

# **PUBLIC DISCLOSURE**

April 03, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Monterey County Bank  
Certificate Number: 22460

601 Munras Ave  
Monterey, California 93940

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105

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 (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

Monterey County Bank's (MCB) satisfactory CRA performance under the Lending Test supports the overall rating.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- The institution made a substantial majority of its small business loans within its AA.
- The geographic distribution of small business loans reflects poor dispersion throughout the AA.
- The distribution of borrowers reflects reasonable penetration among businesses of different revenue sizes.
- The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this factor did not affect the Lending Test rating.

## DESCRIPTION OF INSTITUTION

MCB is a state chartered, non-member commercial institution headquartered in Monterey, California. The institution commenced operations on May 5, 1977. The institution does not have any affiliates. MCB is a wholly-owned subsidiary of Northern California Bancorp, Inc., a single-bank holding company. Northern California Bancorp Inc. is publicly traded on the Over-The-Counter Bulletin Board under the stock symbol NRLB.

The FDIC conducted the previous CRA Evaluation dated March 13, 2017, and assigned a “Satisfactory” rating based on Interagency Small Institution Examination Procedures.

Including the main office in Monterey, MCB operates three other full-service branches all located in the county of Monterey. The cities include Monterey, Carmel, Pacific Grove, and Salinas. The bank’s main office and headquarter is conveniently situated in downtown Monterey. All branches including the main office and headquarter are located in upper-income census tracts (CTs) with the exception of the Salinas branch, which is located in a middle-income CT. During the evaluation period, the institution did not open or close any branches, nor engage in any merger or acquisition activities.

The institution provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include internet and telephone banking, electronic bill pay, and two non-deposit taking automated teller machines.

The institution’s primary business focus is commercial banking offering loan products such as term business loans, commercial lines of credit, commercial real estate, and construction loans. Through the Small Business Administration (SBA) loan programs the institution also offers SBA 7(a) and SBA 504 loans to finance new businesses, acquisition and expansion needs, and commercial real estate with loan guarantees up to 85 percent.

Throughout the evaluation period, MCB received numerous local awards for serving as the best business bank. The CRA officer serves on the Board of Monterey Peninsula Chamber of Commerce, Carmel Chamber of Commerce, and The Pacific Grove Chamber of Commerce. This demonstrates the bank’s efforts in seeking opportunities to meet the credit needs of the AA.

As of December 31, 2022, the Consolidated Report of Condition and Income reflects total assets of \$219 million, total loans of \$73.1 million, and total equity capital of \$18.7 million. Total loans represent approximately 33.4 percent of total assets. Although total assets increased by 16.3 percent compared to the last evaluation, the current period percentage of loans to total assets declined significantly compared to 53 percent at the previous evaluation. The decline is attributed to the economy that did not fully recovered from the impact of the COVID-19 pandemic as well as tightened credit market, rising inflation, and high interest rates. The bank’s lending focus based on dollar volume is commercial real estate and commercial industrial loans, which when combined, represents 75.5 percent of total loans. Closed-end, first- and second-lien, 1 to 4 family and multi-family residential mortgage loans comprise the next highest percentage of total loans at 16.8 percent. Comprising less significant portions of the loan portfolio are construction and land development and consumer loans. MCB’s loan portfolio is illustrated in the following table.

<b>Loan Portfolio Distribution as of 12/31/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	5,805	7.9
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	9,242	12.6
Secured by Multifamily (5 or more) Residential Properties	3,062	4.2
Secured by Nonfarm Nonresidential Properties	37,320	51.0
<b>Total Real Estate Loans</b>	<b>55,429</b>	<b>75.7</b>
Commercial and Industrial Loans	17,922	24.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	147	0.2
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(354)	(0.4)
<b>Total Loans</b>	<b>73,144</b>	<b>100.0%</b>
<i>Source: Reports of Condition and Income; Due to rounding, percentages may not total 100.0.</i>		

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

## **DESCRIPTION OF ASSESSMENT AREA**

The institution did not make any changes to the AA and delineated the Salinas Metropolitan Statistical Area (MSA) #41500 as its AA, which is comprised wholly of Monterey County. The AA complies with the technical requirements of the CRA regulation, and does not arbitrarily exclude any LMI areas. The following table illustrates the AA composition, and branches.

<b>Description of Assessment Area</b>			
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of CTs</b>	<b># of Branches</b>
Monterey	Monterey	104	4
<i>Source: Bank Records</i>			

### **Economic and Demographic Data**

According to the 2020 U.S. Census, the Monterey AA contains a total of 104 CTs: 4 low-, 26 moderate-, 34 middle-, 36 upper-income, and 4 CTs with no income designation. The following table illustrates select demographic characteristics of the AA:

Demographic Information of the Assessment Area						
Assessment Area: Monterey						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	104	3.8	25.0	32.7	34.6	3.8
Population by Geography	439,035	5.1	28.2	36.8	28.0	1.9
Housing Units by Geography	141,910	3.8	23.3	34.5	38.4	0.0
Owner-Occupied Units by Geography	66,346	1.7	18.7	34.2	45.4	0.0
Occupied Rental Units by Geography	61,657	6.4	30.4	37.5	25.7	0.0
Vacant Units by Geography	13,907	2.2	13.7	22.6	61.5	0.0
Businesses by Geography	33,169	2.3	18.4	32.0	46.8	0.5
Farms by Geography	1,531	2.2	19.2	41.1	37.2	0.3
Family Distribution by Income Level	92,948	21.8	17.5	20.5	40.2	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 41500 Salinas, CA MSA		\$83,052	Median Housing Value			\$632,595
			Median Gross Rent			\$1,652
			Families Below Poverty Level			8.8%
<i>Source: 2020 U.S. Census and 2022 D&amp;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>						

According to the 2022 D&B data, there were 33,169 businesses in the AA. Gross annual revenues (GARs) for these businesses are below.

- 88.3 percent have \$1 million or less;
- 3.6 percent have more than \$1 million; and
- 8.1 percent have unknown revenues.

The analysis of small business loans under the borrower profile criterion compares the distribution of business by GAR level. Nearly 78.8 percent of businesses in the AA are located in middle- and upper-income CTs (32.0 percent and 46.8 percent, respectively). In total, 64.6 percent of area businesses have 4 or fewer employees, and 90.6 percent operate from a single location. The service industry captures the most businesses in the AA with 39.6 percent; with some of the other largest businesses/ industries being retail trade at 13.4 percent; non-classifiable establishments at 16 percent; and construction at 7.5 percent.

Data obtained from the U.S. Bureau of Labor and Statistics shows the percentage of unemployment rates throughout the AA have generally declined during the evaluation period. Unemployment rate in Monterey County is above the state and national rates. The following table outlines the 2022 year-end unemployment rates.

Unemployment Rates	
Area	2022
Monterey	5.8
State	3.9
National Average	3.5
<i>Source: Bureau of Labor Statistics</i>	

The median housing value is moderately high compared to median income levels in the AA. The FFIEC updates median family income on an annual basis. The low-, moderate-, middle-, and upper-income levels for the AA are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Salinas, CA MSA Median Family Income (41500)</b>				
2022 (\$90,100)	<\$45,050	\$45,050 to <\$72,080	\$72,080 to <\$108,120	≥\$108,120
<i>Source: FFIEC</i>				

### ***Salinas, CA MSA***

According to Moody’s Analytics of January 2023, the economy in Monterey is showing signs of slowing. Unemployment rates in the third quarter of 2022, reflected a decrease while the rates stabilized nationwide. The unemployment rates in Monterey County continues to outpace the national averages. The leisure/hospitality and agriculture sectors are key economic drivers for the county. However, payroll in the leisure and hospitality sector reflected nominal growth. This sector continues to encounter challenges as consumer confidence remains weak due to inflation and concerns over a potential recession, which limits demand for vacation. The Salinas Valley is one of the top producers for lettuce. In 2022, these crops were decimated by a virus which was compounded by drought conditions. As a result agricultural businesses faced significant losses. Furthermore, the Federal Reserve has continued to raise interest rates to contain inflation, consequently cutting back on wage and loan demand. Weaknesses in the area include subpar population trends. Housing prices in the area has also fallen faster when compared to the rest of the state and nationally. The affordability of single-family housing in the area is challenging especially while the price to household income ratio is ranked highest within the top 10 of all U.S. metros. The strengths of the county include an appealing housing market particularly for remote workers from the Bay Area. Some weaknesses include high dependence on agriculture and tourism. Additionally, there is a lack of high paying jobs especially in technology or knowledge based industries. The top employers in the Monterey area include the Azcona Harvesting, Carol Hatton Breast Care Center, Pebble Beach Resorts, Salinas Valley Memorial Healthcare System, and Pebble Beach Company.

### **Competition**

The AA is a highly competitive market for financial services. According to the June 30, 2022, FDIC Deposit Market Share Report, 14 financial institutions operate 75 offices in the AA, which includes MCB and its 4 locations. MCB is ranked 9<sup>th</sup>, with a deposit market share of 1.4 percent. Additionally, by asset size MCB is the smallest compared to the 14 financial institutions that operate in the AA.

### **Community Contacts**

As part of the evaluation process, examiners contacted third parties active in the AA to assist in identifying the credit needs. This information helps determine whether local financial institutions are responsive to these needs. Examiners conducted a new contact for this examination.

The community contact primarily assists small businesses and serves Monterey and San Benito Counties. The contact indicated that the hospitality sector continues to struggle to revive sales back to pre-COVID levels. Additionally, catastrophic weather events from wind, flood, mudslides, and power outages in late 2022 contributed to a decline in sales volume. The poor weather conditions also affected visitor demands to the area. Furthermore, the agriculture industries experienced setback from severely damaged crops. The crops for subsequent seasons are also impacted because soil assessment and mitigation needs to occur before seeds can be planted. Many businesses that have requested assistance are in need of accessing capital. However, a majority of these businesses are not financially prepared and are seeking opportunities for grants or free monies. These businesses were also disappointed that the COVID relief funds are no longer available while encountering a tightened credit market, rising inflation, and high interest rates. Moreover, these businesses are reluctant to take on additional debt. There is also a need for financial education, particularly in rural areas where there is a large concentration of minority-owned businesses. These areas also lack sufficient knowledge in the use of technology. Because the provision of financial services has advanced toward the use of technology, businesses that operate in the rural areas are left behind. The contact further indicated that received few referrals for assistance from the large national banks; however, has routinely worked with local banks and mentioned Monterey County Bank as one that provided small businesses with access to capital.

### **Credit Needs**

Considering information obtained from the community contact, bank management, demographic and economic data, examiners determined that small business loans is a credit need for the AA.

## **SCOPE OF EVALUATION**

### **General Information**

Examiners used the Interagency Small Bank Institution Procedures to evaluate the bank's CRA performance. This evaluation covers the period from January 1, 2022 to December 31, 2022.

### **Activities Reviewed**

Examiners considered the bank's business strategy, reviewed the number and dollar volume of loans originated during the review period, and determined small business loans represent the major product line. No other loan types, including home mortgage loans, multi-family loans, consumer loans, or small farm loans represent a major product line. The institution did not meet the reporting requirements of the Home Mortgage Disclosure Act due to low lending volumes during this evaluation period. Examiners used full-scope procedures to analyze and conclude bank performance within the AA.

For the Lending Test, examiners reviewed the universe of small business loans originated in calendar year 2022. The bank originated a total of 17 CRA-defined small business loans totaling

approximately \$5.6 million. Since the bank did not collect small business loan data for analysis, examiners followed the CRA sampling guidelines and collected data on the universe. As prescribed by examination procedures, only the 2022 small business lending performance is analyzed and presented as it is indicative of the institution's overall performance for the review period.

Throughout this evaluation, the distribution of lending performance focused on the number of loans originated within the bank's AA. The institution's performance by dollar volume is not substantially different when analyzing geographic distribution and borrower profile percentages of the Lending Test. Moreover, the bank's small business lending performance is compared to the 2022 D&B data. It should be noted that D&B data includes all business in a given area that voluntarily respond to a survey request, including a large number of small business that have limited or no credit needs. The D&B data is primarily considered as an indicator of business demographics in the AA, and is not considered an absolute distribution of credit needs or commercial lending opportunities. Given the low number of low-income CTs, Borrower Profile carries greatest weight when rating the bank's performance. Geographic Distribution received lesser weight, then followed by Assessment Area Concentration, and LTD ratio.

Examiners identified similarly situated institutions based on asset size, geographic lending areas, and lending focus. While these institutions may or may not have recent evaluations these institutions are used for comparison purposes in analysis/conclusions where available and similar years' performance can be compared. The overall conclusions in this analysis are based on a variety of performance context issues that affect the individual conclusion(s) within the bank's AA.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The institution demonstrates a satisfactory performance in the Lending Test. A reasonable LTD ratio, substantial majority of lending in the AA, poor dispersion of small business lending, and reasonable penetration of business of different revenue sizes support this conclusion.

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

The LTD ratio is reasonable given the institution's asset size, financial condition, and AA credit needs. The average net LTD ratio is 56.1 percent over the past 24 calendar quarters from December 31, 2016 to December 31, 2022. The ratio ranged from a low of 34.9 percent as of September 30, 2022 to a high of 69.8 percent as of March 31, 2020. This represents a decline compared to the March 13, 2017, evaluation of an average net LTD ratio of 70 percent. While MCB's average net LTD ratio and asset size is comparatively lower than the similarly-situated institutions, examiners considered additional performance context. For example, during the evaluation period the bank participated in the SBA Paycheck Protection Program. The participation in this program coupled with numerous government stimulus benefited businesses and consumers, which led to loan payoffs and a significant increase in deposit base. As indicated by the community contact, many businesses are hesitant to assume additional debt. Therefore, the bank experienced an increase in deposit volume while the percentage of net loans decreased. Additionally, COVID-19 shelter-in-place mandates, severe weather, and weakened tourism impacted businesses in the AA. Ultimately, the retail and leisure establishments

scaled down on operations and reduced staffing due to low rates of tourism. Tightened credit market, rising inflation, and high interest rates also affected the bank’s lending. As previously noted, the CRA officer serves on several Chamber of Commerce Boards essentially seeking opportunities in the AA. Therefore, considering the resources, competition, and economic factors, the LTD is reasonable.

<b>LTD Comparison</b>		
<b>Bank</b>	<b>Total Assets (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Monterey County Bank</b>	<b>219,018</b>	<b>56.1</b>
Similarly-Situated Institution #1	559,029	86.6
Similarly-Situated Institution #2	757,249	82.3
Similarly-Situated Institution #3	941,795	78.5

*Source: Call Report March 31, 2017 through December 31, 2022*

**Assessment Area Concentration**

MCB originated a substantial majority of its loans within its AA. The table below shows the distribution of the bank’s small business lending inside and outside of the AA. Compared to the previous evaluation, the small business lending in the AA decreased slightly where the bank originated 87.3 percent and 77.2 percent, by number and dollar volume respectively. Overall, the institution reflected high concentration of 2022 lending activity within the AA.

<b>Lending Inside and Outside of the AA</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Business										
2022	14	82.4	3	17.6	17	4,092	73.2	1,500	26.8	5,592
<b>Total</b>	<b>14</b>	<b>82.4</b>	<b>3</b>	<b>17.6</b>	<b>17</b>	<b>4,092</b>	<b>73.2</b>	<b>1,500</b>	<b>26.8</b>	<b>5,592</b>

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

**Geographic Distribution**

The geographic distribution of small business loans reflects poor dispersion throughout the AA. Examiners focused on the percentage by number of loans in LMI CTs. No conspicuous lending gaps were identified. The following table illustrates the geographic distribution for small business loans in the AA.

<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						
	2022	2.3	0	0.0	0	0.0
Moderate						
	2022	18.4	1	7.1	600	14.7
Middle						
	2022	32.0	3	21.4	558	13.6
Upper						
	2022	46.8	10	71.4	2,934	71.7
Not Available						
	2022	0.5	0	0.0	0	0.0
<b>Totals</b>						
	<b>2022</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>4,092</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

The bank did not originate any small business loans in low-income CTs. The percentage of businesses operating in low-income CTs in 2022 is 2.3 percent. Furthermore, the percentage of low-income geographies comprise only 3.8 percent of the total AA CTs. These factors indicate limited opportunities to lend in low-income CTs.

The bank's penetration in moderate-income CTs is significantly lower than the percentage of businesses. This performance reflected a slight improvement compared to the previous evaluation at 4.2 percent in the bank's 2016 performance. The bank does not operate any offices in moderate-income geographies. There are some geographic limitations since 9 of the 26 moderate-income tracts are located south of Monterey and Salinas, which are predominately comprised of land for agricultural use while the geographies in the north contain a majority of the retail and leisure establishments. Notwithstanding the performance context mentioned above, MCB's overall performance is still considered poor.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different revenue sizes.

<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					
2022	88.3	9	64.3	2,142	52.3
>\$1,000,000					
2022	3.6	5	35.7	1,950	47.7
Revenue Not Available					
2022	8.1	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>4,092</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

The institution’s lending performance to businesses with GARs of \$1 million or less is significantly below D&B data. Although the institution’s performance is below the percentage of businesses, the performance improved significantly in comparison to the previous evaluation. Additionally, the community contact named MCB as an institution that routinely provided small businesses with access to capital. Given the challenges in the economy, MCB still received several local awards for providing small business credit. Furthermore, the bank’s market share is very small, reflecting the competition. Lastly, the Credit Needs section above states that small business loans represent both a primary credit need and lending opportunity for the AA. More specifically, there is a need in the AA for smaller-dollar commercial loans to support very small businesses. Considering the bank’s efforts and these factors, the overall penetration of loans to businesses of different revenue sizes reflects adequate performance.

**Response to Complaints**

The institution has not received any CRA-related complaints since the prior evaluation; therefore, this criterion had no impact upon the institution’s overall CRA 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.