

PUBLIC DISCLOSURE

June 8, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Chesapeake Bank & Trust Company
Certificate Number: 26847

245 High Street
Chestertown, Maryland 21620

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following points summarize the bank's Community Reinvestment Act (CRA) performance.

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

DESCRIPTION OF INSTITUTION

Background

The Chesapeake Bank & Trust Company (CBT) is a residential mortgage bank headquartered in Chestertown, Maryland (MD). The bank is wholly owned by Chesapeake Bancorp, Inc., a one-bank holding company also located in Chestertown, MD. The bank has three subsidiaries, CBT Holding, LLC, Cannon Street, LLC, and Church Hill Pond, LLC. The bank formed these subsidiaries to hold other real estate, and none are currently active. CBT received a “Satisfactory” CRA rating at the previous FDIC Performance Evaluation dated April 11, 2016, based on Interagency Small Institution Examination Procedures.

Operations

CBT operates two full-service branches and one limited-service branch in Chestertown, MD. CBT did not open or close any branches during the evaluation period, and no merger or acquisition activities occurred since the previous evaluation.

CBT offers a variety of loan products including home mortgage, commercial, agricultural, construction, and consumer loans; however, its primary focus is on residential home mortgage lending. Deposit products include checking accounts, savings accounts, money market deposit accounts, certificates of deposit, and individual retirement accounts. CBT also offers investment and insurance services. Alternative banking services include online banking, online bill payment, mobile banking, and an automated teller machine located at the main branch.

Ability and Capacity

As of March 31, 2022, assets totaled \$129.9 million, loans totaled \$71.3 million, and deposits totaled \$106.4 million. The following table illustrates the loan portfolio composition.

Loan Portfolio Distribution as of 3/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	5,224	7.3
Secured by Farmland	5,871	8.2
Secured by 1-4 Family Residential Properties	34,803	48.8
Secured by Multifamily (5 or more) Residential Properties	1,669	2.3
Secured by Nonfarm Nonresidential Properties	14,058	19.7
Total Real Estate Loans	61,625	86.4
Commercial and Industrial Loans	7,542	10.6
Agricultural Production and Other Loans to Farmers	68	0.1
Consumer Loans	2,123	3.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	2	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	45	0.1
Total Loans	71,315	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would limit CBT’s ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define one or more assessment areas within which its supervisory agency will evaluate its CRA performance. CBT’s designated assessment area includes all of Kent County, four census tracts in Queen Anne’s County, and one census tract in Cecil County, MD. Kent County is located in a Non-Metropolitan Statistical Area. Queen Anne’s County is part of the Baltimore-Columbia-Towson, MD Metropolitan Statistical Area (MSA) 12580. Cecil County is part of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA 37980. Since the previous evaluation, the bank expanded its assessment area to include census tracts in Cecil County and Queen Anne’s County bordering Kent County, specifically those tracts in close geographic proximity to its full-service branches. The bank does not have branches in the Baltimore-Columbia-Towson, MD MSA or the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA; however, the portion of the assessment area in these areas does not extend substantially beyond the boundaries of the MSAs. Therefore, examiners evaluated CBT’s CRA performance within one overall assessment area.

Economic and Demographic Data

The assessment area’s ten census tracts reflect the following income designations according to the 2015 American Community Survey (ACS) data:

- 2 moderate-income tracts,
- 7 middle-income tracts, and

- 1 upper-income tract.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.0	20.0	70.0	10.0	0.0
Population by Geography	42,444	0.0	19.3	65.3	15.4	0.0
Housing Units by Geography	20,240	0.0	16.1	72.3	11.5	0.0
Owner-Occupied Units by Geography	11,903	0.0	19.8	65.0	15.2	0.0
Occupied Rental Units by Geography	3,572	0.0	14.2	76.4	9.4	0.0
Vacant Units by Geography	4,765	0.0	8.3	87.7	4.0	0.0
Businesses by Geography	4,004	0.0	15.4	64.8	19.8	0.0
Farms by Geography	459	0.0	15.5	72.1	12.4	0.0
Family Distribution by Income Level	10,560	20.8	17.9	20.5	40.9	0.0
Household Distribution by Income Level	15,475	22.5	15.7	19.0	42.8	0.0
Median Family Income MSA - 12580 Baltimore-Columbia-Towson, MD MSA		\$87,788	Median Housing Value			\$261,488
Median Family Income MSA - 48864 Wilmington, DE-MD-NJ		\$80,707	Median Gross Rent			\$893
Median Family Income Non-MSAs MD		\$63,535	Families Below Poverty Level			7.0%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. The assessment area contains 20,240 housing units. Of these, 58.8 percent are owner-occupied, 17.6 percent are occupied rental units, and 23.5 percent are vacant. Owner-occupied housing units reflect the opportunity institutions have to originate 1-4 family residential mortgage loans. As displayed in the table above, 19.8 percent of owner-occupied housing units, or 2,357 units, are located in moderate-income tracts. This data suggests that there is somewhat limited opportunity for lenders to originate 1-4 family residential loans in the area's two moderate-income tracts.

The Borrower Profile criterion analyzes the distribution of loans by borrower income level. As shown in the preceding table, 20.8 percent of assessment area families are low-income and 17.9 percent are moderate-income. In addition, 7.0 percent have incomes below the poverty threshold. This data suggests that it would be difficult for these families to qualify for a home mortgage loan or support a monthly mortgage payment, especially considering the assessment area's median housing value of \$261,488. This data suggests lenders may face challenges originating loans to low- or moderate-income individuals.

Examiners used the Federal Financial Institutions Examination Council (FFIEC)-updated median family income data to analyze the bank’s home mortgage lending under the Borrower Profile criterion. The following table presents the median family income ranges in the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Baltimore-Columbia-Towson, MD MSA Median Family Income (12580)				
2021 (\$105,100)	<\$52,550	\$52,550 to <\$84,080	\$84,080 to <\$126,120	≥\$126,120
Wilmington, DE-MD-NJ Median Family Income (48864)				
2021 (\$89,100)	<\$44,550	\$44,550 to <\$71,280	\$71,280 to <\$106,920	≥\$106,920
MD NA Median Family Income (99999)				
2021 (\$72,000)	<\$36,000	\$36,000 to <\$57,600	\$57,600 to <\$86,400	≥\$86,400
<i>Source: FFIEC</i>				

The analysis of small business loans under the Borrower criterion compares the distribution of businesses by Gross Annual Revenue (GAR) level. According to 2021 D&B data, 4,004 non-farm businesses operate within the assessment area. GARs for these businesses are as follows:

- 87.4 percent have revenues of \$1.0 million or less,
- 3.4 percent have revenues greater than \$1.0 million, and
- 9.2 percent have unknown revenues.

Services represent the largest portion of businesses (34.3 percent); followed by non-classifiable establishments (19.4 percent); agriculture, forestry, and fishing (10.3 percent); retail trade (9.6 percent); and construction (8.3 percent). Within the assessment area, 65.1 percent of businesses had four or fewer employees, and 92.4 percent of businesses operate from a single location. This data supports opportunity for small business lending in the area. Major employers in the assessment area include Washington College, Dixon Valve & Coupling, UM Medical Shore Medical Center, and David A. Bramble, Inc.

Data obtained from the U.S. Bureau of Labor Statistics show that unemployment rates at the county, state, and national levels increased during the COVID-19 pandemic in March 2020. Although rates declined in 2021, unemployment rates at all levels remain elevated when compared to pre-pandemic levels. The following table presents annual unemployment rates for the counties within the assessment area, the state, and the nation since 2019.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Kent County	3.8	6.6	5.5
Queen Anne's County	3.0	5.4	4.4
Cecil County	3.8	5.9	5.2
State of Maryland	3.4	6.7	5.8
National Average	3.7	8.1	5.4
<i>Source: Bureau of Labor Statistics</i>			

Competition

The bank operates in a moderately competitive market for financial services. According to 2021 FDIC Deposit Market Share data, 13 financial institutions operate 46 branches in the counties of the bank's assessment area. Of these, CBT ranked 12th with a 2.9 percent deposit market share.

There is a relatively high level of competition for originating loans in the assessment area. CBT is not required to collect or report its home mortgage or small business lending data; therefore, this analysis does not include comparisons to aggregate data. Despite this, examiners reviewed the most recently available aggregate data to understand the level of competition and demand for loans within the assessment area.

In 2020, 253 lenders reported 2,524 originated or purchased home mortgage loans in the assessment area. The ten most prominent home mortgage lenders accounted for 36.4 percent of the total market share, with the largest lender having a market share of 6.6 percent.

According to 2020 small business market share data, 97 lenders originated or purchased 3,592 small business loans in the counties of the assessment area. The ten largest small business lenders accounted for 69.3 percent of the total market share, with the largest lender having a market share of 14.6 percent. Larger-sized institutions including American Express National Bank, PNC Bank, N.A., and Shore United Bank were among the top lenders.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. The information indicates what credit opportunities may be available. It also helps examiners determine if local financial institutions are responsive to those needs.

Examiners contacted a representative of a local residential real estate agency in Kent County. The contact identified loan products with reduced interest rates for low- and moderate-income individuals and financial literacy as primary needs in the assessment area. According to the contact, although economic conditions have been improving in Kent County, the area has a limited supply of affordable housing stock due to rising home prices, increasing rental rates, and higher costs of building materials. The contact stated that incomes remain low and a significant portion of first-

time homebuyers use government programs to purchase homes, rather than conventional mortgages. The contact stated that first-time homebuyer programs offering reduced interest rates would help low- and moderate-income individuals qualify for home mortgage loans.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that financing for affordable housing, especially for first-time homebuyers of low- and moderate-income levels, is the primary credit need in the assessment area.

SCOPE OF EVALUATION

General Information

Examiners used Interagency Small Institution Examination Procedures to evaluate CBT's CRA performance. This evaluation covers the period from the previous evaluation dated April 11, 2016, to the current evaluation dated June 8, 2022. These procedures include the Small Bank Lending Test. Please see the Appendices for a complete description of this test.

Activities Reviewed

Examiners determined that CBT's major product lines are home mortgage and small business loans. This conclusion considered CBT's business strategy and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm, construction, or consumer loans represent a major product line or provide material support for conclusions or ratings. Therefore, examiners did not present these products. The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business loans during the evaluation period.

As mentioned previously, CBT is not required to collect and report home mortgage or small business loan data and did not elect to do so during the evaluation period. Therefore, examiners used the bank's records to identify home mortgage and small business loans originated in 2021. Examiners followed sampling guidelines to analyze the bank's performance. In 2021, CBT originated 65 residential mortgage loans totaling \$16.7 million. Examiners sampled 36 loans and used 2015 ACS data for comparison purposes.

In 2021, CBT originated 29 small business loans totaling \$5.2 million. Due to the low volume of small business loans, examiners considered the entire universe. Examiners used 2021 D&B demographic data for comparison purposes.

This evaluation presents the number and dollar volume of loans. Examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CBT demonstrated reasonable performance under the Lending Test. The bank's performance under the Geographic Distribution and Borrower Profile criteria primarily support this conclusion.

Loan-to-Deposit Ratio

CBT's average net LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The LTD ratio, calculated from Call Report data, averaged 87.1 percent over the last 24 calendar quarters from June 30, 2016, through March 31, 2022. The ratio ranged from a high of 101.7 percent as of December 31, 2019, to a low of 61.1 percent as of December 31, 2021. The ratio fluctuated, but generally increased, during the evaluation period.

Examiners compared CBT's average net LTD ratio to that of a similarly situated institution based on asset size, geographic location, and lending focus. As shown in the table below, CBT's average net LTD ratio exceeded that of the comparable institution.

LTD Ratio Comparison		
Bank	Total Assets as of 3/31/2022 (\$000s)	Average Net LTD Ratio (%)
The Chesapeake Bank & Trust	129,915	87.1
The Peoples Bank	344,409	76.1
<i>Source: Reports of Condition and Income 6/30/2016 - 3/31/2022</i>		

Assessment Area Concentration

As shown in the following table, the bank made a substantial majority of its home mortgage and small business loans, by number and dollar volume, inside its 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	31	86.1	5	13.9	36	6,182	88.2	829	11.8	7,011
Small Business	26	89.7	3	10.3	29	4,778	91.5	446	8.5	5,224
<i>Source: Bank Data</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. CBT's reasonable home mortgage performance primarily supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in the area’s moderate-income census tracts.

As shown in the following table, CBT’s lending in moderate-income tracts trailed the percentage of owner-occupied housing units. However, limited lending opportunities and high competition present challenges for the bank to penetrate the two moderate-income census tracts. Specifically, according to 2015 ACS data, there are only 2,357 owner-occupied housing units in the moderate-income tracts, reflecting limited opportunity to originate home mortgage loans in these tracts.

While CBT is not a HMDA-reporter, aggregate data provides insight on the level of demand and opportunity for originating home mortgage loans. According to aggregate lending data, loan demand in the two moderate-income tracts is limited. More specifically, in 2020, 113 lenders originated or purchased 508 residential mortgage loans in the moderate-income census tracts. This volume of lending is nominal in comparison to the 253 lenders that originated home mortgage loans in the assessment area. Furthermore, large national and regional banks capture a significant portion of the market share. The three most prominent lenders (Quicken Loans, LLC; Pennymac Loan Services, LLC; and Wells Fargo Bank N.A.) accounted for 15.0 percent of the total market share. Additionally, 64.6 percent of lenders reported less than three originations or purchases in the moderate-income tracts. As a \$129.9 million bank that serves Kent County and portions of Queen Anne’s and Cecil Counties, CBT faces significant competition in light of its financial size and resources when compared to the larger national and regional banks and non-depository lenders. Considering these performance context factors, the bank’s performance in moderate-income tracts is reasonable.

The following table depicts the distribution of home mortgage loans in the assessment area by tract income level.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	19.8	4	12.9	1,016	16.4
Middle	65.0	27	87.1	5,166	83.6
Upper	15.2	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Total	100.0	31	100.0	6,182	100.0
<i>Source: 2015 ACS, Bank Data Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. CBT's lending in moderate-income tracts significantly exceeded the percentage of businesses located in moderate-income tracts. This comparison reflects excellent performance.

The following table displays the distribution of small business loans in the assessment area by tract income level.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	15.4	6	23.1	824	17.2
Middle	64.8	20	76.9	3,954	82.8
Upper	19.8	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	26	100.0	4,778	100.0

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

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration of loans among individuals of different income levels and businesses of different sizes. CBT's reasonable home mortgage and small business lending performance supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration of loans to individuals of different income levels. In 2021, the bank's performance of lending to low-income borrowers was significantly less than demographic data. Although the bank's lending was below the percentage of low-income families, a low-income family in the assessment area, with an income ranging from \$36,000 to \$52,550 would not likely qualify for, or experience challenges qualifying for, a mortgage under conventional underwriting standards, especially considering the median housing value of \$261,488. Additionally, 7.0 percent of low-income families in the assessment area are below the poverty level. Consequently, the demand and opportunity for lending to low-income families is relatively limited. These factors help to explain the difference between bank performance of lending to low-income borrowers and the 20.8 percent of families that earn this income level.

Furthermore, according to the community contact, a significant portion of first-time homebuyers rely on government programs instead of conventional mortgages to purchase a home. CBT currently does not directly offer government programs. While CBT is not a HMDA-reporter, aggregate data provides insight on the level of demand and opportunity for originating home mortgage loans. According to aggregate lending data, 57 lenders originated 157 loans to low-income applicants, which accounted for only 6.2 percent of all home mortgage loan originations in

the assessment area. Additionally, 64.9 percent of lenders in the bank’s assessment area reported less than two originations to low-income borrowers. Each of these factors suggests limited opportunity for lending to low-income individuals, and further supports the bank’s reasonable performance.

In 2021, the bank’s performance of lending to moderate-income borrowers trailed demographic data. According to aggregate data, 102 lenders originated 410 loans to moderate-income borrowers, which accounted for 16.2 percent of all home mortgage loans in the assessment area. Furthermore, the top ten institutions, all large national or regional institutions, accounted for 40.0 percent of all loans to moderate-income borrowers. Additionally, 52.9 percent of lenders in the bank’s assessment area reported less than two originations to moderate-income borrowers. This level of lending to low- and moderate-income borrowers is indicative of the low demand and lack of opportunity for home loan originations to borrowers in these income categories. Considering these factors, CBT’s performance in lending to low- and moderate-income borrowers is reasonable.

The following table reflects the distribution of home mortgage loans within the assessment area by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	20.8	1	3.2	108	1.7
Moderate	17.9	3	9.7	439	7.1
Middle	20.5	9	29.0	1,515	24.5
Upper	40.9	17	54.8	4,049	65.5
Not Available	0.0	1	3.2	71	1.1
Total	100.0	31	100.0	6,182	100.0
<i>Source: 2015 ACS; Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1.0 million or less. In 2021, CBT’s performance of lending to businesses with GARs of \$1.0 million or less trailed demographic data. The competitive small business loan market limits the opportunity for a small bank, such as CBT, to make small business loans given its limited product offerings. The top ten small business lenders accounted for 80.8 percent of the market share of loans to businesses with GARs of \$1.0 million or less. These larger national or regional institutions, including American Express National Bank, PNC Bank, N.A., and Shore United Bank, offer a more robust assortment of commercial lending programs, including commercial credit cards, compared to those of smaller institutions. CBT does not offer commercial credit cards. This comparison and the level of competition further supports the bank’s reasonable performance.

The following table reflects the distribution of small business loans within the assessment area by GAR level.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	87.4	17	65.4	2,561	53.6
>\$1,000,000	3.3	9	34.6	2,217	46.4
Revenue Not Available	9.2	0	0.0	0	0.0
Total	100.0	26	100.0	4,778	100.0
<i>Source: 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

CBT did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

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

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).

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.

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.

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.

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.

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 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.

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.