69.3 billion. SCB's three branches in this assessment area garnered only 0.4 percent of the deposit market share.⁶ In 2013, there were 120 area small business lenders subject to the reporting requirements of CRA that extended 66,863 small business loans totaling approximately \$2.2 billion.⁷ Reporting institutions represent only a portion of the small business lenders and not fully representative of the competition in this market.

Exhibit 2, on the next page, presents key demographic and business information used to help develop a performance context for the assessment area, based on the 2010 U.S. Census and 2014 Dun and Bradstreet data.

² U.S. Census Bureau, State and County Quickfacts San Diego County: available from: <http://quickfacts.census.gov/qfd/states/06/06073.html> (accessed September 20, 2014).

³ Ibid.

⁴ U.S. Census Bureau, American Community Survey 1-Year Estimate DPO2, 2013; available from: <http://factfinder2.census.gov> (accessed September 20, 2014).

⁵ U.S. Census Bureau, American Community Survey 1-Year Estimate DPO3, 2013; available from: <http://factfinder2.census.gov> (accessed September 20, 2014).

⁶ FDIC, Deposit Market Share Report, June 30, 2014; available from: <http://www2.fdic.gov/sod/sodMarketBank.asp?barItem=2>.

⁷ Information based on 2012 aggregate data consisting of institutions required to file annual CRA data.

EXHIBIT 2 ASSESSMENT AREA DEMOGRAPHICS SAN DIEGO ASSESSMENT AREA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	63	10	58,550	8.3	16,591	28.3	157,382	22.4
Moderate-income	134	21.3	139,895	19.9	19,253	13.8	123,504	17.5
Middle-income	227	36.1	250,700	35.6	15,660	6.2	131,950	18.7
Upper-income	198	31.5	254,602	36.2	8,872	3.5	290,911	41.3
Tract not reported	6	1	0	0	0	0	0	0
Total AA	628	100.0	703,747	100.0	60,376	8.6	703,747	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	97,355	19,643	3.3	20.2	70,286	72.2	7,426	7.6
Moderate-income	234,923	85,043	14.3	36.2	128,923	54.9	20,957	8.9
Middle-income	423,992	230,360	38.8	54.3	158,603	37.4	35,029	8.3
Upper-income	398,595	258,899	43.6	65	110,023	27.6	29,673	7.4
Tract not reported	9	0	0	0	9	100	0	0
Total AA	1,154,874	593,945	100.0	51.4	467,844	40.5	93,085	8.1
Small Business Lending 2014								
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	10,271	6.2	9,275	6.1	620	5.9	376	7.3
Moderate-income	26,866	16.1	24,264	16.1	1,683	16.1	919	17.8
Middle-income	60,269	36.1	54,513	36.1	3,892	37.1	1,864	36.1
Upper-income	69,282	41.5	63,007	41.7	4,269	40.7	2,006	38.8
Tract not reported	136	0.1	115	0.1	16	0.2	5	0.1
Total AA	166,824	100.0	151,174	100.0	10,480	100.0	5,170	100.0
Percentage of Total Businesses			94.4		5.5		.2	
2013 Median Family Income ⁸			\$68,222		December 2014 Median Housing Value ⁹			\$494,500
2014 HUD Adjusted Median Family Income ¹⁰			\$72,700		2014 Unemployment Rate ¹¹			6.2%

⁸ U.S. Census Bureau, American Community Survey 1-Yr Estimate, Selected Social Characteristics DPO3, 2013; available from: <http://factfinder2.census.gov> (accessed March 23, 2015).

⁹ California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <http://www.car.org/marketdata/data/housingdata/> (accessed March 23, 2014).

¹⁰ HUD Adjusted Median Family Income; available from: <http://www.huduser.org/portal/datasets/il/il14/index.html> (accessed September 23, 2014).

¹¹ U.S. Bureau of Labor Statistics. Local Area Unemployment Statistics by County; available from: <http://www.bls.gov/lau/#tables> (accessed March 23, 2015).

San Diego's economy is diverse and influenced by its position on the coast of the Pacific Ocean, experienced positive economic growth and an ongoing recovery from the Great Recession during the review period. The assessment area is home to one of the largest naval fleets in the world¹² and serves as headquarters for several major national defense contractors. While sequestration cuts led to furloughs of Department of Defense civilian employees, the defense industry remained strong due in part to Northrop Grumman relocating its headquarters for unmanned aerial vehicles within the assessment area.¹³ Tourism is also a major driver of the local economy, with the San Diego Zoo, Sea World, and numerous convention centers attracting many visitors each year. The recent increase of tourists, particularly from Mexico and other foreign countries, helped propel hotel occupancy rates to their highest summer levels since 2006.¹⁴ Biotechnology also is an important industry in the county, and the area is home to many labs and medical technology companies. The recent launch of Maravai Life Sciences and the establishment of an innovation fund to provide seed money to local biomedical companies served to bolster this sector further.¹⁵ The economy continued to build upon its self-sustaining expansion due, in large part, to growth in white-collar jobs.¹⁶ From 2012 to 2013, the majority of the main industries in the assessment area, as delineated by the Bureau of Labor Statistics, posted year of year growth¹⁷ and the percentage of industries adding jobs was higher than anywhere else in the state.¹⁸

While the economy continued to improve during the review period, a review of small business loan data reported by banks subject to the CRA suggests that, though improving from recession level lows, lending levels remain significantly depressed.¹⁹ Lending to small businesses plays a critical role in the economy given that there were approximately 166,824 small businesses, representing 94.4 percent of all businesses in the assessment area as depicted in Exhibit 2. National surveys suggest that depressed demand, uncertainty about the economy, and issues with credit worthiness may help explain the lower levels of lending to small businesses during the review period.²⁰

Nevertheless, overall improvement in the economy was further evidenced by declining rates of unemployment within the assessment area as shown on the next page in Exhibit 3. San Diego County saw marked declines in its unemployment rate during the review period, consistent with broader statewide declines.²¹

¹² Forbes, San Diego; available from: <http://www.forbes.com/places/ca/san-diego/> (accessed October 1, 2013).

¹³ Moody's Précis Report, San Diego, April 2013

¹⁴ Moody's Précis Report, San Diego, December 2013.

¹⁵ Moody's Précis Report, San Diego, April 2014

¹⁶ Moody's Précis Report, San Diego, December 2014

¹⁷ Department of Transportation, San Diego County Economic Forecast, 2014; available from: http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic.html (accessed March 26, 2015).

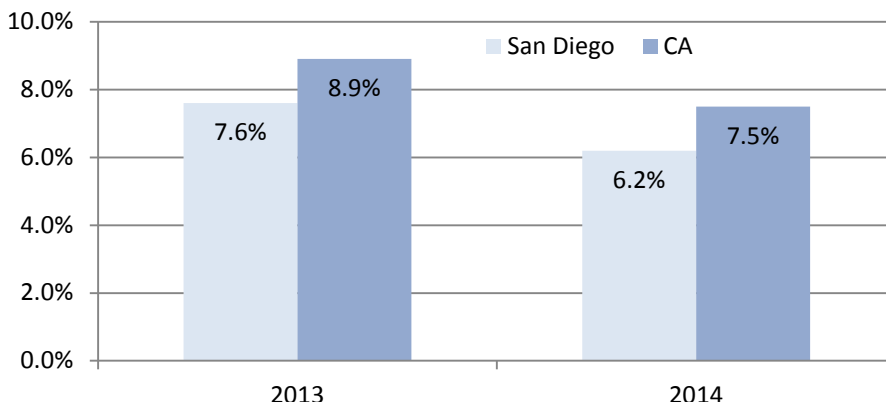
¹⁸ Moody's Précis Report, San Diego, April 2014

¹⁹ Aggregate CRA Small Business data reports available from: <https://www.ffiec.gov/craadweb/national.aspx>.

²⁰ Wiersch, Anne Marie. Good News and Bad News on Small Business Lending in 2014. January 5, 2015. Available from: <https://www.clevelandfed.org/en/Newsroom%20and%20Events/Publications/Community%20Development%20Briefs/Briefs/Good%20News%20and%20Bad%20News%20on%20Small%20Business%20Lending%20in%202014.aspx> (accessed March 25, 2015).

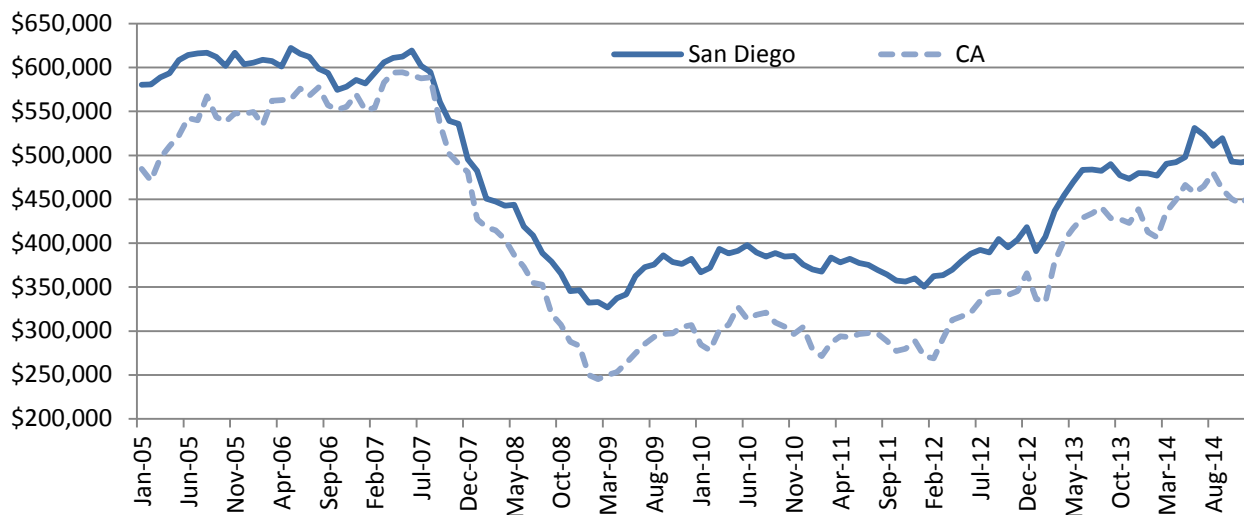
²¹ Bureau of Labor Statistics, Local Area Unemployment Statistics by County, annual average; available from: <http://www.bls.gov/lau/> (accessed March 25, 2014).

EXHIBIT 3
UNEMPLOYMENT RATE



The prices of homes in the assessment area have continued to rise consistent with improving trends in the economy. Although home prices remain far below their 2006 peaks, they have risen significantly during the review period as depicted in Exhibit 4 below. Median home prices rose from \$390,890 at the beginning of the review period to \$494,500 at its end. These improvements were consistent with broader statewide trends during the same time period.²²

EXHIBIT 4
SAN DIEGO COUNTY MEDIAN HOME PRICES
JANUARY 2005-DECEMBER 2014



Consistent with rising home prices, the traditional housing affordability index (which measures the percent of families that can afford to purchase a median priced home) dropped in San Diego County during the review period. By the fourth quarter of 2014, only 27 percent of median income households in the county could afford a median priced home (compared to 31 percent statewide).²³ The diminishing affordability index indicates that purchasing a home is becoming increasingly difficult for area residents. This is confirmed by a recent study in which San Diego ranked among the top five least

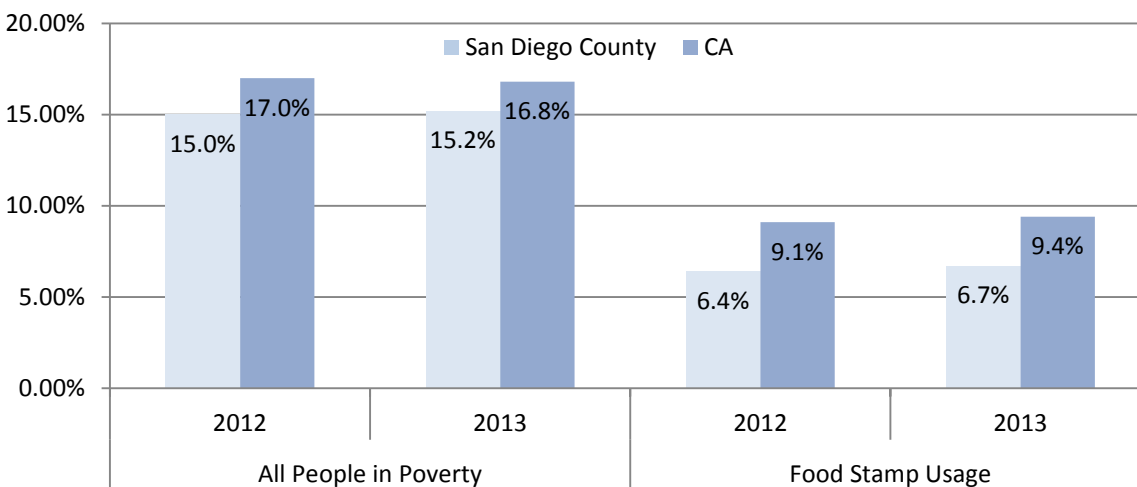
²² California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <http://www.car.org/marketdata/data/housingdata/> (accessed March 25, 2015).

²³ California Association of Realtors, Housing Affordability Index-Traditional; available from: <http://www.car.org/marketdata/data/haitraditional/> (accessed February 24, 2014).

affordable metro areas in the nation for middle-class families looking to buy a home.²⁴ Additionally, rental housing remains very unaffordable, and in some instances unavailable, for many households within the assessment area. In 2013, gross monthly rent was \$1,289 in San Diego county and 46.9 percent of households spent more than 35 percent of their income on rent (families who pay more than 30 percent of their income for housing are considered cost burdened).²⁵ The Urban Institute, a nonprofit social and economic policy research group, estimates that for every 100 very low-income renter households, there are only 16 housing units available and affordable.²⁶

Finally, as shown on the next page in Exhibit 5, poverty and food stamp usage rates remained elevated during the review period.²⁷ Despite modest statewide decreases in poverty between 2012 and 2013, there was a slight increase in poverty and food stamp usage in San Diego County,²⁸ as seen below in Exhibit 13. Poverty rates varied significantly in cities within the county with El Cajon experiencing the highest rate at 29.7 percent, while Carlsbad had the lowest rate at 11.9 percent. Contributing to this poverty was the lack of pay growth among the county’s low-wage jobs. Despite overall improvements in the economy, wages remained stagnant at some levels in the city’s largest industries. More than 20 percent of year-round employees in the City of San Diego earned less than the amount needed to live self-sufficiently.²⁹ Adjusted for inflation, household income within the county declined during Great Recession and has been relatively flat for the past three years.³⁰

EXHIBIT 5
SAN DIEGO COUNTY POVERTY AND FOOD STAMP USAGE
2012-2013



²⁴ Kolko, Jed. Where Can the Middle Class Afford to Buy a Home? *Trulia*. October 10, 2013; available from: <http://www.trulia.com/trends/2013/10/middle-class/> (accessed March 18, 2014).

²⁵ U.S. Census Bureau, American Community Survey 1-Yr Estimate, Selected Social Characteristics DPO4, 2013; available from: <http://factfinder2.census.gov> (accessed September 19, 2014).

²⁶ Urban Institute, Housing Assistance Matter Initiative; available from: <http://www.urban.org/housingaffordability/> (accessed September 22, 2014).

²⁷ U.S. Census Bureau, American Community Survey 1-Yr Estimate, Selected Social Characteristics DPO3, 2013; available from: <http://factfinder2.census.gov> (accessed September 19, 2014).

²⁸ U.S. Census Bureau, American Community Survey 1-Yr Estimate, Selected Social Characteristics DPO3, 2013; available from: <http://factfinder2.census.gov> (accessed September 19, 2014).

²⁹ Center on Policy Initiatives, Poverty, Earnings and Income in the city of San Diego; available from: <https://d3n8a8pro7vnm.cloudfront.net/onlinecpi/pages/882/attachments/original/1411056902/cpiCensusReport14.pdf?1411056902> (accessed September 22, 2014).

³⁰ Ibid.

Credit and Community Development Needs

Economic data previously discussed, as well as feedback from community contacts suggest that small businesses in the assessment area need access to a variety of forms of credit. As mentioned previously, lending data reported by banks subject to the CRA within San Diego County indicates that small business lending levels in 2013 (the most recent data available) remained depressed. A review of surveys of senior loan officers conducted by the Federal Reserve Board during the review period indicates that only a small percentage of banks have reported some easing of their lending standards to small firms with annual sales of less than \$50 million.³¹ The depressed lending levels and the limited easing of credit standards for small firms, which became more conservative during the Great Recession, suggest that small businesses face challenges in accessing credit and that some level of small business credit needs remain unmet by area banks. A review of information obtained from community contacts throughout San Diego County generally supported this conclusion and suggests that, in addition to loans, area small businesses need lines of credit. Similarly, SCB's Plan identified the need to seek out opportunities to lend to small businesses that are unable to obtain financing through traditional channels and to support enterprises that promote economic development by helping small businesses.

The prevalence of poverty and the need for social support services discussed earlier highlight the importance of community service organizations within the bank's communities. A 2013 study found that many Californians find it difficult to make ends meet and that the situation would be much worse without state, federal, and local safety net programs.³² At the same time, lower revenues resulting from decreased government support and difficulty attracting donations, among other factors; have made it more difficult for local non-profits to meet the needs of an increasing clientele.³³ The ongoing demand for services often results in needs for these organizations in terms of financial support and technical assistance as they attempt to service significant low-and moderate-income populations within the bank's assessment areas. These sentiments are echoed in the bank's Plan, which identified the need to support community development enterprises.

A variety of factors also indicate there is a need for affordable housing development and financing within the assessment area. High housing costs and low affordability indices are evidence that home ownership is out of reach for the majority of individuals living in the assessment area. Expectedly, home ownership is even further out of reach for low-income individuals. There are a number of resources in the area that are attempting to address these needs and that may provide an opportunity for participation by banks. During the review period, the assessment area received a total of \$332,854,710 in Federal Low Income Housing Tax Credits (to be administered over a ten-year period) and \$5.6 million in State Tax Credits, providing an opportunity to place new affordable housing units into service, and local financial institutions an opportunity to invest in the area.³⁴ Additionally, there are CDFIs in the area that finance affordable housing development that may provide opportunities for partnership with local banks.³⁵ Similarly, SCB's Plan identified the need for affordable housing within this assessment area.

³¹ Federal Reserve Board, October 2014 Senior Loan Officer Opinion Survey.

³² Holland, Gale "L.A. County Leads California in Poverty Rate, New Analysis Shows." Los Angeles Times, September 30, 2013, available from <http://articles.latimes.com/2013/sep/30/local/la-me-poverty-20131001> (accessed August 2, 2014).

³³ UCLA Center for Civil Society. *Stressed and Stretched: The Recession, Poverty, and Human Services Nonprofits in Los Angeles*, p. vii. Available from <http://civilsociety.ucla.edu/> (accessed August 2, 2014).

³⁴ California Tax Credit Allocation Committee, 2012 Annual Report (pg. 48, 71) and 2013 allocations; available from: <http://www.treasurer.ca.gov/ctcac> (accessed December 15, 2014).

³⁵ CDFI Locator; available from: <http://ofn.org/cdfi-locator>

Los Angeles Assessment Area

DESCRIPTION OF OPERATIONS IN LOS ANGELES COUNTY

Los Angeles County is located on the coast of southern California, north of Orange County and south of Ventura County, and is part of the Los Angeles-Long Beach-Glendale MSA (Los Angeles MSA). The county ranks 11th statewide in terms of total land area (4,058 square miles) and is the 3rd most densely populated county in California, with 2,420 people per square mile.³⁶ The county contains 88 separate incorporated cities as well as many unincorporated communities. The City of Los Angeles is the County seat, and with a population of 3,884,307, the largest city in California and 2nd largest in the U.S.³⁷ In 2013, the county population was 10,017,068, making Los Angeles the most populous county in the U.S., and the median household income was \$54,529.³⁸

SCB has a very small presence and portion of the overall deposit market share in this highly competitive assessment area, ranking 95th among competing institutions within the area. As of June 30, 2014, the assessment area was home to 111 FDIC-insured institutions operating 1,811 offices with total deposits of \$317.3 billion. SCB's one branch in the assessment area has 0.02 percent of the deposit market share.³⁹ In 2013, there were 165 small business lenders operating within the assessment area subject to the reporting requirements of CRA. These lenders extended 219,283 small business loans totaling approximately \$7.3 billion.⁴⁰ Reporting institutions represent only a portion of all institutions competing for the small business lending in the assessment area.

Exhibit 6, on the next page, presents key demographic and business information used to help develop a performance context for the assessment area, based on the 2010 U.S. Census and 2014 Dun and Bradstreet data.

³⁶ U.S. Census Bureau, State & County QuickFacts, Los Angeles County; available from: <http://quickfacts.census.gov/qfd/states/06/0644000.html> (accessed January 31, 2015).

³⁷ U.S. Census Bureau, State & County QuickFacts, Los Angeles City; available from: <http://quickfacts.census.gov/qfd/states/06/0644000.html> (accessed January 31, 2015).

³⁸ U.S. Census Bureau, American Community Survey 1-Yr Estimate, Selected Social Characteristics DPO2-DP03, 2013; available from: <http://factfinder2.census.gov> (accessed January 31, 2015).

³⁹ FDIC, Deposit Market Share Report, June 30, 2014; available from: <http://www2.fdic.gov/sod/sodMarketBank.asp?barItem=2>.

⁴⁰ Information based on 2013 aggregate data consisting of institutions required to file annual CRA data.

EXHIBIT 6 ASSESSMENT AREA DEMOGRAPHICS LOS ANGELES ASSESSMENT AREA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	211	9	154,899	7.1	56,456	36.4	522,024	24.1
Moderate-income	672	28.6	603,256	27.8	124,935	20.7	356,500	16.4
Middle-income	628	26.8	607,359	28	59,835	9.9	382,899	17.6
Upper-income	798	34	804,630	37.1	32,395	4	908,804	41.9
Tract not reported	37	1.6	83	0	0	0	0	0
Total AA	2,346	100.0	2,170,227	100.0	273,621	12.6	2,170,227	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	256,638	33,122	2.1	12.9	202,783	79	20,733	8.1
Moderate-income	904,984	257,733	16.6	28.5	588,864	65.1	58,387	6.5
Middle-income	932,499	444,580	28.6	47.7	436,403	46.8	51,516	5.5
Upper-income	1,329,338	816,521	52.6	61.4	435,913	32.8	76,904	5.8
Tract not reported	2,277	135	0	5.9	1,835	80.6	307	13.5
Total AA	3,425,736	1,552,091	100.0	45.3	1,665,798	48.6	207,847	6.1
Small Business Lending 2014								
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	30,238	6.4	26,208	6.2	2,710	7.8	1,320	8.2
Moderate-income	89,634	19	78,942	18.7	7,223	20.9	3,469	21.7
Middle-income	122,409	25.9	108,321	25.7	9,764	28.3	4,324	27
Upper-income	225,266	47.6	204,924	48.5	13,745	39.8	6,597	41.2
Tract not reported	5,229	1.1	3,811	0.9	1,120	3.2	298	1.9
Total AA	472,776	100.0	422,206	100.0	34,562	100.0	16,008	100.0
Percentage of Total Businesses			89.3		7.3		3.4	
2013 Median Family Income ⁴¹			\$60,792		December 2014 Median Housing Value ⁶			\$464,650
2014 HUD Adjusted Median Family Income ⁴²			\$60,600		2014 Unemployment Rate ⁴³			8.3%

⁴¹ California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <http://www.car.org/marketdata/data/housingdata/> (accessed March 23, 2014).

⁴² HUD Adjusted Median Family Income; available from: <http://www.huduser.org/portal/datasets/il/il14/index.html> (accessed September 23, 2014).

⁴³ U.S. Bureau of Labor Statistics. Local Area Unemployment Statistics by County; available from: <http://www.bls.gov/lau/#tables> (accessed March 23, 2015).

Los Angeles County is a major center for manufacturing, trade, and entertainment.⁴⁴ The county is the largest manufacturing center in the U.S., employing 510,900 workers in manufacturing fields in 2014.⁴⁵ Trade is also a major driver of the local economy, and the Los Angeles Customs District, which includes the ports of Long Beach, Los Angeles, Port Hueneme, and Los Angeles International Airport, was the nation's largest trade district in 2013, with a two-way trade value of \$414.8 billion.⁴⁶ Shipping queues at the ports have mushroomed recently as operators struggle to adjust to larger shipping vessels⁴⁷, but passenger traffic at LAX increased six percent during the review period.⁴⁸ Bolstered by the presence of Hollywood, entertainment is a key industry in Los Angeles County, making up 63 percent of California's total entertainment employment.⁴⁹ Although Hollywood hiring has cooled recently, film production was up in 2014.⁵⁰ From 2012 to 2013, the majority of the main industries in the county, as delineated by the Bureau of Labor Statistics, posted year-over-year growth and there are strong signs of recent improvement in the economy.⁵¹

Similar to San Diego, however, despite improvements in the economy, small business loan data reported by banks subject to the CRA suggests that lending levels remain significantly depressed albeit somewhat improved from the lows experienced during the Great Recession.⁵² Lending to small businesses is an important aspect of the economic recovery as small businesses continue to constitute a substantial majority of all businesses in the assessment area. As depicted in Exhibit 6, there were approximately 472,776 small businesses operating in the assessment area in 2014, representing 89.3 percent of all businesses. National surveys suggest that depressed demand, uncertainty about the economy, and issues with credit worthiness may help explain the lower levels of lending to small businesses during the review period.⁵³

Unemployment data provide additional evidence of an ongoing recovery from the Great Recession. As shown in Exhibit 7 on the next page, Los Angeles County experienced a decline in the unemployment rate between 2013 and 2014.⁵⁴

⁴⁴ Los Angeles County Economic Development Corporation (LAEDC), Industry Clusters in Los Angeles (pg. 2-4), available from: <http://laedc.org/business-assistance/industry-clusters/> (accessed December 15, 2014).

⁴⁵ Hsu, Tiffany. "Los Angeles is largest manufacturing center in U.S., government says." *Los Angeles Times*, September 1, 2014; available from: <http://www.latimes.com/business/la-fi-los-angeles-manufacturing-20140829-story.html> (accessed March 28, 2015).

⁴⁶ LAEDC, L.A. Stats 2014 (pg. 3), available from: http://laedc.org/wp-content/uploads/2014/08/2014-LA-Stats_Final.pdf (accessed September 8, 2014).

⁴⁷ Moody's Précis Report, Los Angeles, December 2014

⁴⁸ LAX Passenger Departures; available from: http://www.lawa.org/uploadedfiles/LAX/statistics/m_share-2014.pdf

⁴⁹ LAEDC, Industry Clusters in Los Angeles (pg. 2).

⁵⁰ Moody's Précis Report, Los Angeles, December 2014

⁵¹ Department of Transportation, Log Angeles County Economic Forecast, 2014; available from:

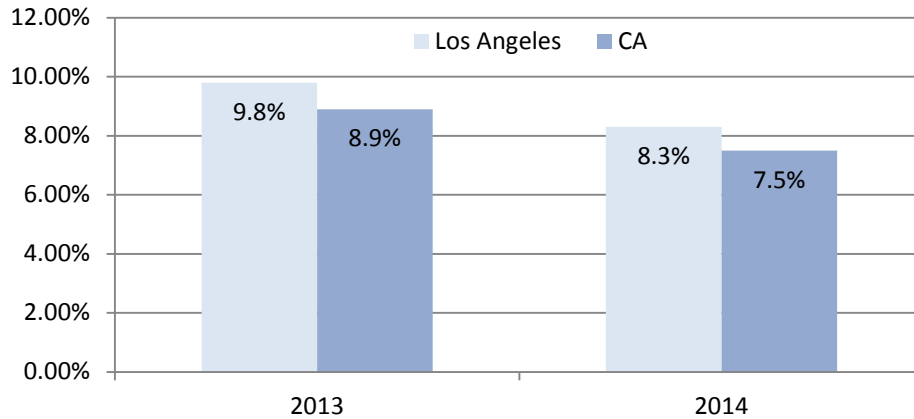
http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic.html (accessed December 15, 2014).

⁵² Aggregate CRA Small Business data reports available from: <https://www.ffiec.gov/craadweb/national.aspx>

⁵³ Wiersch, Anne Marie. Good News and Bad News on Small Business Lending in 2014. January 5, 2015. Available from: <https://www.clevelandfed.org/en/Newsroom%20and%20Events/Publications/Community%20Development%20Briefs/Briefs/Good%20News%20and%20Bad%20News%20on%20Small%20Business%20Lending%20in%202014.aspx> (accessed March 25, 2015).

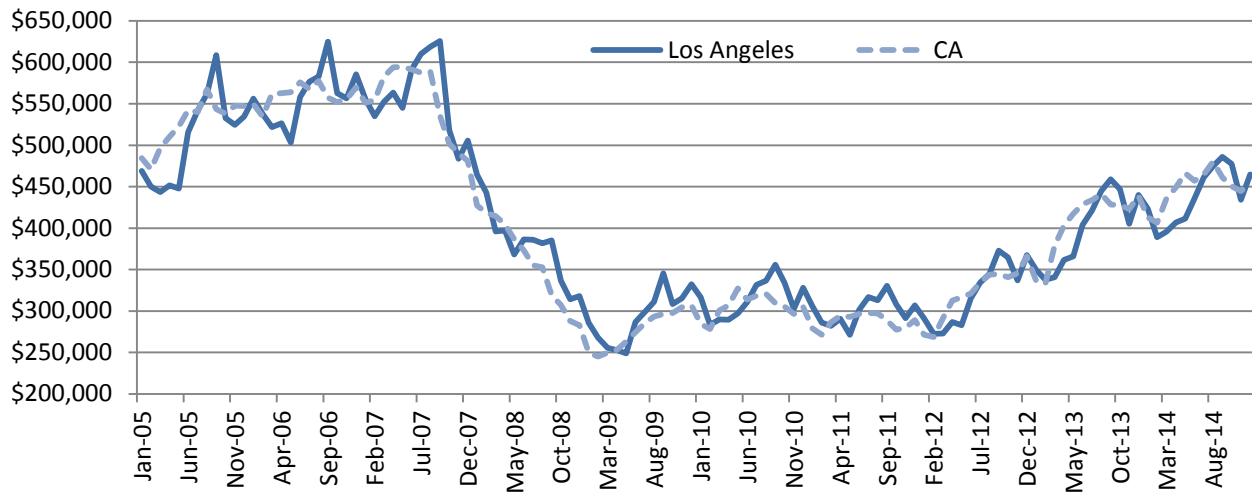
⁵⁴ Bureau of Labor Statistics, Local Area Unemployment Statistics by County, annual average; available from: <http://www.bls.gov/lau/> (accessed March 25, 2014).

EXHIBIT 7
UNEMPLOYMENT RATE



Similar to the San Diego assessment area, the prices of homes have continued to rise subsequent to the during the review period. While home prices in the area remain below their peak in 2007, prices rose significantly during the review period, as depicted in Exhibit 8, below. Median home prices rose from \$349,720 at the beginning of the review period to \$464,650 at its end. These improvements were consistent with broader statewide trends during the same time period.⁵⁵

EXHIBIT 8
LOS ANGELES COUNTY MEDIAN HOME PRICES
JANUARY 2005-DECEMBER 2014



⁵⁵ California Association of Realtors, Historical Housing Data, Median Prices of Existing Detached Homes; available from: <http://www.car.org/marketdata/data/housingdata/> (accessed March 25, 2015).

With rising housing prices, home ownership and rental housing have become less accessible to some households within the assessment area. In a recent study on housing, Los Angeles County ranked as the nation's third least affordable metro area for middle class families looking to buy a home.⁵⁶ According to the C.A.R. Traditional Affordability Index, the percentage of households that could afford to purchase the median priced home dropped in the assessment area between the first quarter of 2013 and fourth quarter of 2014, and at the end of the review period, only 28 percent of households could afford the median priced home (compared to 31 percent statewide).⁵⁷ Similarly, rental prices also increased during the review period and at the end of 2013, median rents were \$1,205 in Los Angeles County and 50.3 percent of households spent more than 35 percent of their income on rent (families who pay more than 30 percent of their income for housing are considered cost burdened).⁵⁸ The Urban Institute, a nonprofit social and economic policy research group, estimates that for every 100 very low-income renter households, there are only 17 housing units available and affordable in Los Angeles County.⁵⁹

Finally, as shown in Exhibit 9 on the next page, poverty and food stamp usage rates remained elevated during the review period despite the economic recovery.⁶⁰ While poverty is a significant issue throughout the assessment area, certain areas are much more impoverished than others. Central Los Angeles, Compton, and Westmont all had poverty rates significantly higher than county rates.⁶¹ The assessment area is also home to the nation's second largest population of Asian-Americans living in poverty and the largest population of Asian-Americans living in extreme poverty neighborhoods (defined as census tracts where the poverty rate exceeds 40 percent).⁶² Despite improvements in the assessment area's economy, much of the job growth has been dominated by lower-paying service jobs,⁶³ and respondents to the Federal Reserve Bank of San Francisco's *Vantage Point Survey* noted that the lack of education among low-income residents in Los Angeles County makes it difficult for those who want to transition out of these lower-paying jobs.⁶⁴

⁵⁶ Kolko, Jed. Where Can the Middle Class Afford to Buy a Home? *Trulia*. October 10, 2013; available from: <http://www.trulia.com/trends/2013/10/middle-class/> (accessed March 18, 2014).

⁵⁷ California Association of Realtors, Housing Affordability Index-Traditional; available from: <http://www.car.org/marketdata/data/haitraditional/> (accessed May 29, 2015).

⁵⁸ U.S. Census Bureau, American Community Survey 1-Yr Estimate, Selected Social Characteristics DPO4, 2013; available from: <http://factfinder2.census.gov> (accessed May 28, 2015).

⁵⁹ Urban Institute, Housing Assistance Matter Initiative; available from: <http://www.urban.org/housingaffordability/> (accessed January 6, 2015).

⁶⁰ U.S. Census Bureau, American Community Survey 1-Yr Estimate, Selected Social Characteristics DPO3, 2013; available from: <http://factfinder2.census.gov> (accessed September 19, 2014).

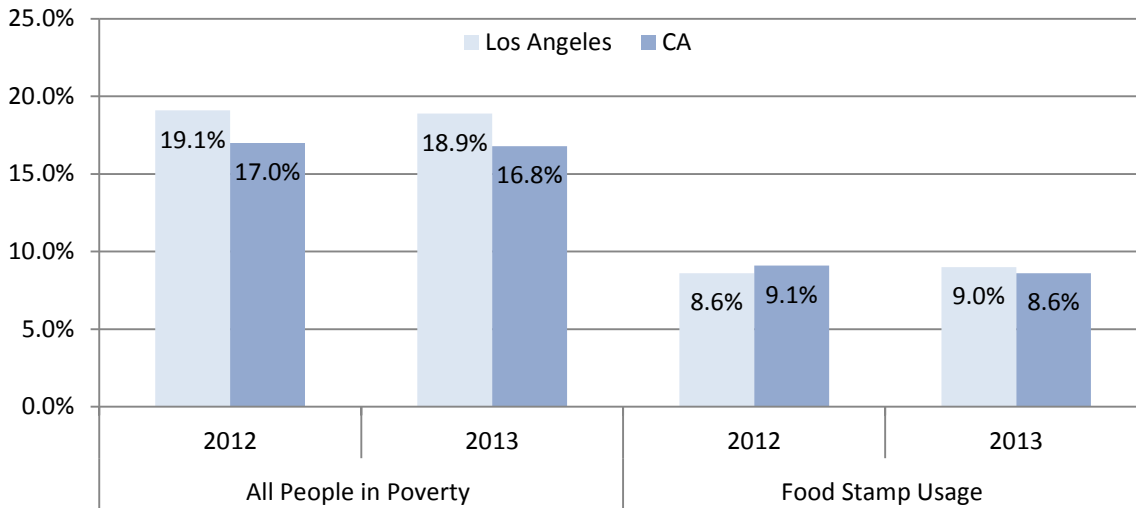
⁶¹ Community Commons Data Mapper; available from: <http://maps.communitycommons.org/viewer/>

⁶² National Coalition for Asian Pacific American Community Development, Spotlight: Asian American and Pacific Islander Poverty (pg. 31), June 2013; available at: http://nationalcapacd.org/sites/default/files/u12/aapi_poverty_report-web_compressed.pdf (accessed January 8, 2015).

⁶³ Kirkham, Chris. Southland adding jobs at rapid pace but many have low pay, reports say. *Los Angeles Times*. December 4, 2014; available from: <http://www.latimes.com/business/la-fi-wage-stagnation-20141205-story.html> (accessed January 7, 2015).

⁶⁴ Federal Reserve Bank of San Francisco's Vantage Point Survey. December, 2014.

EXHIBIT 9
**LOS ANGELES COUNTY POVERTY AND FOOD STAMP USAGE
2012-2013**



Credit and Community Development Needs

Similar to the San Diego assessment area, small businesses in the assessment area need access to a variety of forms of credit. As previously mentioned, data reported by banks subject to the CRA within Los Angeles County indicates that small business lending levels in 2013 (the most recent data available) remained depressed. Furthermore, a review of information obtained from community contacts throughout Los Angeles County generally suggests small businesses are most in need of startup financing, lines of credit, and working capital loans in smaller dollar amounts.

A variety of factors indicate that there is also a need for affordable housing development and financing within the assessment area. High housing costs and low rental affordability and availability highlight a need for products and services that support access to affordable housing. There are a number of resources in the area that are attempting to address these needs and that may provide an opportunity for participation by banks. During the review period, the assessment area received a total of \$885,070,300 in Federal Low Income Housing Tax Credits (to be administered over a ten-year period) and \$16.6 million in State Tax Credits, providing an opportunity to place new affordable housing units into service, and local financial institutions an opportunity to invest in the area.⁶⁵ Additionally, there are CDFIs in the area that finance affordable housing development that may provide opportunities for partnership with local banks.⁶⁶

In addition, as with the San Diego assessment area, the prevalence of poverty and the need for social support services discussed earlier highlight the importance of community service organizations within the bank’s communities. The ongoing demand for services often results in needs for these organizations in terms of financial supports and technical assistance as they attempt to service significant low- and moderate-income populations within the bank’s assessment areas. A review of information obtained from local community contacts and the SCB’s Plan suggest there are opportunities to provide support to

⁶⁵ California Tax Credit Allocation Committee, 2013 and 2014 allocations; available from: <http://www.treasurer.ca.gov/ctcac> (accessed May 28, 2015).

⁶⁶ CDFI Locator; available from: <http://ofn.org/cdfi-locator>

housing organizations and that specific needs may include down payment assistance for low- and moderate-income homebuyers. Other opportunities may include helping organizations provide homebuyer and financial education. In addition, financial institutions may have opportunities to work collaboratively with city and county officials to address affordable housing issues and provide leadership in this regard.

CONCLUSIONS WITH RESPECT TO PERFORMANCE

SCB established a five-year Plan by which its CRA performance is to be evaluated. During this one-year evaluation period, the bank operated under a Plan for 2014. SCB established measurable quantitative goals for both satisfactory and outstanding ratings. Community development investment and service goals are annualized. The bank’s investment and service goals are reasonable relative to banks with similar business models operating under Plans.

SCB’s overall CRA performance depicts outstanding performance by exceeding or meeting the lending, investment and service goals outlined in the Plan.

Community Development and Small Business Lending Goals

SCB significantly exceeded the overall 2014 lending goals established under its Plan for an outstanding performance as shown in Exhibit 10. The bank exceeded the goals for outstanding performance in the San Diego and Los Angeles assessment areas with the exception of its community development lending in Los Angeles County, which met the goal for satisfactory performance.

EXHIBIT 10 ANNUAL LENDING GOALS				
STRATEGIC PLAN GOALS: LENDING	ASSESSMENT AREA	GOALS AS PERCENTAGE OF AVERAGE ASSETS ⁶⁷	ACTUAL PERFORMANCE AS PERCENTAGE	ACTUAL PERFORMANCE IN DOLLARS (000's)
Overall Lending Goals	Combined Assessment Areas	Outstanding: 1.50%	465%	\$24,855
		Satisfactory: 1.25%		
Community Development Lending Goals	Los Angeles	Outstanding: 0.45%	90%	\$1,446
		Satisfactory: 0.38%		
	San Diego	Outstanding: 0.45%	101%	\$1,620
		Satisfactory: 0.38%		
Small Business Lending Goals	Los Angeles	Outstanding: 0.30%	133%	\$14,261
		Satisfactory: 0.25%		
	San Diego	Outstanding: 0.30%	704%	\$7,528
		Satisfactory: 0.25%		

SCB originated a high level of community development loans that were particularly responsive to the need for affordable housing previously discussed. The bank originated \$3.0 million in community development loans including two community development loans in the San Diego assessment area totaling \$1.6 million and the two community development loans totaling \$1.4 million in the Los Angeles assessment area. The following summarize the impact of these community development loans:

- A \$945,703 loan to construct a 48-unit affordable housing complex for seniors in Culver City, California. The project has 47 units designated for low-income families.

⁶⁷ Average assets were \$356,357 million, as of December 31, 2014. Annual goals were calculated by multiplying average assets by the percentages designated in the bank’s Plan for the respective goals.

- A \$500,000 loan to construct an 85-unit affordable housing complex for low- and moderate-income residents in Lakewood, California.
- A \$900,000 and a \$720,000 loan to open a new food distribution warehouse, which will create more than 25 new jobs in San Diego, California.

Additionally, SCB exceeded the small business sub-lending goals outlined in its Plan. SCB’s Plan defines sub-lending goals for loans to small businesses located in low- and moderate-income census tracts and loans to small businesses with revenues less than \$1 million. As shown below in Exhibit 11, SCB exceeded both sub-lending goals demonstrating responsiveness to the needs of small businesses and to small businesses located in low- and moderate-income geographies.

EXHIBIT 11 SMALL BUSINESS SUB-LENDING GOALS				
GOALS CATEGORY	SCB’S TOTAL LOANS TO SMALL BUSINESSES (DOLLAR VOLUME AND NUMBER OF LOANS (000’s))	ANNUAL PERCENTAGE GOALS	ACTUAL PERFORMANCE AS PERCENTAGE	ACTUAL PERFORMANCE BY NUMBER AND DOLLARS (000’s)
Loans to Small Businesses (Gross Annual Revenue <= \$1 million)	\$21,789	30%	240%	\$15,699
	41 loans		220%	27 loans
Loans to Businesses in Low- and Moderate-Income Census Tracts	\$21,789	25%	160%	\$8,694
	41 loans		175%	18 loans

Investment Goals

SCB’s investment performance in 2014 significantly exceeded the Plan goal for an outstanding rating for the San Diego and Los Angeles assessment areas as depicted in Exhibit 12. SCB made a \$500,000 investment in a minority-owned institution that is also a CDFI, located in the Los Angeles assessment area. The CDFI serves its local community by providing financial literacy education to East Los Angeles residents through elementary schools, middle schools, and high schools, as well as through nonprofits and faith-based organizations. SCB also provided 14 qualified donations to various organizations engaged in financial literacy educational programs, small business development, and community services targeted to low- and moderate-income individuals.

EXHIBIT 12 INVESTMENT GOALS	
STRATEGIC PLAN GOALS: ANNUAL INVESTMENTS/DONATIONS	ACTUAL PERFORMANCE
Satisfactory: \$22,000	\$527,158
Outstanding: \$27,000	

Service Goals

SCB’s service performance in 2014 far exceeded the Plan goal for an outstanding rating in the Los Angeles and San Diego assessment areas. The Plan outlines service goals by hours based on the number of full-time employees in each assessment area. Exhibit 13 below provides information about the bank’s performance in meeting the service test goals set forth in the Plan.

EXHIBIT 13 SERVICE GOALS					
STRATEGIC PLAN GOALS	ASSESSMENT AREA	GOALS FOR SERVICE HOURS PER FULL-TIME EMPLOYEE	FULL TIME EMPLOYEES	ANNUAL GOALS	ACTUAL PERFORMANCE
Service Hour Goals	Los Angeles	Satisfactory: 2 hours	10 employees	Satisfactory: 20 hours	31 hours
		Outstanding: 3 hours		Outstanding: 30 hours	
	San Diego	Satisfactory: 2 hours	52 employees	Satisfactory: 104 hours	679 hours
		Outstanding: 3 hours		Outstanding: 156 hours	

Bank employees provided qualified services to non-profit organizations and professional associations that helped promote financial literacy and economic development, and provided community services targeted to low- and moderate-income individuals in the bank’s assessment areas. During the evaluation period, SCB employed approximately 52 employees residing within its San Diego assessment area and eight employees residing within its Los Angeles assessment area. These employees provided a total of 710 hours of services during 2014. Examples of the services include:

- SCB personnel provided 328 hours of financial services to a non-profit organization that provides financial assistance to other non-profit community service organizations. The non-profit organizations receiving financial assistance provide community services related to education, health, and social services targeted to low- and moderate-income individuals in the San Diego assessment area.
- SCB personnel provided 133 hours of service using software to teach financial literacy to low- and moderate-income students at two San Diego, California high schools. SCB’s employees taught financial literacy courses, FDIC Money Smart for young adults, and mentored students during career day. In 2014, the program helped 253 students.
- SCB personnel provided 54 hours of service to an organization that provides scholarships to low- and moderate-income students in San Diego. Service hours were centered in board service on the finance committee and planning fundraising events.
- SCB personnel provided 45 hours of service to an organization that seeks to assist San Diego area small businesses access non-traditional lending to create jobs for low- and moderate-income individuals. Service hours were centered in board service.
- SCB personnel provided 17 hours of services teaching financial literacy to low- and moderate-income eighth graders at a middle school in Glendale, California. SCB’s employees created and presented a presentation called “All about Finances” to 38 eighth graders. Additionally, SCB’s employees answered questions from students about banking, saving and investing.

- SCB personnel provided 14 hours of service to an organization that provides small business education services to women entrepreneurs and returning women veterans. Service hours were centered in providing SBA lending expertise at a small business symposium in Los Angeles.

Fair Lending or Other Illegal Credit Practices Review

There was no evidence of violations of the substantive provisions of anti-discrimination and fair lending laws and regulations, or of other credit practice rules, laws or regulations identified during the consumer compliance examination conducted concurrently with this CRA performance evaluation.

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 MSAs. 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 SBA'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 MSA 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 MSA or a 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.

: 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.