

PUBLIC DISCLOSURE

February 29, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

North Cambridge Co-operative Bank
Certificate Number: 26567

2360 Massachusetts Avenue
Cambridge, Massachusetts 02140

Division of Banks
1000 Washington Street, 10th 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	3
Scope of Evaluation	4
Description of Institution	5
Description of Assessment Area	6
Conclusions on Performance Criteria	8
Discriminatory or Other Illegal Credit Practices Review	12
Division of Banks Fair Lending Policies and Procedures	13
Glossary	15

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The Lending Test 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 assigned rating is based on the following performance factors:

- The average loan-to-deposit (LTD) ratio of 67.8 percent is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of home mortgage loans within the assessment area during the evaluation period.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and specifically in low- and moderate-income geographies.
- The distribution of borrowers reflects poor penetration among individuals of different income levels (including low- and moderate-income).
- The institution did not receive any CRA-related complaints during the evaluation period.

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks (Division), covers the period from the prior evaluation, dated January 11, 2010, to the current evaluation dated February 29, 2016. Examiners used Small Institution Examination Procedures to evaluate North Cambridge Co-operative Bank's (NCCB) CRA performance.

The Small Institution Lending Test evaluates the bank's performance according to the following criteria:

- Loan-to-deposit (LTD) ratio
- Assessment area (AA) concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

Loan Products Reviewed

Discussions with management and a review of the loan portfolio composition confirm that the bank's lending focus is residential lending. Consequently, examiners focused primarily on residential lending. Since small business and consumer loans comprise only a small portion of the bank's loan portfolio, examiners did not consider them in the analysis. NCCB does not engage in any small farm lending.

The evaluation considered all home mortgage loans NCCB reported on its 2014 and 2015 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). Although the tables throughout this evaluation depict both 2014 and 2015 home mortgage data, examiners focused primarily on NCCB's 2014 lending performance, as this is the most recent year for which aggregate data is available. Examiners use aggregate lending data for comparison purposes, as it measures loan demand. It includes lending information from institutions reporting at least one home mortgage in the AA. Examiners also analyzed 2015 residential lending activity to identify any significant trends or anomalies. The bank originated 13 home mortgage loans totaling \$3.8 million in 2014 and 16 loans totaling \$5.2 million in 2015.

Examiners considered both the number and dollar volume of home mortgage originations. However, examiners placed greater emphasis on the number of loans because it is not influenced by factors including applicant income or housing value, and better indicates the number of served individuals.

DESCRIPTION OF INSTITUTION

Background

NCCB is a state-chartered co-operative bank headquartered in Cambridge, Massachusetts. The bank primarily serves the cities of Arlington, Cambridge, and Somerville. The institution received a Satisfactory rating by the Division and FDIC during its previous CRA Performance Evaluation dated January 11, 2010 based on Interagency Small Institution Examination Procedures.

Operations

NCCB operates one full-service branch located at 2360 Massachusetts Avenue in Cambridge, an upper-income census tract. The bank offers extended hours on Thursdays and limited hours on Saturdays. Alternative delivery methods include a transactional website (www.asknccb.com) and telephone banking services.

NCCB offers deposit and loan products and services for individuals and businesses. Deposit products include checking accounts, savings accounts, and certificates of deposit. Loan products include consumer, home mortgage and home equity, and business loans. The bank also offers debit cards, online bill-pay, and a telephone banking hotline. NCCB debit cards are part of the SUM Network. During the evaluation period, the bank did not open or close any branches and no merger or acquisition activity occurred.

Ability and Capacity

As of December 31, 2015, the bank had total assets of \$90.6 million including total loans of \$48.3 million. The loan portfolio, as detailed in the following table, is largely concentrated in 1-4 family residential real estate.

Loan Portfolio Distribution as of December 31, 2015		
Loan Category	\$(000s)	%
Construction and Land Development	0	0.0
Secured by Farmland	0	0.0
1-4 Family Residential	46,797	96.9
Multi-family (5 or more) Residential	108	0.2
Commercial Real Estate	1,231	2.5
Total Real Estate Loans	48,136	99.6
Commercial and Industrial	0	0.0
Agricultural	0	0.0
Consumer	181	0.4
Other	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	48,317	100.0

Source: Reports of Condition and Income (Call Report) as of December 31, 2015.

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to designate one or more assessment area(s) within which it will focus its lending efforts, and examiners will evaluate its CRA performance. NCCB designated a single, contiguous assessment area (AA) that includes 58 census tracts (CTs) located throughout the Cambridge-Newton-Framingham, Massachusetts (MA) Metropolitan Division (MD) (15764).

Economic and Demographic Data

NCCB's AA includes the municipalities of Arlington, Cambridge, and Somerville. The AA includes 5 low-income, 16 moderate-income, 22 middle-income and 15 upper-income CTs. This is a change from the previous evaluation dated January 11, 2010. Previously, the AA consisted of 53 CTs including 3 low-income, 21 moderate-income, 22 middle-income, and 7 upper-incomes CTs. Due to boundary changes, the number of moderate-income and upper-income geographies significantly changed.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	58	8.6	27.6	37.9	25.9	0.0
Population by Geography	223,760	8.9	26.7	40.5	23.9	0.0
Housing Units by Geography	103,730	8.4	23.2	43.5	24.9	0.0
Owner-Occupied Units by Geography	38,766	4.9	18.0	43.1	34.0	0.0
Occupied Rental Units by Geography	58,390	10.5	27.0	44.0	18.5	0.0
Vacant Units by Geography	6,574	10.9	19.2	41.3	28.6	0.0
Family Distribution by Income	44,187	26.4	15.7	18.5	39.4	0.0
Household Distribution by Income	97,156	28.5	15.4	17.5	38.6	0.0
Median Family Income (2010 U.S. Census)		\$90,142	Median Housing Value Median Gross Rent Families Below Poverty Level			\$539,052 \$1,360 7.9%
FFIEC-Estimated Median Family Income for: (Cambridge-Newton-Framingham, MA MD 15764)						
2014		\$93,300				
2015		\$101,700				
<i>Source: 2010 U.S. Census, and 2014 and 2015 FFIEC-Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA contains 103,730 housing units including 38,766 owner-occupied units. Additionally, 58,390 or 56.3 percent of all housing units are rented. This illustrates the AA’s limited homeownership opportunities. Further, obtaining home ownership in the low- and moderate-income areas is even more difficult. Only, 4.9 and 18.0 percent, respectively of the owner-occupied housing units are located in the low- and moderate-income tracts.

U.S. Bureau of Labor Statistics data indicates the AA’s unemployment rate of 5.9 percent is greater than that of the Commonwealth of Massachusetts (4.7 percent) and the national rate (5.0 percent).

Based on 2010 U.S. Census data, the AA’s population is 223,760. As illustrated in the following table, examiners use the FFIEC-Estimated median family income to determine low-, moderate-, middle, and upper-income designations for individuals within the AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income				
2014 (\$93,300)	<\$46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
<i>Source: FFIEC.</i>				

Considering the median housing value of \$539,052, an individual with income at or below the poverty threshold would not likely qualify for home mortgage financing, which further limits lending opportunities for low-income individuals.

Competition

The bank operates in a highly competitive market for credit and financial services. According to the June 30, 2015 FDIC Deposit Market Share data, 22 financial institutions operate 75 branch offices throughout the AA. The top five institutions accounted for 73.3 percent of total market share. NCCB ranked 17th, with a 0.62 percent deposit market share. Aggregate lending data for 2014 shows that 218 lenders originated 3,196 home mortgage loans within the AA. The top ten lenders include large national and regional banks as well as mortgage companies such as Leader Bank, JP Morgan Chase, East Cambridge Savings Bank, Wells Fargo Bank, and Mortgage Master. In addition, management considers many institutions within close geographical proximity to its main office as its main competitors. These are Cambridge Savings Bank and East Cambridge Savings Bank. NCCB ranked 113th with a 0.13 percent market share.

Community Contact

As part of the examination process, examiners met with a local affordable housing organization to better understand the AA's economy and its credit needs.

The local economy is booming according to the community contact. However, the growth created a housing environment that is considerably unfavorable to anyone, but the highest wage earners. Further, home prices have risen dramatically in the past few years relative to income, and the area's density restricts new development. According to the contact, institutions are meeting the AA's credit needs, but fewer potential borrowers seek credit knowing that homeownership is largely unattainable. Home ownership is challenging for low- and moderate-income individuals given the median family income and median housing value.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

NCCB demonstrated reasonable performance under the Lending Test. Assessment Area Concentration and Geographic Distribution performance primarily support this conclusion. Based on the low origination volume, examiners determined the addition or subtraction of one loan, greatly altered NCCB's performance. Consequently, examiners' conclusions not only included numerical analysis, but also considered demographic and contextual information.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and the AA's credit needs. The LTD ratio calculated from Call Report data, averaged 67.8 percent over the past 24 calendar quarters from March 31, 2010 to December 31, 2015. The ratio ranged from a low of 60.8 percent as of March 31, 2010, to a high of 71.7 percent as of September 30, 2013. The ratio remained generally stable during the evaluation period. NCCB maintained a ratio similar to comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2015	Average Net LTD Ratio (%)
Institution Name	\$ (000s)	
North Cambridge Co-operative Bank	90,565	67.8
Methuen Co-operative Bank	89,226	67.4
Avon Co-operative Bank	94,650	78.8
Family Federal Savings Bank	92,954	73.3

Source: Reports of Income and Condition 3/31/2010 through 12/31/2015

Assessment Area Concentration

NCCB originated a majority by both number and dollar volume of its home mortgage loans inside the AA. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2014	6	46.2	7	53.8	13	1,835	48.7	1,936	51.3	3,771
2015	10	62.5	6	37.5	16	3,324	63.7	1,892	36.3	5,216
Total	16	55.2	13	44.8	29	5,159	57.4	3,828	42.6	8,987

Source: 2014 and 2015 HMDA Reported Data

Geographic Distribution

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. Examiners focused on the percentage by number of loans in low- and moderate- income census tracts.

As the following table shows, in 2014 and 2015, NCCB originated 16.7 percent and 10.0 percent of its home mortgages throughout the low-income census tracts. In 2014, NCCB's performance exceeds both the aggregate and the percentage of owner-occupied housing units located within those tracts. Similarly, in 2015, the bank's performance again exceeds demographic data. However, it is important to remember that this performance represents one loan in each year, as NCCB's overall lending is low.

In 2014, NCCB did not originate any loans in the moderate-income census tracts. AA demographics show that 18.0 percent of total housing units are owner-occupied, and the aggregate captured 20.4 percent of this market. In 2015, NCCB's lending activity increased and is greater than demographics. The 2015 volume represents three loans and reflects a positive trend

Although the limited number of owner-occupied housing units in these tracts affects NCCB's lending ability, there are other factors. These include the fact that NCCB does not accept online loan applications, its borrowers are primarily existing customers, its asset size, and its operations. NCCB operates from one location in an upper-income census tract in Cambridge. The moderate-income tracts are located in Somerville and Cambridge. The Somerville tracts are not in close proximity to the main office, and, although the moderate-income census tracts are dispersed throughout Cambridge, there is significant competition. The significantly larger competition offers a range of loan programs and products with a broad reaching branch network.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	4.9	5.5	1	16.7	686	37.4
2015	4.9	--	1	10.0	680	20.5
Moderate						
2014	18.0	20.4	0	0.0	0	0.0
2015	18.0	--	3	30.0	1,040	31.3
Middle						
2014	43.1	45.9	3	50.0	805	43.9
2015	43.1	--	4	40.0	1,195	35.9
Upper						
2014	34.0	28.2	2	33.3	344	18.7
2015	34.0	--	2	20.0	409	12.3
Totals						
2014	100.0	100.0	6	100.0	1,835	100.0
2015	100.0	--	10	100.0	3,324	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available</i>						

Borrower Profile

The distribution of borrowers reflects poor penetration among individuals of different income levels (including low- and moderate-income).

During 2014 and 2015, NCCB originated no loans to low-income borrowers. Aggregate lent 2.3 percent of its loans to low-income individuals. This suggests some lending opportunities. Similarly, NCCB extended no loans to moderate-income individuals in 2014. Aggregate and demographic data suggests a greater opportunity level among the moderate-income individuals. Specifically, in 2014, 109 reporting lenders originated 429 residential mortgage loans to moderate-income borrowers who represent 15.7 percent of the families.

Significant competition, housing costs, and NCCB's structure and limited product offerings contributed to this performance.

In 2015, NCCB originated one loan to a moderate-income individual. Although aggregate data is not available for comparison, demographic data shows 15.7 percent of the families are moderate-income.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	26.4	2.3	0	0.0	0	0.0
2015	26.4	--	0	0.0	0	0.0
Moderate						
2014	15.7	8.9	0	0.0	0	0.0
2015	15.7	--	1	10.0	200	6.0
Middle						
2014	18.5	17.9	2	33.3	465	25.3
2015	18.5	--	2	20.0	790	23.8
Upper						
2014	39.4	52.4	4	66.7	1,370	74.7
2015	39.4	--	7	70.0	2,334	70.2
Income not Available						
2014	--	18.5	0	0.0	0	0.0
2014	--	--	0	0.0	0	0.0
Total						
2014	100.0	100.0	6	100.0	1,835	100.0
2015	100.0	--	10	100.0	3,324	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available</i>						

Response to Complaints

NCCB did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not affect the Lending Test rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

FAIR LENDING POLICIES AND PRACTICES

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

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

MINORITY APPLICATION FLOW

Examiner’s reviewed NCCB’s 2014 and 2015 HMDA LARs to determine if the minority application flow reflected the AA’s demographics.

Examiners compared NCCB’s 2014 residential lending to 2014 aggregate data. This comparison assists in deriving reasonable expectations for the minority application rate. Refer to the following table for information regarding NCCB’s minority application flow as well as the aggregates.

Minority Application Flow					
RACE	Bank 2014		2014 Aggregate Data	Bank 2015	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.0	0	0.0
Asian	0	0.0	9.8	0	0.0
Black/ African American	0	0.0	2.0	1	9.1
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	0	0.0	2.3	1	9.1
Total Minority	0	0.0	14.3	2	18.2
White	8	100.0	57.4	9	81.8
Race Not Available	0	0.0	28.3	0	0.0
Total	8	100.0	100.0	11	100.0
ETHNICITY					
Hispanic or Latino	0	0.0	2.0	0	0.0
Not Hispanic or Latino	8	100.0	68.9	11	100.0
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.0	0	0.0
Ethnicity Not Available	0	0.0	28.1	0	0.0
Total	8	100.0	100.0	11	100.0
<i>Source: U.S. Census 2010, 2014 and 2015 HMDA LAR Data, and 2014 HMDA Aggregate Data</i>					

According to the 2010 U.S. Census data, the AA population is 223,760, of which 31.4 percent are minorities. The assessment area's minority population includes 0.1 percent American Indian, 11.6 percent Asian/Pacific Islander, 7.8 percent Black, 7.8 percent Hispanic, and 4.1 percent other race.

In 2014, NCCB received eight HMDA reportable loan applications within its AA. Of these applications, NCCB did not receive any from racial minority applicants. NCCB's minority application flow is less than the aggregate's performance of 14.3 percent. In 2014 and 2015, NCCB did not receive any applications from Hispanic or Latino ethnic individuals. The 2014 aggregate performance is 2.0 percent.

In 2015, NCCB received 11 HMDA reportable loan applications. Of these applications, NCCB received two from racial minority applicants.

The NCCB's low HMDA loan volume artificially skews percentage data. NCCB's minority application flow is adequate.

GLOSSARY

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

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan 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. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

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 non-metropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

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

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,

(3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan 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: Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

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

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

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

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

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

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

Limited-Scope Review: Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

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

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

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

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

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

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

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

Non-metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan 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 non-metropolitan 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

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.