

# **PUBLIC DISCLOSURE**

November 20, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Cape Cod Co-operative Bank  
Certificate Number: 26517

121 Main Street  
Yarmouth Port, Massachusetts 02675

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.

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	2
DESCRIPTION OF ASSESSMENT AREA .....	3
SCOPE OF EVALUATION .....	7
CONCLUSIONS ON PERFORMANCE CRITERIA .....	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....	18
APPENDICES .....	19
DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES .....	19
MINORITY APPLICATION FLOW .....	19
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA .....	21
GLOSSARY .....	22

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory** by the Federal Deposit Insurance Corporation (FDIC) and **High Satisfactory** by the Massachusetts Division of Banks (Division). Although the agencies agree on the institution's overall performance, the FDIC's 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 Lending Test is rated Satisfactory.**

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

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

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering 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 Cod Co-operative Bank (CCCB), headquartered in Yarmouth Port, Massachusetts (MA), is a mutual community bank owned by Coastal Affiliates, a mutual holding company. The bank operates a charitable foundation, The Co-operative Bank of Cape Cod Charitable Foundation Trust, which provides grants to nonprofit organizations. Examiners considered grants provided through the charitable foundation under the Community Development Test.

The FDIC and the Division previously evaluated the bank on July 20, 2020, using the Federal Financial Institution Examination Council's (FFIEC) Interagency Intermediate Small Institution Examination Procedures. The bank received an overall Satisfactory rating from the FDIC and a High Satisfactory by the Division; the agencies agreed on the rating, but the FDIC's regulation does not include a High Satisfactory rating.

### **Operations**

CCCB operates nine full-service branches, including its main office, and two limited-service branches in the Barnstable Town, MA Metropolitan Statistical Area (MSA). The bank's full-service branches are in East Dennis, East Harwich, Falmouth, Hyannis, Marstons Mills, North Falmouth, Sandwich, West Barnstable, and Yarmouth Port. All full-service branches offer drive-up services and deposit-taking automated teller machines (ATMs). The two limited-service branches are in retirement communities in Yarmouth Port and do not offer drive-up services or deposit-taking ATMs. Additionally, the bank maintains a loan production office and a stand-alone deposit-taking ATM in Provincetown. The bank is a member of the Allpoint ATM network, which provides its customers access to ATM locations across the United States. Since the previous examination, the bank closed a limited-service branch located in a retirement center in South Yarmouth; this branch was not open to the public and its closing did not impact low- or moderate-income areas.

CCCB offers home mortgage, commercial, and consumer lending products with a primary focus on residential lending. Additionally, the bank offers government loan programs such as Federal Housing Authority loans and Veterans Affairs loans. The bank also offers deposit products including checking accounts, savings accounts, and certificates of deposit. CCCB's alternative delivery channels include internet, telephone, and mobile banking, as well as person-to-person payments.

### **Ability and Capacity**

As of September 30, 2023, the bank reported total assets of \$1.5 billion, of which loans totaled \$1.3 billion. Deposits totaled \$1.3 billion. Residential loans represented the majority of the bank's portfolio, which is consistent with the previous evaluation period. The following table illustrates the bank's loan portfolio distribution.

<b>Loan Portfolio Distribution as of 09/30/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	91,649	7.0
Secured by Farmland	0.0	0.0
Secured by 1-4 Family Residential Properties	865,041	65.9
Secured by Multifamily (5 or more) Residential Properties	8,747	0.6
Secured by Nonfarm Nonresidential Properties	308,373	23.5
<b>Total Real Estate Loans</b>	<b>1,273,810</b>	<b>97.0</b>
Commercial and Industrial Loans	36,192	2.8
Agricultural Production and Other Loans to Farmers	0.0	0.0
Consumer Loans	3,109	0.2
Obligations of State and Political Subdivisions in the U.S.	0.0	0.0
Other Loans	0.0	0.0
Lease Financing Receivable (net of unearned income)	0.0	0.0
Less: Unearned Income	0.0	0.0
<b>Total Loans</b>	<b>1,313,111</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**

CCCB designated one assessment area including the entirety of Barnstable County, MA, which makes up the Barnstable Town, MA MSA. The bank expanded the assessment area to include the entirety of Barnstable County, MA in 2021 by adding Brewster, Chatham, Eastham, Mashpee, Orleans, Provincetown, Truro, and Wellfleet.

The bank’s assessment area includes the following towns:

- Barnstable
- Eastham
- Provincetown
- Bourne
- Falmouth
- Sandwich
- Brewster
- Harwich
- Truro
- Chatham
- Mashpee
- Wellfleet
- Dennis
- Orleans
- Yarmouth

### **Economic and Demographic Data**

Based on demographic data from the 2020 U.S. Census, the assessment area contains 57 census tracts with the following income designations:

- 1 low-income,
- 11 moderate-income,

- 35 middle-income,
- 9 upper-income, and
- 1 tract with no income designation.

The low-income census tract is in Bourne, and it comprises a National Guard base. The moderate-income census tracts are in Barnstable (3), Dennis, Falmouth (2), Mashpee, Truro, and Yarmouth (3). The number of moderate-income census tracts increased by six census tracts since the previous evaluation due to the bank’s expanded assessment area and changes in census data.

Due to the release of 2020 U.S. Census data, census tract income designations and demographic data within CCCB’s assessment area changed from 2021 to 2022. Prior to these changes, the 2015 American Community Survey (ACS) determined census tract income designations. According to the 2015 ACS, the assessment area consisted of 57 census tracts, which included 1 low- and 8 moderate-income census tracts. Major changes between the 2015 ACS data and the 2020 U.S. Census data include one low-income census tract in an industrial area changing to a moderate-income census tract, and one of the moderate-income census tracts comprising the National Guard base changing to a low-income census tract.

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

<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)	57	1.8	19.3	61.4	15.8	1.8
Population by Geography	228,996	0.3	19.3	63.0	17.4	0.0
Housing Units by Geography	164,064	0.2	20.7	64.3	14.8	0.0
Owner-Occupied Units by Geography	76,319	0.0	15.9	65.9	18.2	0.0
Occupied Rental Units by Geography	19,540	1.5	28.9	59.7	9.9	0.0
Vacant Units by Geography	68,205	0.1	23.6	63.8	12.4	0.0
Businesses by Geography	29,324	0.2	21.2	62.8	15.8	0.0
Farms by Geography	1,114	0.0	18.9	65.9	15.3	0.0
Family Distribution by Income Level	59,596	19.3	19.3	20.7	40.7	0.0
Household Distribution by Income Level	95,859	23.6	16.1	18.2	42.1	0.0
Median Family Income MSA - 12700 Barnstable Town, MA MSA		\$99,410	Median Housing Value			\$454,477
			Median Gross Rent			\$1,313
			Families Below Poverty Level			4.3%
<i>Source: 2020 U.S. Census; 2022 D&amp;B Data Due to rounding, totals may not equal 100.0%</i>						

The number of vacant units in the assessment area accounts for 41.6 percent of the total housing units. The high percentage of vacant units reflects a relatively high number of secondary homes and homes owned for the purpose of vacation rentals in the assessment area. Additionally, the number of occupied rental units accounts for 11.9 percent of the total housing units. Therefore, with only 46.5 percent of the housing units available for owner-occupancy, the assessment area presents more

limited homeownership opportunities. Further, there are no owner-occupied housing units in the low-income census tracts, and only 15.9 percent of all owner-occupied units in the assessment area are in the moderate-income census tracts.

The median housing value is high when compared to the median family income in the assessment area. The median housing value is \$454,477, which is nearly five times higher than the median family income of \$99,410. This disproportion may limit low- and moderate-income individuals' ability to qualify for a home mortgage and result in limited opportunities for financial institutions to originate home mortgages to low- and moderate-income individuals within the assessment area. The following table illustrates the median family income ranges in the assessment area throughout the evaluation period.

<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>
<b>Barnstable Town, Massachusetts MSA Median Family Income (12700)</b>				
2020 (\$96,600)	<\$44,195	\$48,889 to <\$76,227	\$78,845 to <\$113,196	≥\$119,881
2021 (\$89,300)	<\$40,855	\$45,195 to <\$70,467	\$72,887 to <\$104,642	≥\$109,294
2022 (\$115,600)	<\$46,217	\$66,747 to <\$90,966	\$92,746 to <\$137,761	≥\$139,876
<i>Source: FFIEC</i>				

The COVID-19 pandemic contributed to high unemployment rates in 2020. According to the U.S. Bureau of Labor Statistics, in 2020, 2021, and 2022 the unemployment rate in the assessment area was higher than the state and the national averages. As of September 2023, the unemployment rate in the assessment area was in line with the state and lower than the national average. The table below illustrates the average annual unemployment rates in each area.

<b>Unemployment Rates</b>				
<b>Area</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>September 2023</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Barnstable County	10.7	6.5	4.7	2.4
Massachusetts	9.4	5.5	3.8	2.5
National Average	8.1	5.4	3.6	3.8
<i>Source: Bureau of Labor Statistics</i>				

According to 2022 D&B data, 29,324 non-farm businesses operated within the assessment area. From this total, 89.4 percent of businesses had gross annual revenues (GARs) of \$1.0 million or less. The largest industries were service related at 36.1 percent, non-classifiable establishments at 19.3 percent, and retail trade at 12.8 percent.

### **Competition**

CCCB's assessment area is competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, 10 financial institutions operated 88 branches in the assessment area. CCCB ranked fourth with a market share of 11.5 percent, outranking other similarly situated

community banks such as Seamen’s Bank, ranked 9<sup>th</sup>, and Martha’s Vineyard Bank, ranked 10<sup>th</sup>. The Cape Cod Five Cents Savings Bank and Rockland Trust Company, much larger community banks, were the top institutions with a combined market share of 45.54 percent. Further, national banks such as TD Bank, USA, N.A.; Bank of America, N.A.; Citizen’s Bank, N.A.; and Santander Bank, N.A. operate a combined total of 34 of the 88 branches in the assessment area, with a combined market share of 35.9 percent.

The market for home mortgage lending is also competitive. According to 2022 Peer Mortgage Data, 406 lenders reported 11,488 originated or purchased home mortgage loans. CCCB ranked fourth with 3.6 percent market share, outperforming similarly situated institutions and national banks. The top three lenders, Cape Cod Five Cents Savings Bank, Community Bank N.A., and Rockland Trust Company collectively held 27.4 percent of the market share.

CCCB was not required to collect or report its small business loan data during the evaluation period; therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, examiners reviewed 2021 Peer Small Business data to evaluate the level of competition for small business loans in the assessment area. According to 2021 Peer Small Business Data, 111 lenders reported 9,688 originated or purchased small business loans in the assessment area. The market for small business lending is competitive due to the presence of national lenders and credit card banks lending in the assessment area. The top three lenders, American Express N.A., Cape Cod Five Cents Savings Bank, and Bank of America N.A. collectively held 39.2 percent of the market share.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assess credit and community development needs. The information obtained provides additional insight into the available credit and community development opportunities in the assessment area.

Examiners contacted an individual involved with community development planning for a regional government department. The contact cited that affordable housing, especially for the Cape Cod workforce, is critical. The contact stated that affordable housing is scarce in Barnstable County, which creates difficulty for businesses to retain employees. Additionally, the contact noted that the housing prices are too high for many low- and moderate-income individuals to qualify for traditional mortgages. Renting is also a challenge in the area as more landlords are selling their properties due to high home values in the current market. The contact expressed that the most significant credit and community development needs for low- and moderate-income families include flexible credit products, affordable housing development, and financial literacy.

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

Based on information from the community contact, discussions with bank management, and demographic and economic data, examiners determined loan products with flexible underwriting terms are among the area’s primary credit needs. Community development needs include affordable housing initiatives, including financial education and assistance for housing and rental

expenses. Further, the impact of the COVID-19 pandemic caused a need for economic development support through small business lending as well as a need for community services.

Credit and community development opportunities in the assessment area include the creation of flexible loan programs, financing of affordable housing development, and financial literacy initiatives benefiting low- and moderate-income individuals. Additionally, economic development opportunities exist in the form of loans to small businesses to support job retention for low- and moderate-income individuals.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation, conducted jointly by the FDIC and the Division, assessed CCCB's CRA performance from the prior evaluation, dated July 20, 2020, to the current evaluation, dated November 20, 2023. Examiners used Interagency Intermediate Small Institution CRA Examination Procedures, which includes the CRA Small Bank Lending Test (Lending Test) and the Community Development Test (see Appendices for a complete description of the testing criteria).

### **Activities Reviewed**

Examiners determined that 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 dollar volume of loans originated 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 substantially exceeded the volume of small business loans. Examiners did not consider small farm loans due to the nominal percentage of small farm loans in the bank's loan portfolio.

Examiners analyzed all home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) loan application registers (LARs) for 2020, 2021, and 2022. The bank reported 730 loans totaling \$243.8 million in 2020, 791 loans totaling \$328.1 million in 2021, and 619 loans totaling \$350.9 million in 2022. Examiners compared the bank's 2020 and 2021 performance to aggregate lending data and 2015 ACS demographic data. Examiners compared the bank's 2022 performance to aggregate lending data and the 2020 U.S. Census demographic data. Examiners presented data from 2020, 2021, and 2022 in the Assessment Area Concentration table. Under the Geographic Distribution and Borrower Profile criteria, examiners presented the bank's 2021 and 2022 home mortgage lending to reflect the most current aggregate data and for trend analysis.

As an Intermediate Small Institution, the bank is not required to collect or report small business loan data. Nevertheless, the bank collected the data and provided a list of small business loans originated in 2021 and 2022. The bank originated 605 loans totaling \$59.4 million in 2021 and 77 loans totaling \$13.8 million in 2022. The number of small business loans was higher in 2021 due to the bank originating a high volume of loans through its participation in the Small Business Administration (SBA) Paycheck Protection Program (PPP). The PPP was a temporary program

designed to help businesses retain staff during the economic hardship resulting from the COVID-19 pandemic. Examiners compared the bank's 2021 performance to 2015 ACS demographic data and compared the bank's 2022 performance to the 2020 U.S. Census demographic data. Examiners evaluated both years of small business lending data and presented both years in the Assessment Area Concentration and under the Geographic Distribution and Borrower Profile criteria. Examiners did not compare the data to aggregate performance, as the bank is not a CRA data reporter.

Examiners obtained economic information in this evaluation from the D&B and U.S. Bureau of Labor Statistics. The September 30, 2023 Report of Income and Condition (Call Report) provided the financial data.

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 emphasized performance by the number and dollar amount of qualified community development loans and investments, and the number of community development services from the prior evaluation dated July 20, 2020, through the current evaluation dated November 20, 2023.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank demonstrated Satisfactory performance under the Lending Test. The following sections summarize the bank's performance under each criterion.

#### **Loan-to-Deposit Ratio**

The Loan-to-Deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's net LTD ratio, calculated from Call Report data, averaged 88.1 percent over the past 13 calendar quarters from September 30, 2020 to September 30, 2023. The LTD ratio ranged from a high of 100.0 percent as of December 31, 2022, to a low of 72.6 percent as of September 30, 2021. The LTD ratio fluctuated over the evaluation period, but it compared favorably to other comparable institutions as shown in the table below. Examiners selected comparable institutions based on their asset size, geographic location, and loan composition.

CCCB experienced an influx of deposits, partially related to stimulus funds and additional deposit relationships formed through PPP lending during the COVID-19 pandemic. Stimulus funds were the Federal government's economic impact payments from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the American Rescue Plan Act of 2021 to eligible individuals. The deposit growth during the COVID-19 pandemic resulted in a lower LTD ratio than the prior evaluation; however, the ratio is reasonable.

LTD Ratio Comparison		
Bank	Total Assets as of 09/30/2023 (\$000s)	Average Net LTD Ratio (%)
Cape Cod Co-operative Bank	1,522,206	88.1
Martha's Vineyard Bank	1,325,939	100.4
Seamen's Bank	484,385	58.7
<i>Source: Reports of Condition and Income</i>		

### Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within the assessment area. The percentage of home mortgage loans inside the assessment area was similar in 2020 and 2021. The percentage decreased in 2022 but still reflected a majority. The percentage of small business loans inside the assessment area was consistent in 2021 and 2022. The bank's small business loan volume decreased from 2021 to 2022 due to the SBA's termination of the PPP on May 31, 2021. 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 #	Dollars Amount of Loans \$(000s)				Total \$ (000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	669	91.6	61	8.4	730	218,361	89.6	25,440	10.4	243,801
2021	696	88.0	95	12.0	791	274,577	83.7	53,535	16.3	328,112
2022	414	66.9	205	33.1	619	212,743	60.6	138,155	39.4	350,898
<b>Subtotal</b>	<b>1,779</b>	<b>83.1</b>	<b>361</b>	<b>16.9</b>	<b>2,140</b>	<b>705,680</b>	<b>76.5</b>	<b>217,130</b>	<b>23.5</b>	<b>922,811</b>
Small Business										
2021	551	91.1	54	8.9	605	52,068	87.6	7,364	12.4	59,432
2022	71	92.2	6	7.8	77	11,266	81.5	2,552	18.5	13,818
<b>Subtotal</b>	<b>622</b>	<b>91.2</b>	<b>60</b>	<b>8.8</b>	<b>682</b>	<b>63,334</b>	<b>86.5</b>	<b>9,916</b>	<b>13.5</b>	<b>73,250</b>
<b>Total</b>	<b>2,401</b>	<b>85.1</b>	<b>421</b>	<b>14.9</b>	<b>2,822</b>	<b>769,014</b>	<b>77.2</b>	<b>227,046</b>	<b>22.8</b>	<b>996,061</b>
<i>Source: HMDA Reported Data; Bank Data</i>										

### Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. CCCB's excellent performance in home mortgage lending primarily supports this conclusion.

#### *Home Mortgage*

The distribution of home mortgage loans reflects excellent dispersion throughout the assessment area, including among low- and moderate-income census tracts.

CCCB’s performance in the low-income census tract was similar to the aggregate performance and area demographics in 2021. Due to 2020 U.S. Census changes, the one low-income census tract for 2022, which as mentioned previously comprises a National Guard base, contained less than 0.1 percent of the assessment area’s owner-occupied housing units. Aggregate performance of 0.0 percent further reflects the lack of opportunities to make home mortgage loans in that census tract; therefore, the bank’s performance is reasonable.

The bank’s performance in moderate-income census tracts exceeded aggregate performance and area demographics in 2021. In 2022, CCCB’s performance was similar to aggregate performance and above area demographics.

The following table shows the distribution of home mortgage loans in the assessment area in 2021 and 2022.

<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>						
2021	0.4	0.5	4	0.6	735	0.3
2022	0.0	0.0	0	0.0	0	0.0
<b>Moderate</b>						
2021	10.8	12.0	102	14.7	47,769	17.4
2022	15.9	18.1	74	17.9	32,439	15.2
<b>Middle</b>						
2021	72.0	71.0	490	70.4	191,997	69.9
2022	65.9	63.7	262	63.3	129,498	60.9
<b>Upper</b>						
2021	16.7	16.5	100	14.4	34,077	12.4
2022	18.2	18.2	78	18.8	50,805	23.9
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>696</b>	<b>100.0</b>	<b>274,577</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>414</b>	<b>100.0</b>	<b>212,743</b>	<b>100.0</b>
<i>Source: 2015 ACS Data and 2020 Census Data; 2021 &amp; 2022 HMDA Reported Data; 2021 &amp; 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business***

The distribution of small business loans reflects reasonable dispersion throughout the assessment area, including among low- and moderate-income census tracts. The bank’s performance in low-income census tracts was above the demographic data in 2021. While the bank did not originate any small business loans in the low-income census tract in 2022, the following table shows that only 0.2 percent of businesses were in that census tract. CCCB’s performance in moderate-income census tracts was below the demographic data in 2021 but showed some improvement in 2022 when performance was closer to demographics. Considering the level of competition in the assessment area, performance is reasonable. The following table illustrates the bank’s performance by census tract level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Tract Income Level</b>		<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Low						
	2021	7.4	56	10.2	5,726	11.0
	2022	0.2	0	0.0	0	0.0
Moderate						
	2021	13.5	48	8.7	5,466	10.5
	2022	21.2	13	18.3	1,623	14.4
Middle						
	2021	64.7	353	64.1	32,633	62.7
	2022	62.8	51	71.8	8,437	74.9
Upper						
	2021	14.5	94	17.1	8,242	15.8
	2022	15.8	7	9.9	1,206	10.7
<b>Totals</b>						
	<b>2021</b>	<b>100.0</b>	<b>551</b>	<b>100.0</b>	<b>52,068</b>	<b>100.0</b>
	<b>2022</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>	<b>11,266</b>	<b>100.0</b>
<i>Source: 2021 &amp; 2022 D&amp;B Data; 2021 &amp; 2022 Bank Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						

**Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes. CCCB’s home mortgage lending performance primarily supports this conclusion.

***Home Mortgage***

The distribution of home mortgage loans reflects reasonable penetration to individuals of different income levels, including low- and moderate-income individuals.

In 2021, the bank’s performance was below the demographics of low-income families but exceeded aggregate performance. In 2022, the bank’s performance was below the demographics of low-income families and the aggregate performance. As noted within the Description of Assessment Area section, demand and opportunities for lending to low-income families are limited due to the high housing values compared to low income levels. CCCB’s lending to moderate-income borrowers was below demographics in 2021 and similar to demographics in 2022; however, the bank’s performance exceeded aggregate performance in both years.

The following table illustrates the bank’s home mortgage lending activity by borrower income level.

<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>						
2021	19.1	3.7	36	5.2	4,969	1.8
2022	19.3	9.0	25	6.0	3,893	1.8
<b>Moderate</b>						
2021	18.7	13.3	114	16.4	26,010	9.5
2022	19.3	17.4	79	19.1	20,212	9.5
<b>Middle</b>						
2021	23.0	19.1	150	21.6	41,929	15.3
2022	20.7	18.7	79	19.1	25,515	12.0
<b>Upper</b>						
2021	39.2	52.1	389	55.9	199,000	72.5
2022	40.7	45.5	226	54.6	160,936	75.6
<b>Not Available</b>						
2021	0.0	11.8	7	1.0	2,671	1.0
2022	0.0	9.4	5	1.2	2,187	1.0
<b>Total</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>696</b>	<b>100.0</b>	<b>274,577</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>414</b>	<b>100.0</b>	<b>212,743</b>	<b>100.0</b>
<i>Source: 2015 ACS &amp; 2020 U.S. Census Data; 2021 &amp; 2022 HMDA Reported Data; 2021 &amp; 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business***

The distribution of borrowers reflects reasonable penetration to businesses with GARs of \$1.0 million or less.

The following Distribution of Small Business Loans by Gross Annual Revenue Category table shows the bank originated a majority of its 2021 small business loans to businesses with no available revenue. Since the PPP does not require lenders to collect revenue information, a significant portion of the bank's small business loans did not have available revenue information. The Distribution of PPP Loans by Loan Size table shows the distribution of the bank's PPP loans by loan size as a proxy for business size. A majority, or 76.0 percent, of the bank's PPP loans were for loan amounts of \$100,000 or less, which suggests that the majority of borrowers were most likely small businesses. In 2022, the bank's performance was below demographics but better than the bank's performance during the prior evaluation period when approximately 49.5 percent of small business loans were to businesses with GARs of \$1.0 million or less. Given the level of competition for small business loans in the assessment area, this performance is reasonable.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000					
2021	88.4	35	6.4	9,686	18.6
2022	89.4	43	60.5	6,019	53.4
> \$1,000,000					
2021	3.6	22	4.0	8,777	16.9
2022	3.1	25	35.2	4,909	43.6
Revenue Not Available					
2021	8.0	494	89.7	33,605	64.5
2022	7.4	3	4.2	338	3.0
<b>Total</b>					
<b>2021</b>	<b>100.0</b>	<b>551</b>	<b>100.0</b>	<b>52,068</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>	<b>11,266</b>	<b>100.0</b>

*Source: 2021 & 2022 D&B Data; 2021 & 2022 Bank Data  
Due to rounding, totals may not equal 100.0%*

<b>Distribution of PPP Loans by Loan Size (2021)</b>				
<b>Loan Size</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
< \$100,000	349	76.0	9,963	22.0
\$100,000 - \$249,999	55	12.0	8,336	18.0
\$250,000 - \$1,000,000	55	12.0	27,578	60.0
<b>Total</b>	<b>459</b>	<b>100.0</b>	<b>45,877</b>	<b>100.0</b>

*Source: Bank Data*

### **Response to Complaints**

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

### **COMMUNITY DEVELOPMENT TEST**

CCCB demonstrates 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 for community development in the assessment area.

### **Community Development Loans**

CCCB originated 27 community development loans totaling approximately \$13.2 million during the evaluation period, which represents 1.0 percent of average total assets and 1.2 percent of average total loans. The majority of community development loans supported economic development in the assessment area during the COVID-19 pandemic. Since the bank was responsive to assessment area needs, examiners also considered community development loans outside of the assessment area in

the broader statewide area. The bank made 21 loans totaling \$8.6 million inside the assessment area and 6 loans totaling \$4.6 million outside of the assessment area in the broader statewide area.

The bank’s community development lending activity was higher during the previous evaluation period, when the bank originated 32 loans totaling \$36.0 million; however, current period lending activity exceeded another similarly situated institution who also demonstrated outstanding Community Development Test performance. During the evaluation period, the bank’s community development loans primarily supported economic development, which was responsive to community development needs in the assessment area.

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

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</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>
7/20/2020-12/31/2020	0	0	0	0	0	0	7	101	7	101
2021	0	0	0	0	4	5,581	1	3	5	5,584
2022	0	0	0	0	6	2,524	0	0	6	2,524
YTD 2023	1	720	3	600	5	3,630	0	0	9	4,950
<b>Total</b>	<b>1</b>	<b>720</b>	<b>3</b>	<b>600</b>	<b>15</b>	<b>11,735</b>	<b>8</b>	<b>104</b>	<b>27</b>	<b>13,159</b>

*Source: Bank Data*

Below are notable examples of qualified community development loans.

- In 2020 and 2021, CCCB originated 10 PPP loans totaling \$4.1 million. Of those, 7 PPP loans, totaling \$100,923, were originated in low- or moderate-income census tracts, and one PPP loan for \$3,015 was originated in a distressed or underserved census tract within the assessment area. These PPP loans promoted revitalization and stabilization of these geographies. Further, CCCB originated 2 PPP loans totaling \$4.0 million that promoted economic development in the assessment area by supporting job retention for low- and moderate-income employees.
- In YTD 2023, the bank financed a \$100,000 loan to a non-profit organization that advocates for the needs of homeless individuals by offering transitional housing and educational programming on Cape Cod. CCCB’s financing provided funds for repairs and maintenance of four of the organization’s properties located in the assessment area. The loan supported community services for low- and moderate-income individuals.
- From 2021 to YTD 2023, the bank originated 13 SBA 504, SBA 7(a), and SBA Express loans totaling \$7.7 million to small businesses. These loans provide a financing option for small businesses who may not otherwise qualify under traditional terms. Specifically, the SBA loans support an economic development purpose by financing small businesses while promoting business growth, job creation, and funds for working capital.

## Qualified Investments

During the evaluation period, the bank made 172 qualified investments totaling approximately \$1.8 million. This total includes two prior period investments totaling approximately \$1.0 million, one current period investment totaling approximately \$308,000, and 169 charitable donations totaling approximately \$492,630. The dollar amount of qualified investments equates to 0.1 percent of average total assets and 2.0 percent of average total securities.

At the prior evaluation, the bank had 64 qualified investments totaling approximately \$1.4 million. The bank's volume of qualified investments increased by both number and dollar amount since the prior evaluation period. The bank's performance exceeded the performance of similarly situated institutions.

These investments demonstrate the bank's responsiveness to the affordable housing and community service needs in the assessment area. The bank's donations to organizations promoting affordable housing more than doubled during the evaluation and was particularly responsive to an identified area need. The following table details qualified 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>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>
Prior Period	1	512	0	0	1	500	0	0	2	1,012
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	1	308	0	0	0	0	0	0	1	308
YTD 2023	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>2</b>	<b>820</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1,320</b>
Qualified Grants & Donations	25	120	144	373	0	0	0	0	169	493
<b>Total</b>	<b>27</b>	<b>940</b>	<b>144</b>	<b>373</b>	<b>1</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>172</b>	<b>1,813</b>

*Source: Bank Data*

## *Equity Investments*

The following describes the bank's prior investments.

- The bank continues to hold an investment in the Solomon Hess SBA Loan Fund. The fund targets small businesses in low- and moderate-income census tracts that employ low- and moderate-income individuals. This investment impacts a regional area that includes the bank's assessment area. The current book value of this investment is \$500,000. The bank's involvement in this loan fund helps to promote economic development within the assessment area and in a broader statewide area.
- The bank continues to hold an investment in the CCM Community Impact Bond Fund. The fund's impact targeting allows investors to direct their investment to support specific geographies. The bank's investment is directed to benefit Barnstable County and to support

affordable housing, revitalization and stabilization, economic development, and disaster recovery. The current book value of the investment is \$511,910. During the evaluation period, the bank's investment in this fund primarily benefitted affordable housing initiatives in the assessment area.

### ***Grants and Donations***

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

- **The Cape Cod Times Needy Fund** – The Cape Cod Times Needy Fund provides financial assistance for basic needs to individuals residing on Cape Cod, Martha's Vineyard, and Nantucket experiencing temporary financial hardship. During the evaluation period, the bank supported the fund's Housing Stability for Vulnerable Residents program, which assists economically challenged individuals and families facing housing insecurities. The fund provides financial assistance for rent and mortgage payments, access to shelter, and security deposits. The bank's support was responsive to identified affordable housing needs within the assessment area and within the broader statewide area.
- **Champ Homes, Inc.** – Champ Homes, Inc., a non-profit organization, provides transitional housing to homeless adults on Cape Cod. Programs such as their Transitional Housing Assistance Program provide a range of housing, food assistance, and other support services. The bank's multiple donations during the evaluation period were supportive of community service needs within the assessment area.
- **Falmouth Affordable Housing Trust Fund** – Administered through Falmouth's Community Preservation Committee, the fund promotes creation, expansion, and retention of the affordable housing inventory in Falmouth. The bank's multiple donations in 2020 and 2021 supported workforce housing for low- and moderate-income families within the assessment area. These donations were particularly responsive to identified affordable housing needs within the assessment area.
- **Habitat for Humanity of Cape Cod, Inc.** – This non-profit affordable housing organization builds homes with volunteer labor and materials for low- and moderate-income households based on an income limit of 80 percent of area's median income. The bank made multiple donations during the evaluation period. The bank's donations supported two construction projects in Harwich and Falmouth resulting in the creation of ten affordable housing units. The bank's support was particularly responsive to identified affordable housing needs within the assessment area.

### **Community Development Services**

During the evaluation period, CCCB employees provided 60 instances of financial expertise or technical assistance to 15 different community development organizations in the assessment area and in a broader statewide 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 of financial expertise and technical assistance and the number of community development organizations increased from the prior evaluation period, during which the bank provided 55 instances of financial expertise or technical assistance to 7 different organizations. When compared to two similarly situated institutions by the number of instances, the bank exceeded the performance of one institution and was below the performance of the other institution.

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
	#	#	#	#	#
7/20/2020-12/31/2020	0	9	0	0	9
2021	1	13	0	0	14
2022	1	16	0	0	17
YTD 2023	4	16	0	0	20
<b>Total</b>	<b>6</b>	<b>54</b>	<b>0</b>	<b>0</b>	<b>60</b>

*Source: Bank Data*

The following are notable examples of community services provided during the evaluation period.

- **Cape Cod Bright Lights** – Cape Cod Bright Lights organizes and distributes food to students and individuals experiencing food insecurity. A Vice President serves on the organization’s Board of Directors. The bank’s community service was particularly responsive to identified needs for community services to low- and moderate-income individuals, particularly during the COVID-19 pandemic period, within the assessment area.
- **Financial Assistance in Re-Entry, Inc. on Cape Cod (FAIR)** – FAIR works to improve the lives of previously incarcerated individuals, and helps those individuals overcome financial barriers by providing low-interest loans. An Assistant Vice President served as a Board member for 2021. This service was responsive to identified needs for financial education and community service benefitting low- and moderate-income individuals within the assessment area.
- **First-Time Homebuyer and Mortgage Workshops** – During the evaluation period, the bank provided financial literacy to low- and moderate-income individuals in the form of First-Time Homebuyer and mortgage workshops. A Residential Mortgage Loan Officer conducted three First-Time Homebuyer workshops in partnership with the Housing Assistance Corporation, a non-profit affordable housing organization. This loan officer also presented three mortgage workshops in partnership with WE CAN, which assists low- and moderate-income women prepare financially to qualify for a mortgage. These activities were responsive to identified affordable housing and financial education needs within the assessment area.
- **WE CAN Financial Empowerment Program** – In partnership with WE CAN, a Residential Mortgage Loan Officer provided four one-on-one financial empowerment

sessions to low- and moderate-income women. Program goals and topics included improved financial health, managing money, dealing with debt, and savings planning. These activities were responsive to identified community services and financial education needs within the assessment area.

- **Massachusetts Interest on Lawyers Trust Accounts (IOLTAs)** – CCCB is a “Safe Harbor” participant in the Massachusetts IOLTA Program. Under this program, interest earned is used to fund law-related public service programs to help low-income clients with various legal services.
- **Retail Banking Services** – The bank operates one branch in a moderate-income census tract in Hyannis. This branch location supports the availability of banking services to low- and moderate-income individuals.

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

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, 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**

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the prior evaluation. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

### **MINORITY APPLICATION FLOW**

Division of Banks examiners reviewed the bank's 2021 and 2022 HMDA LARs to determine if the application flow from the different racial groups within the bank's assessment area reflected the assessment area's demographics.

According to 2020 U.S. Census data, the bank's assessment area contained a total population of 228,996 individuals of which 15.0 percent are minorities. This percentage illustrates a demographic change of a 6.1 percent increase in total minorities since the 2015 ACS data. Based on the 2020 U.S. Census data, the assessment area's minority and ethnic population is 3.5 percent Hispanic or Latino, 2.9 percent Black/African American, 1.4 percent Asian, and 1.6 percent other.

Examiners compared the bank application activity with that of the 2021 and 2022 aggregate performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	2021		2021 Aggregate Data	2022		2022 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	2	0.3	0.4	1	0.2	0.4
Asian	6	0.8	1.3	3	0.6	1.2
Black/ African American	9	1.2	1.4	7	1.5	1.8
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.1
2 or more Minority	1	0.1	0.1	0	0.0	0.1
Joint Race (White/Minority)	9	1.2	1.1	10	2.1	1.3
<b>Total Racial Minority</b>	<b>27</b>	<b>3.5</b>	<b>4.3</b>	<b>21</b>	<b>4.4</b>	<b>5.0</b>
White	640	83.4	72.7	365	76.8	1.3
Race Not Available	100	13.0	23.0	89	18.7	20.8
<b>Total</b>	<b>767</b>	<b>100.0</b>	<b>100.0</b>	<b>475</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>						
Hispanic or Latino	<b>18</b>	<b>2.3</b>	<b>2.5</b>	<b>12</b>	<b>2.5</b>	<b>3.9</b>
Joint (Hisp/Lat /Not Hisp/Lat)	15	2.0	0.9	4	0.8	1.1
<b>Total Ethnic Minority</b>	<b>33</b>	<b>4.3</b>	<b>3.4</b>	<b>16</b>	<b>3.4</b>	<b>5.0</b>
Not Hispanic or Latino	587	76.5	72.4	315	66.3	72.9
Ethnicity Not Available	147	19.2	24.2	144	30.3	22.0
<b>Total</b>	<b>767</b>	<b>100.0</b>	<b>100.0</b>	<b>475</b>	<b>100.0</b>	<b>100.0</b>

*Source: ACS Census 2015, ACS 2020, HMDA Aggregate Data 2021 and 2022, HMDA LAR Data 2021 and 2022*

In 2021, the bank received 767 home mortgage loan applications from within its assessment area. Of these applications, 27, or 3.5 percent, were received from racial minority applicants, of which 25, or 92.6 percent, resulted in originations. The aggregate received 4.3 percent of its applications from minority consumers, of which 62.3 percent were originated. For the same period, the bank also received 33 applications, or 4.3 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 28, or 84.8 percent, were originated, compared with an aggregate application rate of 3.4 percent with a 63.5 percent origination rate.

In 2022, the bank received 475 home mortgage loan applications from within its assessment area. Of these applications, 21, or 4.4 percent, were received from racial minority applicants, of which 18, or 85.7 percent, resulted in originations. The aggregate received 5.0 percent of its applications from minority consumers, of which 56.8 percent were originated. For the same period, the bank also received 16 applications, or 3.4 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 15, or 93.8 percent, were originated, compared with an aggregate application rate of 5.0 percent with a 57.2 percent origination rate.

Notably, the bank's applications borrowers of racial minority displayed an increasing trend commensurate with an increase in aggregate data from 2021 and 2022. Applications to borrowers of Hispanic ethnicity displayed a modest decrease from 2021 to 2022. However, the bank's additional fair lending controls and strategic efforts mitigate the performance. The bank's marketing and outreach efforts during the evaluation period incorporate strategies to ensure that individuals of different races and ethnicities feel welcome.

## **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.