

PUBLIC DISCLOSURE

July 15, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cape Ann Savings Bank
Certificate Number: 90203

109 Main Street
Gloucester, Massachusetts 01930

Division of Banks
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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 **Satisfactory**.

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 Massachusetts Division of Banks (Division) assigned a High Satisfactory rating.

The Lending Test is rated Outstanding.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this consideration did not affect the Lending Test.

The Community Development Test is rated Satisfactory.

The Division assigned a High Satisfactory rating.

The institution's community development performance demonstrates adequate responsiveness to community development needs of its assessment area through qualified community development loans, investments, and services. Examiners considered the institution's capacity, and the need and availability of such opportunities for community development in the institution's assessment area.

DESCRIPTION OF INSTITUTION

Background

Cape Ann Savings Bank (CASB) is a state-chartered, mutual savings institution, headquartered in Gloucester, Massachusetts (MA). CASB does not have a holding company and has not participated in any mergers or acquisitions since the previous evaluation. The bank received an overall “Satisfactory” rating at its previous May 17, 2021 evaluation. The bank received a Lending Test rating of “Outstanding” and a Community Development Test rating of “Satisfactory.” The FDIC and the Division conducted the evaluation jointly using Interagency Intermediate Small Institution CRA Examination Procedures.

Operations

In addition to its main office, CASB operates three full-service branches located in Gloucester, Manchester-by-the-Sea, and Rockport. Additionally, the bank operates one limited-service branch at Gloucester High School, which serves only students and staff when school is in session. Since the last evaluation, the bank opened a new full-service branch in Gloucester, located in a moderate-income census tract. All branches maintain automated teller machines (ATMs). In addition to branch ATMs, CASB operates four free-standing ATMs; one deposit taking ATM in Magnolia (village in Gloucester), and three cash-dispense only ATMs located in Gloucester and Rockport (2). The bank closed one free-standing ATM in Gloucester located in a middle-income census tract.

CASB offers traditional banking products to meet the needs of consumer and commercial customers. Consumer loan products include home mortgage loans, home equity loans and lines of credit, and construction loans. Deposit products include various checking and savings accounts, money market accounts, and other accounts for individuals and businesses. The bank also offers business lending products including commercial mortgages, commercial and development loans, commercial and industrial loans, and business term loans and lines of credit. CASB’s alternative delivery channels include ATM, internet and mobile banking, telephone banking, as well as Apple Pay.

Ability and Capacity

As of March 31, 2024, CASB reported a total of \$972.0 million in assets, including \$670.4 million in total net loans and \$207.0 million in securities. Deposits totaled \$742.1 million. Total assets increased by \$153.2 million, or 18.7 percent, and total net loans increased by \$192.5 million, or 40.3 percent, since the prior evaluation. The high volume of refinance loans originated by CASB prior to interest rate increases during the evaluation period helps to explain the loan portfolio growth.

CASB is primarily a residential lender with residential loans, including multi-family loans, comprising 78.8 percent of the bank’s portfolio. Commercial loans, including real estate and commercial and industrial loans, represent the second largest portion of the portfolio at 18.2 percent.

The following table further illustrates the bank's loan portfolio distribution.

Loan Portfolio Distribution as of March 31, 2024		
Loan Category	\$ (000s)	%
Construction, Land Development, and Other Land Loans	17,076	2.6
Secured by Farmland	0	0
Secured by 1-4 Family Residential Properties	491,612	73.3
Secured by Multifamily (5 or more) Residential Properties	36,603	5.5
Secured by Nonfarm Nonresidential Properties	106,700	15.9
Total Real Estate Loans	651,991	97.3
Commercial and Industrial Loans	16,036	2.3
Agricultural Production and Other Loans to Farmers	536	0.1
Consumer Loans	1,876	0.3
Obligations of State and Political Subdivisions in the U.S.	0	0
Other Loans	6	0
Lease Financing Receivable (net of unearned income)	0	0
Less: Unearned Income	0	0
Total Loans	670,445	100.00
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

CASB designated one assessment area in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD), which is part of the Boston-Cambridge-Newton, MA-New Hampshire Metropolitan Statistical Area (MSA). The assessment area is in Essex County and encompasses Essex, Gloucester, Manchester-by-the-Sea, and Rockport. The assessment area has not changed since the previous evaluation.

Economic and Demographic Data

Given the 2020 United States (U.S.) Census data updates, the income designation of some census tracts changed when compared to 2015 American Community Survey (ACS) data. The assessment area includes 13 census tracts with the following income designations:

- 1 low-income census tract
- 3 moderate-income census tracts
- 8 middle-income census tracts
- 1 upper-income census tract

The one low- and three moderate-income census tracts are located in Gloucester. Additionally, Gloucester includes two census tracts designated as Qualified Opportunity Zones. Qualified Opportunity Zones are distressed economic areas designated by census tract which are eligible for “preferential tax treatment” on capital gains.

The following table illustrates select demographic characteristics of the assessment area based on 2020 U.S. Census data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	13	7.7	23.1	61.5	7.7	0.0
Population by Geography	45,791	5.8	20.5	61.9	11.8	0.0
Housing Units by Geography	23,344	5.0	20.5	64.3	10.2	0.0
Owner-Occupied Units by Geography	13,470	3.5	16.3	68.3	12.0	0.0
Occupied Rental Units by Geography	6,841	9.2	35.4	47.8	7.5	0.0
Vacant Units by Geography	3,033	2.3	5.6	83.9	8.2	0.0
Businesses by Geography	6,110	3.4	19.9	60.6	16.1	0.0
Farms by Geography	198	3.5	19.7	67.2	9.6	0.0
Family Distribution by Income Level	12,804	25.1	17.8	23.1	34.0	0.0
Household Distribution by Income Level	20,311	31.4	15.4	19.0	34.2	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$121,481	Median Housing Value			\$508,653
			Median Gross Rent			\$1,279
			Families Below Poverty Level			5.0%

Source: 2020 U.S. Census and 2023 D&B Data; Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units by census tract income level. Owner-occupied units indicate opportunities institutions have to originate owner-occupied residential mortgage loans. Of total number of housing units in the assessment area, 57.7 percent are owner-occupied, 29.3 percent are occupied rental units, and 13.0 percent are vacant. As illustrated in the preceding table, the assessment area's low- and moderate-income tracts have a higher percentage of total rental units than owner-occupied units. This data shows limited opportunities for lenders to originate owner-occupied residential loans in low- and moderate-income geographies.

Examiners used Federal Financial Institutions Examination Council (FFIEC)'s median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table represents low-, moderate-, middle-, and upper-income categories for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA Median Family Income (15764)				
2022 (\$138,700)	<\$69,350	\$69,350 to <\$110,960	\$110,960 to <\$166,440	≥\$166,440
2023 (\$146,200)	<\$73,100	\$73,100 to <\$116,960	\$116,960 to <\$175,440	≥\$175,440

Source: FFIEC

The Borrower Profile criterion compares the distribution of home mortgage loans by borrower income level to the percentage of low- and moderate-income families. Although 25.1 percent of assessment area families are low-income, more than 20.0 percent of these families have incomes below the poverty line. The data suggests low-income borrowers, with an income of at most \$73,100, may face challenges qualifying for a mortgage loan with the area’s median home price of \$508,653. In addition, increasing interest rates affecting the residential mortgage industry nationwide in 2022 and 2023 made homeownership difficult for low-income families to obtain.

According to the U.S. Bureau of Labor Statistics, Essex County unemployment rates have declined and returned to levels consistent with MA and national averages since the Covid-19 pandemic. The following table represents unemployment rates for 2021, 2022, and 2023.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Essex County	6.0	3.8	3.5
Massachusetts	5.4	3.7	3.4
National Average	3.9	3.6	3.6

Source: Bureau of Labor Statistics

The analysis of small business loans under the Borrower Profile criterion assesses loans based on the distribution by businesses gross annual revenue (GAR) level. According to 2023 D&B data, 91.3 percent of area non-farm businesses have GARs of \$1.0 million or less, 3.1 percent have GARs of over \$1.0 million, and 5.6 percent have unknown revenues. Service companies represent the largest portion of businesses at 36.8 percent, followed by non-classified establishments at 21.4 percent; retail trade at 10.6 percent; finance, insurance, and real estate at 10.3 percent; and construction at 7.7 percent. In addition, 94.0 percent of businesses have nine or fewer employees, and 94.1 percent operate from a single location. This indicates that the majority of businesses in the assessment area are small. Major employers in the area include Addison Gilbert Hospital, Gloucester School District, and Gorton’s of Gloucester.

Competition

The bank operates in a moderately competitive market for financial services. According to 2023 FDIC Deposit Market Share data, 11 financial institutions operated 16 branches in the assessment area. Of these institutions, CASB ranked 1st with a 25.0 percent deposit market share. The next three highest ranked banks are Institution for Savings, Bank Gloucester, and Santander Bank, which including CASB collectively held 50.5 percent of the deposit market share.

There is high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. According to 2022 Home Mortgage Disclosure Act (HMDA) aggregate lending, 173 lenders originated or purchased 1,279 home mortgage loans in the assessment area. CASB ranked 1st with 13.9 percent market share. The next three lenders, Institution for Savings, Citizens Bank, and CrossCountry Mortgage, account for 17.0 percent of the market share.

CASB is not required to report its small business loan data. Therefore, the small business loan analysis under the Lending Test does not include a comparison of small business lending activity to aggregate data. However, examiners analyzed 2022 CRA aggregate lending data to evaluate the competition the bank faces when originating its small business loans. The CASB assessment area is highly competitive for small business loans among CRA-reporting community banks and national banks. In 2022, the top five small business lenders were American Express with a 27.6 percent market share, Chase with a 10.5 percent market share, Bank of America with a 10.1 percent market share, Capital One with a 7.5 percent market share, and CitiBank with a 6.5 percent market share. This data indicates that the bank faces significant competition for small business loans in its assessment area. Additionally, these banks offer business credit cards, a product not offered by CASB.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what types of credit and community development opportunities are available.

Examiners contacted a local public service organization. The organization provides resources and coordinates residential real estate growth and economic development in the Cape Ann area. The organization offers programs to assist in sustaining and creating affordable housing, rehabilitating housing, and developing small business underutilized areas.

The contact stated the area's largest concerns are affordable housing and the declining number of small businesses. Further, the market is largely tourist driven, therefore, the income for many residents and small businesses is seasonal. The organization would like to see a flexible spending pool developed by local non-profit groups to preserve local buildings and to provide financial incentives to individuals and organizations to convert existing buildings into affordable housing. Additionally, the organization recognized a local biotechnology company offering an academy for training underserved individuals in the biotechnology industry. The organization expressed a need for increased English courses for students and adults due to the influx of non-native English speakers.

Credit and Community Development Needs and Opportunities

Based on the information provided by the community contact, bank management, and demographic data, examiners determined that affordable housing, innovative or flexible lending programs, and grants to small businesses to support year-round job creation and retention are the primary assessment area needs. Community development opportunities include providing service information in multiple languages and translation assistance at branches for the growing non-English-speaking minority population. In addition, community development opportunities include creating financial literacy initiatives, benefiting low- and moderate-income individuals.

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the FDIC and the Division, covers the period from the previous evaluation dated May 17, 2021, through the current evaluation dated July 15, 2024. Examiners used the Interagency Intermediate Small Institution CRA Examination Procedures, which include the Lending Test and the Community Development Test (see Appendices for a complete description).

Activities Reviewed

Examiners determined the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and volume of originations during the evaluation period. When determining the overall conclusions, examiners assigned greater weight to home mortgage lending performance, as the volume of home mortgage loans originated exceeded the volume of small business loans. Examiners did not consider small farm loans as the bank did not originate any farm loans during the evaluation period.

Examiners analyzed home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) loan application registers (LARs) for 2021, 2022, and 2023. CASB originated 371 loans totaling \$153.4 million in 2021, 265 loans totaling \$131.4 million in 2022, and 126 loans totaling \$62.0 million in 2023. The decline in 2022 and 2023 originations resulted from the simultaneous increases in interest rates and local home prices, as well as the limited supply of homes for sale. Examiners compared the bank's 2021 performance to aggregate lending and 2015 ACS demographic data and the bank's 2022 performance to the 2020 U.S. Census demographic and aggregate lending data. Examiners compared the bank's 2023 performance to the 2020 U.S. Census demographic data only, as aggregate data was not yet available.

This evaluation presents the bank's 2022 and 2023 home mortgage lending performance under the Geographic Distribution and Borrower Profile criteria, as these years represent bank performance during the full evaluation period. Examiners presented data from 2021, 2022, and 2023 in the Assessment Area Concentration performance table.

As an Intermediate Small Institution, CASB is not required to collect or report small business loan data. Examiners based their small business loan analysis on a statistical sample of loans originated in 2023. The universe of small business loans for 2023 was 64 loans totaling \$15.7 million. Examiners analyzed 29 originated small business loans totaling \$5.4 million. As a result, the Assessment Area Concentration table presents 2023 small business data only. Examiners presented Geographic Distribution and Borrower Profile data for the sampled 2023 small business loans within the assessment area. Examiners did not compare the bank's performance to aggregate, as the bank is not a CRA data reporter. The evaluation compared bank small business lending activity to business demographic data only.

Examiners obtained demographic and economic information referenced in the evaluation from the D&B, the Bureau of Labor Statistics, and FDIC data. Examiners obtained bank financial

information from the March 31, 2024, Report of Income and Condition (Call Report).

For the Lending Test, examiners analyzed and presented the number and dollar volume of home mortgage and small business loans. However, examiners emphasized performance by number of loans because it is a better indicator of the number of individuals and businesses served. As part of the Community Development Test, examiners considered the number and dollar amount of qualified community development loans and investments, and the number of community development services from the prior evaluation through the current evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CASB demonstrated excellent performance under the Lending Test. Excellent performances under the Geographic Distribution and Borrower Profile criteria support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio (LTD) is reasonable (considering seasonal variations and taking into account lending related activities) given the institution’s size, financial condition, and assessment area credit needs. CASB maintained a ratio toward the top of the range of comparable institutions selected based on asset size, loan portfolio, and geographic location. The LTD during the evaluation period, calculated from Call Report data, averaged 86.4 percent over the past 12 quarters from June 30, 2021, through March 31, 2024. The ratio ranged from a high of 91.0 percent as of December 31, 2023, to a low of 82.0 percent as of June 30, 2021. CASB’s LTD ratio has been increasing since the previous evaluation.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 03/31/2024 (\$000s)	Average Net LTD Ratio (%)
Cape Ann Savings Bank	972,002	86.4
The Savings Bank	815,932	77.9
Winchester Co-Operative Bank	794,788	90.1
Haverhill Bank	594,325	88.6
<i>Source: Reports of Condition and Income 06/30/2021 - 03/31/2024</i>		

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans in its assessment area. As mentioned previously in the Scope of Evaluation section, increasing home prices and mortgage interest rates contributed to a reduced number of home mortgage loans within the bank’s assessment area. Consequently, the bank originated fewer loans inside the assessment area in years 2022 and 2023. The following table illustrates the bank’s home mortgage and small business lending activity inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$(000)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$(000)	%	\$(000)	%	
Home Mortgage										
2021	306	82.5	65	17.5	371	124,394	81.1	29,052	18.9	153,446
2022	195	73.6	70	26.4	265	88,951	67.7	42,432	32.3	131,383
2023	86	68.3	40	31.7	126	38,313	61.8	23,726	38.2	62,039
Subtotal	587	77.0	175	23.0	762	251,658	72.6	95,210	27.4	346,868
Small Business	28	96.6	1	3.4	29	4,543	83.2	920	16.8	5,463
Subtotal	28	96.6	1	3.4	29	4,543	83.2	920	16.8	5,463
Total	615	77.7	176	22.3	791	256,201	72.7	96,130	27.3	352,331

Source: Bank Data; Due to rounding, totals may not equal 100.0%

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank’s excellent performance in home mortgage and small business lending support this conclusion.

Home Mortgage

The geographic distribution of home mortgage loans reflects excellent distribution throughout the assessment area.

The bank’s 2022 performance in the low-income census tract was above aggregate and demographics. Lending in the low-income tract decreased in 2023, but remained within a reasonable range when compared to demographics. The bank’s performance in moderate-income census tracts exceeded both aggregate and demographics in 2022 and again exceeded demographics in 2023.

HMDA market share data for 2022 highlights the bank’s strong lending in low- and moderate-income census tracts. CASB ranked 1st with a 15.8 percent market share among 29 lenders that originated a loan in the low-income census tract. Further, CASB ranked 1st with a 19.4 percent market share among 63 lenders that originated a loan in the moderate-income census tracts. Additionally, market share performance in low- and moderate-income census tracts exceeded the bank’s overall market share of 15.2 percent in all area census tracts. The following table depicts the distribution of home mortgage loans in the assessment area for 2022 and 2023.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	3.5	4.5	9	4.6	2,742	3.1
2023	3.5	--	2	2.3	571	1.5
Moderate						
2022	16.3	14.1	36	18.5	16,565	18.6
2023	16.3	--	17	19.8	6,026	15.7
Middle						
2022	68.3	66.8	132	67.7	58,963	66.3
2023	68.3	--	62	72.1	27,914	72.9
Upper						
2022	12.0	14.6	18	9.2	10,680	12.0
2023	12.0	--	5	5.8	3,803	9.9
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	195	100.0	88,951	100.0
2023	100.0	--	86	100.0	38,313	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The geographic distribution of 2023 small business loans reflect excellent penetration throughout the assessment area. Although CASB did not originate a small business loan in the low-income census tract in 2023; there is limited opportunity. Lending in moderate-income census tracts significantly exceeded demographic data in 2023. The following table depicts the distribution of small business loans in the assessment area for 2023.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2023	3.4	0	0.0	0	0.0
Moderate					
2023	19.9	11	39.3	1,439	31.7
Middle					
2023	60.6	16	57.1	2,954	65.0
Upper					
2023	16.1	1	3.6	150	3.3
Not Available					
2023	0.0	0	0.0	0	0.0
Totals					
2023	100.0	28	100.0	4,543	100.0
<i>Source: 2023 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes. The following sections discuss bank performance for each product type.

Home Mortgage

The distribution of borrowers reflects excellent penetration among individuals of different income levels. CASB exceeded aggregate in lending to low-income borrowers during 2022. Both CASB and aggregate performance significantly trailed demographics. However, the maximum family income in 2022 of \$69,500 among low-income borrowers, the high percentage of families below the poverty level, and the median home price of \$508,653, assist in explaining the gap between the percentage of low-income families and bank and aggregate lending. Further, CASB ranked 1st out of 42 lenders in lending to low-income borrowers in 2022, with a 20.5 percent market share. In 2023, CASB's lending to low-income borrowers again fell below demographics, with a declining percentage compared to 2022.

CASB's lending to moderate-income borrowers exceeded aggregate and demographics in 2022. The bank ranked 1st out of 64 lenders in lending to moderate-income borrowers with an 18.8 percent market share among moderate-income borrowers. In 2023, the bank's lending to moderate-income borrowers was less than demographics. Overall, these comparisons reflect excellent penetration.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2022	25.1	9.9	26	13.3	4,802	5.4
2023	25.1	--	8	9.3	1,078	2.8
Moderate						
2022	17.8	16.3	39	20.0	10,921	12.3
2023	17.8	--	14	16.3	3,005	7.8
Middle						
2022	23.1	20.8	50	25.6	21,458	24.1
2023	23.1	--	13	15.1	5,026	13.1
Upper						
2022	34.0	40.7	46	23.6	27,882	31.3
2023	34.0	--	25	29.1	17,563	45.8
Not Available						
2022	0.0	12.4	34	17.4	23,889	26.9
2023	0.0	--	26	30.2	11,641	30.4
Totals						
2022	100.0	100.0	195	100.0	88,951	100.0
2023	100.0	--	86	100.0	38,314	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The distribution of small business loans reflects excellent penetration among businesses of different sizes. At 82.1 percent, the bank made a significant percentage of loans to businesses with GARs of \$1 million or less. Although CASB's performance was below demographics, it originated a majority of its small business loans to small businesses as defined by its GAR. Since CASB is not a CRA reporter, examiners cannot directly compare its performance to aggregate data. However, to obtain a perspective as to the bank's competition and its lending activity, examiners reviewed aggregate data from a previous year, 2022, as 2023 aggregate data is not available. This review showed that 46.5 percent of the reported small business loans were to businesses with GARs of \$1.0 million or less, which was significantly less than the bank's performance. Further, the data showed that large national credit card lenders originated a large of volume of small business loans. Since CASB does not offer credit cards, it cannot easily compete for loans from small businesses that often fund operations through credit cards.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2023	91.3	23	82.1	3,374	74.3
>\$1,000,000					
2023	3.1	5	17.9	1,169	25.7
Revenue Not Available					
2023	5.5	0	0.0	0	0.0
Totals					
2023	100.0	28	100.0	4,543	100.0
<i>Source 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

CASB did not receive any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test results.

COMMUNITY DEVELOPMENT TEST

CASB demonstrated adequate responsiveness to community development needs of the 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 in the assessment area.

CASB’s assessment area is characterized by factors that include a seasonal tourist economy, a single low-income census tract, and geographic remoteness. As a coastal community, the area consists of many second homes and an economy with significant income generated from aquatic activities such as fishing and logistics. Stricter environmental testing and permitting and historic building restrictions can impede community development. Further, as developers are concentrated on developing luxury coastal properties, current residents are moving out and affordable housing declining. Despite these potentially limiting factors, the bank’s overall performance, demonstrated responsiveness to community development opportunities in its assessment area. As the bank was responsive to the community development needs and opportunities within its assessment area, examiners also considered community development activities within a broader, statewide area that includes the assessment area.

Community Development Loans

CASB originated 57 community development loans totaling approximately \$19.8 million during the evaluation period. Community development loans represent 2.2 percent of average total assets and 3.4 percent of average total loans. This level of community development lending represents a significant increase from 20 loans totaling \$5.6 million at the prior evaluation. A majority of the

bank's community development loans supported affordable housing and economic development activities demonstrating its responsiveness to the assessment area's needs and opportunities.

Of the 57 qualified community development loans, the bank originated 5 loans totaling \$7.4 million which benefitted a larger statewide area, including its assessment area. When compared to four similarly situated institutions, based on the number and dollar amount of all community development loans, the bank's performance was greater than that of three institutions.

The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2021	0	0	0	0	12	1,700	0	0	12	1,700
2022	3	5,105	0	0	17	1,403	1	4,378	21	10,886
2023	3	935	0	0	9	731	0	0	12	1,666
YTD 2024	0	0	2	2,970	9	2,126	1	500	12	5,596
Total	6	6,040	2	2,970	47	5,960	2	4,878	57	19,848

Source: Bank Data

The following are notable examples of the bank's qualified community development loans.

- In 2024, the bank originated a \$2.9 million loan to a non-profit agency to renovate and upgrade its headquarters. The headquarters is in a moderate-income census tract in Gloucester. Loan proceeds helped maintain access to community services for low- and moderate-income individuals within the bank's assessment area.
- In 2022, the bank provided \$2.0 million in a \$6.4 million participation loan. Proceeds were used to construct new income-restricted housing in Rockport. The project, which was developed in collaboration with a local affordable housing organization and utilized low-income housing tax credits, created 23 new housing units. Of these units, 8 were rented to those earning at or below 30.0 percent of the area median income (AMI) and 7 units were rented to those earning at or below 60.0 percent of the AMI. The bank's participation helped to create affordable housing for low- and moderate-income individuals within the bank's assessment area.
- In 2023, the bank refinanced a \$385,000 loan secured by a seven-unit property located in a moderate-income census tract in Gloucester. Of the total units, two units were Section 8 housing through the Gloucester Housing Authority and Rockport Housing Authority while the other five units were priced below the U.S. Department of Housing and Urban Development fair market monthly rent amounts. Loan proceeds helped to preserve affordable housing within the bank's assessment area.

Qualified Investments

CASB made 108 qualified investments totaling \$348,364, which consists of five qualified bonds totaling \$27,172 and 103 donations totaling \$321,192. The dollar amount of qualified investments represents less than 0.1 percent of average total assets and 0.3 percent of average total securities. The number of investments increased significantly since the prior evaluation. During the prior evaluation, the bank made 34 qualified investments. However, by dollar, performance slightly decreased. During the prior evaluation, the total was \$363,777.

A majority of the bank’s investments, by both number and dollar amount promoted community service, demonstrating its responsiveness to the assessment area’s needs and opportunities. When compared to four similarly situated institutions, the bank’s performance by number was greater than one similarly situated institution, and by dollar amount, less than the four institutions. Of the 108 qualified investments, six totaling \$9,100 benefitted the broader regional area, including the assessment area.

The following table illustrates the bank’s community development investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	0	0	0	0	2	12,430	0	0	2	12,430
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	3	14,742	0	0	3	14,742
YTD 2024	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	5	27,172	0	0	5	27,172
Qualified Grants & Donations	13	51,000	87	264,942	3	5,250	0	0	103	321,192
Total	13	51,000	87	264,942	8	32,422	0	0	108	348,364

Source: Bank Data

Debt Security Investments

The bank’s prior and current period investments reflect the bank’s continued involvement with the Massachusetts Business Development Corporation. The five investments totaled \$27,172. The organization is an economic development company that provides financing and investment capital to growing companies. The bank’s investments helped support economic development through small business financing.

Donations

The bank donated approximately \$321,192. Community development organizations serving low- and moderate-income individuals and families throughout the assessment area primarily benefited from these donations.

The following are notable examples of the bank's qualified donations.

- *North Shore Community Development Coalition (NSCDC)* – As a regional-certified community development corporation serving the North Shore, NSCDC improves and revitalizes distressed, low-income communities and neighborhoods by creating and maintaining affordable housing units, providing free technical assistance to small businesses, and spearheading community beautification and improvement projects. The bank's donation assisted in revitalizing and stabilizing low- and moderate-income geographies.
- *The Open Door/Cape Ann Food Pantry* – The Open Door/Cape Ann Food Pantry, in Gloucester and Ipswich, provides free, three-to-five-day supplies of emergency groceries to low- and moderate-income individuals in its service area. In addition to emergency grocery assistance, The Open Door/Cape Ann Food Pantry offers Supplemental Nutrition Assistance Program benefits assistance, provides a free legal kiosk for individuals in need, and operates a 12-week job training and workforce readiness program for youth ages 16-21 pursuing culinary arts or retail. Multiple financial contributions throughout the evaluation period responded to community service needs for low- and moderate-income individuals and families in the assessment area.
- *The Caleb Group* – The Caleb Group is a regional non-profit organization that provides affordable housing for low- and moderate-income households. The organization operates in MA, Connecticut, Maine, and New Hampshire. Within Gloucester, the organization operates 77 affordable housing units, all are income-restricted and eligible for Section 8 vouchers.

Community Development Services

CASB employees and trustees provided 115 instances of financial expertise or technical assistance to 25 different community development organizations in the assessment area. These community development services included employee involvement in community development organizations, financial education, and other financial services targeted to low- and moderate-income individuals. The number of instances and organizations increased since the prior evaluation, where the bank provided 74 instances of financial expertise or technical assistance to 15 different organizations. With the current period's service level, the bank exhibited good responsiveness to the community development service needs of its assessment area. When compared to four similarly situated institutions, CASB ranked above three institutions by both number of instances and organizations.

The following table illustrates community development services by year and purpose.

Community Development Services					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2021	3	23	2	9	37
2022	2	16	1	9	28
2023	3	22	1	11	37
YTD 2024	2	10	0	1	13
Total	10	71	4	30	115
<i>Source: Bank Data</i>					

The following are notable examples of the bank’s community development services.

Employee and Trustee Involvement

- *Gloucester Fishing Community Preservation Fund* – This fund preserves and develops the Gloucester fishing industry, a vital source of jobs for the community’s low- and moderate-income individuals. The fund facilitates permitting and encourages workforce development in the fishing industry. In 2021, 2022, and 2023, two Trustees served on the organization’s Board. The bank’s involvement supported economic development through creating and preserving low- and moderate-income jobs.
- *Harborlight Homes* – Harborlight Homes is a MA-certified community development corporation that creates, preserves, and manages affordable housing and supportive services for low-income seniors, homeless individuals and families, and first-time homebuyers of the North Shore. A senior vice president and a trustee served on the organization’s Board. The bank’s involvement in this organization supported affordable housing for low- and moderate-income families and individuals within the assessment area.

Financial Literacy

- *Savings Make Cents* – The bank offered basic banking classes to elementary school students in Gloucester throughout the examination period. Topics included jobs, budgeting, and buying decisions. The Massachusetts Department of Elementary and Secondary Education considers a majority of the attendees low-income. The bank’s service provided community services for low-income students.

Other Services

- *Gloucester Branches* – The main office and new School Street branch are in Qualified Opportunity Zones. These locations provide access to essential retail services for the low- and moderate-income individuals in the community.

- *Partnership for Financial Equity (formerly Massachusetts Community & Banking Council): Basic Banking* – This program’s initiative is to expand access to retail banking services for low- and moderate-income individuals. The bank provides low-cost deposit products as an alternative to more expensive options, such as overdraft programs or check cashing.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank’s compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

Please note any comments regarding the institution's fair lending policies and procedures in narrative form (Regulatory Bulletin 1.3-106).

MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2022 and 2023 HMDA LARs to determine if the bank's application flow from different racial and ethnic groups reflected the assessment area's demographics.

According to 2020 U.S. Census data, the bank's assessment area contained a total population of 45,791 individuals, of which 10.0 percent are minorities. This illustrates an increase of 5.3 percent in total minorities since the 2015 ACS data. The assessment area's minority and ethnic population consists of 3.9 percent Hispanic or Latino, 1.1 percent Asian, 0.8 percent Black/African American, 0.1 percent American Indian or Alaskan Native, and 4.3 percent other ethnicities.

Population demographic changes under the 2020 U.S. Census data within the bank's assessment area showed an increase of 2.9 percent in individuals recorded as other ethnicities, an increase of 2.1 percent in Hispanic individuals, an increase of 0.5 percent in Asian populations, an increase of 0.1 percent in American Indian or Alaskan Native individuals, and a decrease of less than 0.1 percent in Black/African American populations.

Examiners compared the bank's application level with that of the 2022 aggregate performance. The data comparison assists in deriving reasonable expectations for the application rate the bank received from minority home mortgage loan applicants. Please refer to the following table for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

	2022		2022 Aggregate Data	2023	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.1	1	0.9
Asian	2	0.9	1.1	2	1.9
Black/ African American	1	0.5	0.5	1	0.9
Hawaiian/Pacific Islander	1	0.5	0.1	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	3	1.4	1.0	2	1.9
Total Racial Minority	7	3.2	2.8	6	5.6
White	165	74.0	74.5	75	69.4
Race Not Available	51	22.9	22.7	27	25.0
Total	223	100.0	100.0	108	100.0
ETHNICITY					
Hispanic or Latino	3	1.4	2.3	1	0.9
Joint (Hisp/Lat /Not Hisp/Lat)	2	0.9	0.9	4	3.7
Total Ethnic Minority	5	2.3	3.2	5	4.6
Not Hispanic or Latino	151	67.7	73.4	74	68.5
Ethnicity Not Available	67	30.0	23.4	29	26.9
Total	223	100.0	100.0	108	100.0

Source: U.S. Census 2020, HMDA Aggregate Data 2022, HMDA LAR Data 2022 and 2023

In 2022, the bank received 223 home mortgage loan applications from within its assessment area. Of these applications, seven or 3.2 percent, were received from racial minority applicants. Of which, six or 85.7 percent resulted in originations. The aggregate received 2.8 percent of its applications from racial minority consumers, of which 70.6 percent resulted in originations. For the same period, the bank received five applications, or 2.3 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, four or 80.0 percent, were originated, compared with an aggregate application rate of 3.2 percent and a 54.2 percent origination rate.

In 2023, the bank received 108 home mortgage loan applications from within its assessment area. Of these applications, six or 5.6 percent were received from racial minority applicants and two, or 33.3 percent resulted in an origination. For the same period, the bank also received five applications, or 4.6 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, all were originated. Though 2023 aggregate data was not available for comparison, fair lending analysis focuses on the most recent year and the data demonstrates the most recent performance trends.

CASB's performance from racial applicants was above aggregate and for ethnic minority applicants was slightly below aggregate, nevertheless performance showed an increasing trend in both 2022 and 2023 as well as since the prior evaluation. Considering the demographics composition of the assessment area and comparisons to aggregate data in 2022, the bank's minority application flow is reasonable.

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution'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).

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 (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, 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 Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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 (e.g, 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.

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 (also known as non-MSA): 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.