

# **PUBLIC DISCLOSURE**

September 5, 2017

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

BayCoast Bank  
Certificate Number: 90196

330 Swansea Mall Drive  
Swansea, Massachusetts 02777

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118

Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
New York, New York 10118

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

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **High Satisfactory** by the Division and **Satisfactory** by the FDIC. FDIC regulations do not include a High Satisfactory rating. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following points summarize the bank's Lending and Community Development Test performance.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Outstanding.**

- The institution demonstrated excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities throughout the assessment area.

## SCOPE OF EVALUATION

### *General Information*

This performance evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Commonwealth of Massachusetts Division of Banks (Division), covers the period from the prior evaluation, dated April 22, 2014, to the current evaluation, dated September 5, 2017. Examiners used Interagency Intermediate Small Bank Examination Procedures to evaluate BayCoast Bank's CRA performance. Intermediate Small Bank Examination Procedures apply to institutions having assets of at least \$307 million as of December 31 of both the prior two calendar years and less than \$1.226 billion as of December 31 of either of the prior two calendar years. These procedures include two tests: The CRA Small Bank Lending Test (Lending Test) and the Community Development Test.

The Lending Test considered the institution's performance according to the following criteria:

- Loan-to-deposit ratio;
- Assessment area concentration;
- Geographic distribution;
- Borrower profile; and
- Response to CRA-related complaints.

The Community Development Test considered the following factors:

- Number and dollar amount of community development loans, qualified investments, and community development services; and
- The responsiveness of such activities to the community development needs of the assessment area.

Banks must achieve at least a Satisfactory rating under each test in order to obtain an overall Satisfactory rating. The evaluation does not include lending activity performed by affiliates.

### *Loan Products Reviewed*

The bank's lending activity is largely focused on real estate-secured loans, which represent 81.8 percent of the loan portfolio as of the most recent Consolidated Report of Condition (Call Report) data from June 30, 2017. This includes 39.9 percent 1-4 family residential, 31.0 percent nonfarm-nonresidential loans, 4.3 percent multi-family, and 6.7 percent construction and development secured loans.

The Lending Test focused on the bank's home mortgage and small business lending. Loans secured by residential real estate account for 44.2 percent of the bank's loan portfolio and commercial real estate and commercial and industrial loans combined represent nearly 42.0 percent of the bank's loan portfolio and were included in the analysis. As consumer and agricultural loans represent small portions of the loan portfolio, at 6.3 percent and 0.9 percent, respectively, the evaluation did not include a review of those loan types.

For home mortgage lending, the evaluation considered home loans originated or purchased by the bank during 2015 and 2016. Examiners derived the home mortgage lending data from the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs), which contain data about home purchase and home improvement loans, including refinances, of one-to-four family and multi-family (five or more units) properties. The LARs show that the bank originated 948 home mortgage loans totaling \$164 million in 2015 and 1,048 loans totaling \$186.3 million in 2016.

Analyses of the bank's small business loans considered small business loans the bank originated or purchased in 2015 and 2016. Small business loans include commercial real estate and commercial and industrial loans with original balances of \$1 million or less. The bank collected and reported its small business loan data, which is its option as an ISB. The bank originated 283 small business loans totaling \$76.3 million in 2015 and 230 loans totaling \$63.5 million in 2016. Considering the much larger volume of home mortgage loans compared to small business loans during 2015 and 2016, more weight is given to the bank's performance in home mortgage lending throughout this evaluation.

While the Lending Test discusses the total dollar amounts of loans, examiners primarily based their conclusions on the bank's performance by the number of loans originated or purchased. The number of loans, rather than aggregate dollar amount, more accurately represents the number of individuals or businesses to which the institution provided credit.

The Community Development Test considered the number and dollar amount of qualified community development loans, investments, and services since the prior CRA evaluation dated April 22, 2014.

## DESCRIPTION OF INSTITUTION

### *Background*

BayCoast Bank is headquartered in Swansea, Massachusetts, and operates in the southeastern part of Massachusetts as well as eastern Rhode Island. BayCoast Bank is owned by Narragansett Financial Corp., a one-bank holding company also located in Swansea. The bank has six wholly owned subsidiaries and one subsidiary in which it has 80 percent ownership. The FDIC and the Division assigned a “Satisfactory” rating for the prior CRA evaluation dated April 22, 2014, using Intermediate Small Bank procedures.

### *Operations*

BayCoast Bank operates 16 full-service branches in its assessment area in the eastern part of Massachusetts and one in the Rhode Island portion of the assessment area. BayCoast Bank is a full-service financial institution offering deposit products such as checking, savings, and retirement accounts, as well as loan products such as home financing programs that include fixed- and adjustable-rate mortgage programs for the purchase, refinance, improvement, and construction of residential property. Additionally, the bank offers consumer credit products including home equity lines of credit, home improvement loans, personal loans, and overdraft lines of credit. BayCoast Bank offers commercial customers checking, savings, and money market accounts. Financing options include commercial real estate loans, term loans, lines of credit, construction loans, and permanent mortgages.

The bank also offers investment advisory and trust services. Alternative banking services include internet and mobile banking, electronic bill pay, four interactive teller machines (ITMs) and seven bank-owned automated teller machines (ATMs). The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

### *Ability and Capacity*

Assets totaled approximately \$1.35 billion as of June 30, 2017, and included total loans of \$1.0 billion and securities totaling \$237 million. The loan portfolio is illustrated in the following table.

<b>Loan Portfolio Distribution as of June 30, 2017</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	67,961	6.7
Secured by Farmland	0	0.0
1-4 Family Residential	404,984	39.9
Multi-family (5 or more) Residential	43,433	4.3
Commercial Real Estate	314,433	31.0
<b>Total Real Estate Loans</b>	<b>830,811</b>	<b>81.8</b>
Commercial and Industrial	111,817	11.0
Agricultural	8,995	0.9
Consumer	63,478	6.3
Other	0	0.0
<b>Total Loans</b>	<b>1,015,286</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. BayCoast Bank has designated a single assessment area that conforms to CRA requirements. The assessment area remains the same as the previous evaluation.

### *Economic and Demographic Data*

The assessment area includes 90 census tracts in Acushnet, Dartmouth, Dighton, Fairhaven, Fall River, Freetown, New Bedford, Rehoboth, Seekonk, Somerset, Swansea, and Westport, Massachusetts, as well as Little Compton and Tiverton, Rhode Island. The entire assessment area is located inside the Providence-Warwick, RI-MA Metropolitan Statistical Area (MSA). The tracts reflect the following income designations according to the 2010 U.S. Census:

- 19 low-income tracts,
- 25 moderate-income tracts,
- 31 middle-income tracts, and
- 15 upper-income tracts.

The following table illustrates select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	90	22.2	27.8	30.0	20.0	0.0
Population by Geography	356,419	16.1	23.6	33.8	26.4	0.0
Housing Units by Geography	157,452	18.4	25.7	33.1	22.8	0.0
Owner-Occupied Units by Geography	82,819	5.5	17.7	42.7	34.1	0.0
Occupied Rental Units by Geography	59,228	34.3	36.7	22.3	6.7	0.0
Vacant Units by Geography	15,405	26.2	26.8	23.4	23.6	0.0
Businesses by Geography	19,754	17.7	16.8	38.4	27.1	0.0
Farms by Geography	703	8.1	10.2	34.7	46.9	0.0
Family Distribution by Income Level	89,839	27.4	18.3	19.2	35.1	0.0
Household Distribution by Income Level	142,047	30.6	15.5	16.0	37.9	0.0
Median Family Income		\$70,496	Median Housing Value Median Gross Rent Families Below Poverty Level			\$290,760 \$728 10.8%

*Source: 2010 U.S. Census, 2016 D&B Data, and FFIEC-Estimated Median Family Income; (\*) The NA category consists of geographies that have not been assigned an income classification.*



The 2015 and 2016 FFIEC-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. These categories are based on FFIEC-updated MSA median family incomes of \$70,400 and \$73,100 for 2015 and 2016 respectively.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2015 (\$74,400)	<\$37,200	\$37,200 to <\$59,520	\$59,520 to <\$89,280	≥\$89,280
2016 (\$73,100)	<\$36,550	\$36,550 to <\$58,480	\$58,480 to <\$87,720	≥\$87,720

*Source: FFIEC*

There are 157,452 housing units within the assessment area. Of these, 52.6 percent are owner-occupied, 37.6 percent are occupied rental units, and 9.8 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner occupied housing units. There are no owner-occupied housing units in the census tract without an income designation.

According to 2016 D&B data, there are 19,754 businesses in the assessment area. Service industries represent the largest portion of business at 44.1 percent; followed by retail trade (16.1 percent); construction (9.9 percent), and finance, insurance, and real estate (8.0 percent). In addition, 73.4 percent of area businesses have four or fewer employees, and 89.1 percent operate from a single location.

The analysis of small business loans under the Borrower Profile criterion compares the bank’s lending to the distribution of businesses by gross annual revenue (GAR) level. The area businesses are distributed by GAR level as follows:

- 78.2 percent have \$1 million or less,
- 5.0 percent have more than \$1 million, and
- 16.8 percent have unknown revenues.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the 2016 year-end statewide unemployment rates were 3.7 percent and 5.3 percent for Massachusetts, and Rhode Island, respectively. Additionally, the unemployment rates in the Counties of Bristol, Massachusetts, and Bristol, Rhode Island, were 4.7 percent and 4.6 percent as of year-end 2016. The unemployment rates in both states decreased over the evaluation period.

***Competition***

The assessment area is a highly competitive mortgage lending environment. Residential lending market share reports for 2015 show 291 lenders originated or purchased 9,502 loans totaling over \$1.9 billion. These lenders include large national and regional banks, community banks, credit unions, and mortgage companies. BayCoast Bank ranked 1<sup>st</sup> in the assessment area with 6.5 percent of the market share followed by a large national bank and local community credit union with 5.1 percent and 4.8 of market share, respectively.

### ***Community Contact***

As part of the evaluation process, examiners contact third parties who are active in community affairs to assist in assessing the credit and community development needs of the bank's assessment area. Information collected from contact with community organizations aids in determining how well local institutions respond to the needs of the community.

Examiners contacted a representative of an economic development organization in the assessment area. The contact noted the existence of a myriad of credit products offered at a variety of financial institutions in this area. However, there is a need for more small business friendly credit options particularly in the South Coastal region of Massachusetts. Additionally, the contact noted the need for more low-income and first-time homebuyer loan products to stabilize the area. Overall, the contact indicated that financial institutions have been responsive to area needs, specifically citing BayCoast Bank, BankFive, and Mechanics Cooperative Bank.

### ***Credit and Community Development Needs and Opportunities***

Examiners identified the primary credit needs of the assessment area based on demographic and economic information, discussions with management, and the conversation with the community contact. Although numerous credit needs are apparent, examiners determined the primary credit needs of the community include financing for affordable housing and small businesses.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

BayCoast Bank demonstrated reasonable performance under the Lending Test. Performance under the Geographic Distribution and Borrower Profile criterion primarily support the Lending Test rating.

### Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 96.9 percent over the past 13 calendar quarters from June 30, 2014, to June 30, 2017. The ratio ranged from a low of 93.4 percent as of June 30, 2014, to a high of 99.5 percent as of June 30, 2017. The ratio demonstrated a stable, but increasing trend during the evaluation period. BayCoast Bank had an average LTD ratio that exceeded all but one of the comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 6/30/17 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>BayCoast Bank</b>	<b>1,354,010</b>	<b>96.9</b>
Dedham Institution for Savings	1,412,905	93.7
South Shore Bank	1,072,427	96.5
Bank Five	856,494	81.5
The Bank of Canton	662,583	98.7
<i>Source: Reports of Condition and Income 6/30/14 through 06/30/17</i>		

### Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, inside its assessment area. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2015	542	57.2	406	42.8	948	92,641	56.5	71,342	43.5	163,983
2016	587	56.0	461	44.0	1,048	109,220	58.6	77,119	41.4	186,339
<b>Subtotal</b>	<b>1,129</b>	<b>56.6</b>	<b>867</b>	<b>43.4</b>	<b>1,996</b>	<b>201,861</b>	<b>57.6</b>	<b>148,461</b>	<b>42.4</b>	<b>350,322</b>
Small Business										
2015	188	66.4	95	33.6	283	48,134	63.1	28,178	36.9	76,312
2016	177	77.0	53	23.0	230	48,278	76.0	15,261	24.0	63,539
<b>Subtotal</b>	<b>365</b>	<b>71.2</b>	<b>148</b>	<b>28.8</b>	<b>513</b>	<b>96,412</b>	<b>68.9</b>	<b>43,439</b>	<b>31.1</b>	<b>139,851</b>
<b>Total</b>	<b>1,494</b>	<b>59.5</b>	<b>1,015</b>	<b>40.5</b>	<b>2,509</b>	<b>298,273</b>	<b>60.9</b>	<b>191,900</b>	<b>39.1</b>	<b>490,173</b>
<i>Source: 2015 and 2016 HMDA and CRA Reported Data</i>										

### **Geographic Distribution**

Overall, the geographic distribution of home mortgage and small business loans reflects a reasonable dispersion throughout the assessment area. The following sections address BayCoast Bank's performance by product line for calendar years 2015 and 2016.

#### ***Home Mortgage Loans***

The geographic distribution of the bank's home mortgage loans reflects reasonable dispersion through the assessment area. Examiners focused on the comparison to 2015 aggregate performance data. The following table shows that the bank's performance in low-income census tracts is 1.3 percent higher than aggregate and 1.8 percent lower in moderate-income census tracts in 2015. The bank demonstrated a decreasing trend of lending in low-income tracts in 2016; however, the number of loans originated in moderate-income tracts was identical from 2015 to 2016. Additionally, market share data for 2015 shows the bank ranked 2<sup>nd</sup> for low-income tracts and 4<sup>th</sup> for moderate-income tracts. These rankings are slightly lower than the bank's overall market rank of 1<sup>st</sup>.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2015	5.5	6.3	41	7.6	5,388	5.8
2016	5.5	--	29	4.9	3,243	3.0
<b>Moderate</b>						
2015	17.7	16.6	75	13.8	8,618	9.3
2016	17.7	--	75	12.8	10,308	9.4
<b>Middle</b>						
2015	42.7	46.1	247	45.6	38,667	41.7
2016	42.7	--	293	49.9	52,402	48.0
<b>Upper</b>						
2015	34.1	31.0	179	33.0	39,968	43.1
2016	34.1	--	190	32.4	43,267	39.6
<b>Totals</b>						
<b>2015</b>	100.0	100.0	542	100.0	92,641	100.0
<b>2016</b>	100.0	--	587	100.0	109,220	100.0
<i>Source: 2010 U.S. Census; 2015 and 2016 HMDA Reported Data; 2015 HMDA Aggregate Data; "--" data not available</i>						

### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area, particularly in low- and moderate-income tracts. The bank exceeded aggregate performance both in low- and moderate-income tracts in 2015. In addition, the bank demonstrated consistent lending levels in these tracts in 2016. The following table illustrates the bank's loans in the assessment area by census tract income level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % by #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2015	17.1	16.2	42	22.3	12,102	25.1
2016	17.7	--	42	23.7	10,359	21.5
<b>Moderate</b>						
2015	16.9	15.7	34	18.1	5,686	11.8
2016	16.8	--	33	18.6	7,768	16.1
<b>Middle</b>						
2015	38.6	38.6	67	35.6	18,187	37.8
2016	38.4	--	70	39.5	19,800	41.0
<b>Upper</b>						
2015	27.5	29.5	45	23.9	12,159	25.3
2016	27.1	--	32	18.1	10,351	21.4
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>188</b>	<b>100.0</b>	<b>48,134</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>177</b>	<b>100.0</b>	<b>48,278</b>	<b>100.0</b>
<i>Source: 2015 &amp; 2016 D&amp;B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

## **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes within the assessment area. Examiners focused on the number of home loans to low- and moderate-income borrowers and small businesses with GARs of \$1 million or less.

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, particularly to low- and moderate-income individuals, is reasonable. Examiners focused on the comparison to aggregate data. The bank's lending to low-income borrowers was consistent with aggregate, and lending to moderate-income borrowers slightly exceeded aggregate in 2015. It is noted that 27.4 percent of families in the bank's assessment area are low-income, and 10.7 percent have incomes below the federal poverty threshold. Given the median home value of \$290,760 within the assessment area, it is unlikely that low-income borrowers with incomes of less than \$37,200 would qualify for a home loan using traditional underwriting standards. Even moderate-income borrowers with incomes up to \$59,520 would not likely qualify.

Market share data further supports reasonable performance. In 2015, the bank ranked 3<sup>rd</sup> and 4<sup>th</sup> in lending to low- and moderate-income borrowers, respectively. These market rankings are slightly below the bank's overall market rank of 1<sup>st</sup>.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2015	27.5	5.6	30	5.5	1,770	1.9
2016	27.5	--	31	5.3	2,193	2.0
<b>Moderate</b>						
2015	17.9	17.9	100	18.5	11,349	12.3
2016	17.9	--	87	14.8	10,551	9.7
<b>Middle</b>						
2015	20.5	23.8	112	20.7	14,618	15.8
2016	20.5	--	136	23.2	18,488	16.9
<b>Upper</b>						
2015	34.1	31.5	251	46.3	52,327	56.5
2016	34.1	--	282	48.0	65,838	60.3
<b>Income Not Available</b>						
2015	0.0	21.2	49	9.0	12,577	13.6
2016	0.0	--	51	8.7	12,150	11.1
<b>Total</b>						
<b>2015</b>	100.0	100.0	542	100.0	92,641	100.0
<b>2016</b>	100.0	--	587	100.0	109,220	100.0
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### ***Small Business Loans***

The distribution of loans to businesses of different sizes is poor. Of businesses in the assessment area, 78.2 percent had GARs of \$1 million or less in 2015, and 84.1 percent were of this GAR level in 2016. In 2015, the bank made 37.2 percent of its small business loans to businesses with GARs of \$1 million or less. This level was relatively consistent in 2016, at 35.0 percent. The bank's performance in 2015 was below aggregate, and performance in both years was below demographic data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>≤ \$1,000,000</b>						
2015	78.2	46.0	70	37.2	12,528	26.0
2016	84.1	--	62	35.0	11,914	24.7
<b>&gt; \$1,000,000</b>						
2015	5.0	--	115	61.2	34,056	70.8
2016	5.8	--	115	65.0	36,364	75.3
<b>Revenue Not Available</b>						
2015	16.8	--	3	1.6	1,550	3.2
2016	10.1	--	0	0.0	0	0.0
<b>Total</b>						
<b>2015</b>	100.0	--	188	100.0	48,134	100.0
<b>2016</b>	100.0	--	177	100.0	48,278	100.0
<i>Source: 2015 &amp; 2016 D&amp;B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not impact the Lending Test rating.



## **COMMUNITY DEVELOPMENT TEST**

BayCoast Bank demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

### **Community Development Loans**

BayCoast Bank originated 48 community development loans totaling approximately \$10.9 million during the evaluation period. This level of activity represents 0.9 percent of average total assets and 1.2 percent of average total loans since the prior CRA evaluation. Of the 48 community development loans, 25 totaling \$1.3 million were used for community services to low- and moderate-income individuals or areas in the assessment area. These loans demonstrate the bank’s responsiveness to this community development need. The following table illustrates the bank’s community development lending activity by year and purpose.

<b>Community Development Loans</b>												
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize Or Stabilize</b>		<b>Neighborhood Stabilization</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$ (000s)</b>
4/23/2014-12/31/2014	0	0	3	137	2	150	0	0	0	0	5	287
2015	5	1,247	8	2,785	4	655	0	0	0	0	17	4,687
2016	5	648	6	2,405	6	679	0	0	0	0	17	3,732
YTD 2017	1	321	8	1,839	0	0	0	0	0	0	9	2,160
<b>Totals</b>	<b>11</b>	<b>2,216</b>	<b>25</b>	<b>7,166</b>	<b>12</b>	<b>1,484</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>10,866</b>

*Source: Bank records*

Below are notable examples of the bank’s community development loans:

- The bank renewed, on an annual basis, a \$750,000 working capital line of credit to a non-profit organization. The bank also provided six additional loans for \$1.9 million to the same non-profit to be used for employment training, job development, day habilitation, children’s services, community support services, and residential services. This organization provides services primarily to low- and moderate-income individuals.
- In 2016, the bank renewed a line of credit for \$250,000 to a non-profit organization. The organization operates a career center that assists individuals in finding and retaining suitable employment; a majority of those served by the organization are of low- or moderate-income levels.

- Throughout the evaluation period, the bank made multiple loans to a non-profit organization that provides affordable housing to low- and moderate-income individuals. This organization also provides outpatient and residential treatment in the assessment area. The bank made four loans totaling \$477,000, one of which was a line of credit for \$250,000 that was used for operating needs.

### **Qualified Investments**

BayCoast Bank made 290 qualified investments totaling approximately \$20.2 million. This total includes qualified equity investments of approximately \$17.5 million and donations of \$2.7 million. This dollar amount of equity investments equates to 1.5 percent of average total assets and 10.0 percent of average securities since the last evaluation.

Of the total dollar amount, 85.4 percent had a primary purpose of community services for low- or moderate-income individuals or families. These investments demonstrate the bank’s responsiveness, particularly to the need for community services for the low- and moderate-income community. The following table illustrates the bank’s community development investments by year and purpose.

<b>Qualified Investments</b>												
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Neighborhood Stabilization</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	1	2,475	3	1,590	0	0	0	0	0	0	<b>4</b>	<b>4,065</b>
4/23/2014-12/31/2014	4	371	54	177	1	8	0	0	0	0	<b>59</b>	<b>556</b>
2015	10	66	74	7,993	1	1	0	0	0	0	<b>85</b>	<b>8,060</b>
2016	1	1	70	2,213	1	1	0	0	0	0	<b>72</b>	<b>2,215</b>
YTD 2017	1	35	69	5,309	0	0	0	0	0	0	<b>70</b>	<b>5,344</b>
<b>Total</b>	<b>17</b>	<b>2,948</b>	<b>270</b>	<b>17,282</b>	<b>3</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>290</b>	<b>20,240</b>

*Source: Bank Records*

Below are notable examples of the bank’s qualified investment activities:

### **Equity Investments**

#### *Current Period Investments*

- In 2015, the bank made a \$7.0 million investment to the YMCA Southcoast, Inc. for acquisition of property in Swansea. The YMCA Southcoast serves a majority low- and moderate-income clientele throughout the south coast region of Massachusetts.
- In 2016, the bank purchased a \$1.7 million bond from the Nemasket Group, a non-profit that offers support for families and individuals with disabilities to live, work, and develop relationships in their communities. The organization primarily serves low- and moderate-income individuals with disabilities. The organization is using bond proceeds to buy and

renovate 11,000 square feet of commercial and office condominium space for its new locations in Mattapoisett.

- In 2017, the bank purchased a bond for \$1.8 million from the Argosy Charter School, a local charter school in Fall River to assist in the purchase of the land that the school previously leased. The school is located in a moderate-income census tract, and a majority of its students qualify for free or reduced-price lunches under the U.S. Department of Agriculture's National School Lunch Program.
- The bank committed to a \$7.5 million bond to the Atlantis Charter School. The funds will go towards the construction cost of a new building, giving the Atlantis School the opportunity to consolidate its current schools into one campus therefore increasing enrollment. The majority of the students attending the Atlantis School receive free or reduced lunch. During the evaluation period, the bank disbursed \$3 million of its total commitment, which represents the amount qualified for purposes of the current evaluation.

#### *Prior Period Investments*

- The bank continues to hold two investments in the Access Capital Strategies Community Investment Fund, Inc. (ACSCIF). The ACSCIF is an SEC registered fund structured as a business development company. The primary purpose of the fund is to provide a secondary market and financing vehicle for community development loan originators. The fund invests in private placement debt securities specifically designated to support underlying community development activities targeted to serve low- and moderate-income individuals, including affordable housing, education, small business lending and other job creating investments within the State of Massachusetts. These investments, with a total current book value of \$733,460, benefitted the assessment area.
- In February 2009, the Bank purchased a bond for \$1.5 million from Citizens for Citizens, an anti-poverty social services agency that supports families during financial crisis situations through its fuel assistance, food pantry, and rental assistance programs. The current book value of the bond is \$856,563.
- The bank continues to hold bonds, with a total current book value of \$2.5 million, for People, Inc. This organization provides services to low- and moderate-income individuals and families dealing with developmental disabilities and other at-risk situations. The organization used these funds to refinance other debt and construct a four-bedroom home to be used by its low- or moderate-income clients.

#### **Charitable Contributions**

**Steppingstone Inc.:** Steppingstone, Inc. is a multi-service non-profit agency located in the bank's assessment area. Steppingstone has a First Step Inn program that provides emergency housing for the homeless in addition to supportive services designed to ensure families return to independent living. Case Management services for low- and moderate-income individuals

include connecting guests to housing, employment, entitlements, behavioral health, and an array of other services. The bank's contribution allowed Steppingstone to open a new shelter in Fall River, increasing the ability to stabilize the homeless in shelters, provide assistance, and return families to independent living.

**Southcoast Health System:** During the evaluation period, the bank made multiple donations to the Southcoast Health System in order to promote the health and well-being of individuals throughout the bank's assessment area. The Southcoast Health System has hospital locations in Dartmouth, Fall River, New Bedford, and Wareham. Of the 67 census tracts in these communities, 47 are low- or moderate-income tracts. A majority of those served by this health system are of low- or moderate-income levels. The Southcoast Health System is a designated share hospital and is recognized as caring for aging and lower socioeconomic patients.

**Argosy Collegiate Charter School:** Argosy Collegiate is a tuition-free, college preparatory, public charter school located in Fall River. The bank's contribution allowed the school to renovate a deteriorated building into a modern, technology-based school for over 340 students. The campus is located in a moderate-income census tract, and the majority of students receive free or reduced-price lunches.

**Greater Fall River Community Food Pantry:** This organization assists residents in Fall River and surrounding communities by providing food relief. The purchase and renovation of the food pantry was attainable by way of the bank's contribution. The new food pantry is located near public transportation, and will provide the storage space needed to serve and store food for the surrounding areas.

**Waterfront Historic Area League (WHALE):** WHALE enhances community and economic vitality in New Bedford through historic preservation projects. Over 55 historic preservation projects include affordable, workforce and market rate housing, mixed use, and creative economic development. Through the Neighborhood Restoration Program, WHALE acquires and restores historic house foreclosures to redevelop them as affordable housing.

**My Brother's Keeper:** My Brother's Keeper is a community organization with programs that provide food, furniture, and toys to low- and moderate-income residents in Southeastern Massachusetts. The contribution went toward building a new facility in Dartmouth, Massachusetts, which increased the organization's storage capacity and deliveries to families in need.

### **Community Development Services**

During the evaluation period, bank employees provided 66 instances of financial expertise or technical assistance to 25 different community development-related organizations in the assessment area. The following table illustrates the bank's community development services by year and purpose.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
4/23/2014-12/31/2014	0	7	0	0	0	7
2015	0	16	0	0	0	16
2016	3	25	3	0	0	31
YTD 2017	1	10	1	0	0	12
<b>Total</b>	<b>4</b>	<b>58</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>66</b>
<i>Source: Bank records</i>						

Below are notable examples of the bank’s community development services:

**New Heights Charter School of Brockton (NHCSB):** NHCSB is the first “wall-to-wall” early college in Massachusetts which is partnered with Massasoit Community College. Located in a moderate-income census tract and serving a predominantly low- and moderate-income population, NHCSB allows all of their students to take college classes while still in high school, free-of-charge. A Vice President serves as Treasurer on the Board of Trustees for NHCSB.

**New Bedford Economics Development Council, Inc.:** The NBEDC is a non-profit organization that is composed of 250 successful leaders in business, education, and government led by a nine-member Board of Directors. The goal of The NBEDC is to work collaboratively at the city, state and federal levels to promote a transparent, business-friendly environment for sustainable economic development. A Vice President served as a council member and a loan committee member.

**Southeast Center for Independent Living (SCIL):** The SCIL offers advocacy, information, counseling, skills training and transition and prevention services to individuals with disabilities throughout the southeast region of Massachusetts. The majority of individuals served by this organization are low- or moderate-income. A Vice President provided money management and financial training to SCIL clients.

**Warren Housing Authority (WHA):** The WHA is a Section 8 and public housing agency that offers one public housing community with 153 units for seniors and disabled households in Warren, Rhode Island. An Assistant Vice President served as Vice Chairman for the organization in 2016.

**Greater Fall River Soup Kitchen:** The soup kitchen helps low- and moderate-income members of the Fall River community by providing meals at no cost. During the evaluation period, a representative from the bank was a member of the Board.

**Homeless Task Force:** This group is tasked with trying to end homelessness in Fall River. The Mayor’s task force includes representatives of homeless service providers, the health care community, religious organizations, neighborhood organizations, consumers, and law enforcement. The group is charged with developing a ten-year plan to end homelessness in the

City of Fall River. The bank's President and CEO serves as the Chair of the Task Force and an Administrative Assistant from the Bank provided technical expertise to the committee.

**Greater New Bedford Workforce Investment Board (WIB):** The WIB provides the leadership necessary to build the regional workforce development system and collaborates with all regional partners to help jobseekers achieve their long term employment goals, and businesses to meet their hiring needs. An Officer of the bank participated as a member of the Business Development Committee.

### ***Financial Education and Outreach***

- Throughout the evaluation period, bank employees participated in financial literacy classes within the assessment area. The bank employees participated in 10 Credit for Life Fairs at New Bedford High School, New Bedford Vocational Technical High School, and Durfee High School. The majority of students at these schools are eligible for free or reduced-price lunch.
- In 2016 & 2017, bank employees provided two Financial Literacy Programs at the Fall River Boys & Girls Club.
- The bank hosted two Industry Tours where students from New Bedford Vocational High School visited the bank and met with employees to learn about the banking industry.
- During the evaluation period, the bank partnered with affordable housing organizations throughout the assessment area such as ProHomes, Inc., NeighborWorks, the Fall River Affordable Housing Corporation, the New Bedford Housing Partnership and the Westport Affordable Housing Trust. The bank has participated in 29 housing seminars including first-time homebuyer seminars and foreclosure prevention seminars.

### ***Other Community Services***

- The bank offers flexible home mortgage products through its Affordable Loan and First-Time Homebuyer Programs, which are generally targeted low- and moderate-income families. Each program offers mortgage products with low down payment requirements, flexible credit score requirements, lenient LTV requirements, and Homebuyer Education options.
- The bank's deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council's (MCBC). This State-wide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.
- The bank participates in the Massachusetts Interest on Lawyer's Trust Accounts (IOLTA) program and is considered a Leadership Institution by the MA IOLTA Committee. Interest earned is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.

- The bank maintains a Community Room that is available for use to any non-profit organization free of charge.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

## APPENDIX

### FAIR LENDING POLICIES AND PROCEDURES

The Division provides comments regarding the institution’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the bank’s public comment file and its performance relative to fair lending policies and practices, examiners did not identify any violations of the anti-discrimination laws and regulations.

### MINORITY APPLICATION FLOW

Examiners reviewed BayCoast Bank’s 2015 and 2016 HMDA LARs to determine if the minority application flow reflected the assessment area’s demographics.

Examiners compared BayCoast Bank’s 2015 residential lending to 2015 aggregate data. This comparison assists in deriving reasonable expectations for the minority application rate. Refer to the following table for information regarding BayCoast Bank’s minority application flow as well as aggregate data.

<b>Minority Application Flow</b>					
<b>RACE</b>	<b>Bank 2015</b>		<b>2015 Aggregate Data</b>	<b>Bank 2016</b>	
	#	%	%	#	%
American Indian/ Alaska Native	2	0.3	0.2	2	0.3
Asian	5	0.8	0.7	1	0.2
Black/ African American	6	0.9	2.0	9	1.4
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	7	1.1	0.9	9	1.4
<b>Total Minority</b>	<b>20</b>	<b>3.1</b>	<b>3.9</b>	<b>21</b>	<b>3.3</b>
White	553	85.6	76.6	577	87.3
Race Not Available	73	11.3	19.5	63	9.4
<b>Total</b>	<b>646</b>	<b>100.0</b>	<b>100.0</b>	<b>661</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	8	1.2	2.3	8	1.2
Not Hispanic or Latino	561	86.8	77.1	586	88.7
Joint (Hisp/Lat /Not Hisp/Lat)	3	0.5	0.8	3	0.4
Ethnicity Not Available	74	11.5	19.8	64	9.7
<b>Total</b>	<b>646</b>	<b>100.0</b>	<b>100.0</b>	<b>661</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2015 and 2016 HMDA LAR Data, 2015 HMDA Aggregate Data</i>					

According to the 2010 U.S. Census data, the bank’s assessment area has a population of 356,419, of which 15.3 percent are minorities. The assessment area’s minority population includes 0.2 percent American Indian, 1.4 percent Asian/Pacific Islander, 2.7 percent Black, 7.1 percent Hispanic, and 3.9 percent other race.



In 2015, the bank received 646 HMDA reportable loan applications within its assessment area. Of these applications, 20 were received from racial minority applicants. The bank's application flow was slightly below aggregate performance of 3.9 percent for applications received from minorities. The bank received eight applications representing the Hispanic or Latino ethnic group in 2015 and 2016. The 2015 aggregate performance was 2.3 percent.

In 2016, the bank received 661 HMDA reportable loan applications. Of these applications, 21 were received from racial minority applicants.

Given the bank's overall performance and the increasing trend of applications to minorities, the bank's minority application flow is adequate.

## GLOSSARY

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

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**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. Other family 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).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

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

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase 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.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, 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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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 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.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.