

PUBLIC DISCLOSURE

March 6, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Northpointe Bank
Certificate Number: 34953

3333 Deposit Drive Northeast
Grand Rapids, MI 49546

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	1
DESCRIPTION OF ASSESSMENT AREA	2
SCOPE OF EVALUATION	5
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	12
GLOSSARY	13

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 neighborhoods, in a manner consistent with its resources and capabilities.

Northpointe Bank (Northpointe) operated under two, approved Strategic Plans (Plans) during this evaluation period. The first Plan was effective from January 1, 2017 through December 31, 2021. The current Plan is effective from January 1, 2022 through December 31, 2026. Both Plans include annual performance goals for lending, investments and donations, and services. Examiners evaluated Northpointe’s performance based on the annual goals for each full year of the evaluation period: 2020, 2021, and 2022. The CRA regulations state that the FDIC will assess banks operating under approved Plans to determine if they substantially achieved plan goals for satisfactory or outstanding performance. Northpointe substantially met or exceeded the goals for Satisfactory performance overall, in each year. As such, the FDIC assigned an overall institution rating of Satisfactory for this evaluation.

The following table summarizes Northpointe’s performance for each year of the evaluation period. Refer to the Scope of Evaluation and Conclusions on Performance Criteria sections of the evaluation for specific details regarding Plan goals and Northpointe’s performance under each goal.

Strategic Plan Performance by Year	
Year	Rating
2020	Satisfactory
2021	Satisfactory
2022	Outstanding

DESCRIPTION OF INSTITUTION

Northpointe is a mortgage bank located on the northeast side of Grand Rapids, Michigan. The institution is a wholly owned subsidiary of Northpointe Bancshares, Inc., a one-bank holding company also located in Grand Rapids, Michigan. Northpointe has one affiliate, Northpointe Insurance Agency, Inc., which offers personal and commercial insurance products. The bank received a “Needs to Improve” rating at its previous FDIC CRA Performance Evaluation dated September 1, 2020, utilizing Interagency Intermediate Small Institution Examination Procedures. Examiners utilized those procedures, as the bank did not substantially meet the goals of the 2017-2021 Plan, which included the election of an alternative assessment method based on asset size.

Northpointe operates a single banking facility at 3333 Deposit Drive Northeast, Grand Rapids, Michigan in an upper-income census tract. The bank maintains a full-service automated teller machine at that location. The bank primarily offers residential home mortgage loan products through its mortgage banking department and 58 loan production and satellite offices located in 24 states. Residential mortgage products include a number of conforming and non-conforming

programs, as well as federal and state housing programs. Customer interaction occurs primarily through the internet, telephone, and mail.

Northpointe offers a variety of deposit products for both retail and commercial customers, and gathers deposits throughout the country via online account opening capabilities within its website. In addition to the wide variety of residential mortgage loans previously mentioned, the bank offers construction loans, and home equity and personal lines of credit. Alternative banking services include internet and mobile banking, bill pay, mobile check deposit, and person-to-person payments through Popmoney.

According to the Call Report dated December 31, 2022, the bank’s assets totaled approximately \$4.4 billion and included total loans of \$3.8 billion and total securities of \$14.9 million. As of that date, deposits totaled \$2.9 billion. As shown in the following table, Northpointe’s primary lending focus is 1-4 family residential mortgage loans (69.1 percent of the portfolio), which are primarily sold on the secondary market to a large number of investors. Additionally, the bank operates a mortgage purchase program (20.8 percent of the portfolio), which temporarily holds residential mortgages from numerous mortgage companies until sold on the secondary market.

Loan Portfolio Distribution as of 12/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	372,995	9.8
Secured by Farmland	190	<.1
Secured by 1-4 Family Residential Properties	2,640,748	69.1
Secured by Multifamily (5 or more) Residential Properties	214	<.1
Secured by Nonfarm Nonresidential Properties	1,628	<.1
Total Real Estate Loans	3,015,775	78.9
Commercial and Industrial Loans	9,254	0.3
Agricultural Production and Other Loans to Farmers	-	0.0
Consumer Loans	258	<.1
Obligations of State and Political Subdivisions in the U.S.	-	0.0
Other Loans	795,810	20.8
Lease Financing Receivable (net of unearned income)	-	0.0
Less: Unearned Income	-	0.0
Total Loans	3,821,097	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

Northpointe’s AA consists of Kent County, Michigan, which is part of the Grand Rapids-Kentwood, Michigan Metropolitan Statistical Area (MSA). The AA conforms to the CRA regulatory requirements. It consists of contiguous whole geographies where the bank has its office, does not reflect illegal discrimination, and does not arbitrarily exclude any low- and moderate-income geographies.

Economic and Demographic Data

Examiners used American Community Survey (ACS) demographic data estimates, which are refreshed every five years, to evaluate the bank’s performance in 2020 and 2021. For 2022, examiners evaluated performance using 2020 U.S. Census data.

The 2020 U.S. Census substantively revised both the number and income levels for the census tracts in the AA. According to 2015 ACS data, the AA consisted of 128 census tracts with the following income designations: 11 low-; 31 moderate-; 54 middle-; and 32 upper-income. Based on updated data from the 2020 U.S. Census, the AA now consists of 145 census tracts with the following income designations: 9 low-; 35 moderate-; 65 middle-; and 34 upper-income; and 2 tracts with no income level.

The following table illustrates the most recent economic and demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	145	6.2	24.1	44.8	23.4	1.4
Population by Geography	657,974	4.8	22.3	42.4	29.6	0.9
Housing Units by Geography	257,115	4.5	22.6	43.7	28.1	1.1
Owner-Occupied Units by Geography	172,222	2.7	17.1	44.3	35.2	0.7
Occupied Rental Units by Geography	72,573	8.6	33.7	43.5	12.3	1.8
Vacant Units by Geography	12,320	7.1	33.0	36.7	21.9	1.3
Businesses by Geography	50,386	3.0	20.5	38.6	37.4	0.5
Farms by Geography	1,308	1.4	13.8	44.2	40.1	0.6
Family Distribution by Income Level	162,996	19.4	18.2	22.9	39.5	0.0
Household Distribution by Income Level	244,795	23.1	17.1	19.2	40.6	0.0
Median Family Income MSA - 24340 Grand Rapids-Kentwood, MI MSA		\$80,705	Median Housing Value			\$197,026
			Median Gross Rent			\$944
			Families Below Poverty Level			7.0%
<i>Source: 2020 U.S. Census and 2022 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>						

According to 2020 U.S. Census data, the AA contains 257,115 housing units. Of those, 67.0 percent are owner-occupied, 28.2 percent are rentals, and 4.8 percent are vacant. The median housing value of \$197,026 represents a 37.5 percent increase from the 2015 ACS. Over the same period, the median family income level experienced a 25.1 percent increase, with a corresponding 3.4 percent decline in families below the poverty level.

D&B data from 2022 shows the AA contains 50,386 non-farm businesses. Of those businesses, 83.3 percent have revenues of \$1.0 million or less, 63.2 percent employ four or fewer employees, and 88.1 percent operate from a single location. D&B data also shows the largest industries in the AA are services (40.0 percent), retail trade (12.1 percent), and finance, insurance, and real estate (10.1 percent). According to October 2022 Moody’s Analytics, major employers in the AA include Spectrum Health, Meijer Inc., Mercy Health, Axios Inc., and SpartanNash.

Data obtained from the U.S. Bureau of Labor and Statistics shows that Kent County experienced consistently lower unemployment rates than the state and national averages. The county rate steadily declined after a significant increase in 2020 due to the COVID-19 pandemic.

Unemployment Rates			
Area	2020	2021	December 2022
	%	%	%
Kent County	7.9	4.7	3.1
State	10.0	5.9	4.3
National Average	8.1	5.3	3.5

Source: Bureau of Labor Statistics

Examiners analyze mortgage lending to borrowers of different income levels using FFIEC-estimated median family income levels for the year in which a loan is originated. The following table presents the low-, moderate-, middle-, and upper-income ranges for the MSA during the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Grand Rapids-Kentwood, MI MSA Median Family Income (24340)				
2020 (\$73,900)	<\$36,950	\$36,950 to <\$59,120	\$59,120 to <\$88,680	≥\$88,680
2021 (\$76,600)	<\$38,300	\$38,300 to <\$61,280	\$61,280 to <\$91,920	≥\$91,920
2022 (\$88,900)	<\$44,450	\$44,450 to <\$71,120	\$71,120 to <\$106,680	≥\$106,680

Source: FFIEC

Competition

Northpointe operates in a competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2022, 24 FDIC-insured financial institutions operate 155 offices in the AA, with \$23.8 billion in deposits. Northpointe ranked 4th in market share with 10.2 percent of total deposits. The top three institutions accounted for 50.4 percent of the deposit market share.

There is a high level of competition for home mortgage loans from credit unions, non-bank lenders, and regional and national banks. In 2021, 447 lenders subject to Home Mortgage Disclosure Act (HMDA) data collection requirements reported 40,135 home mortgage loans originated or purchased. Northpointe ranked 15th with 1.5 percent of the market share. The top five lenders accounted for 37.3 percent of all activity by number of loans.

Community Contact

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

Examiners reviewed a recent contact with an officer for a community development organization that provides affordable housing in the AA. The contact noted that housing, specifically affordable housing, presents a significant need in the area the organization serves. The contact noted that, while financial institutions offer products suited to the needs of low- and moderate-income borrowers, institutions do not always actively market such products to those communities. The contact also noted that down payment assistance and financial education programs are needed along with small business application assistance and financing, especially for start-ups and minority/women/veteran-owned businesses.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and small business financing for start-up and minority-owned businesses represent primary credit needs in the AA. In addition, community development needs include outreach efforts and financial education in low- and moderate-income communities, down payment assistance programs, and technical assistance for start-up businesses. Finally, financial literacy education for all ages, credit counseling services, and low- and no-cost banking services for the unbanked and underbanked represent additional needs and opportunities.

SCOPE OF EVALUATION

Examiners evaluated Northpointe's CRA performance using the Interagency Strategic Plan Examination Procedures. This evaluation includes a review of Northpointe's performance in meeting its annual Plan goals for 2020, 2021, and 2022. As noted earlier, the evaluation period spans two separate Plans. The FDIC approved a Plan with annual lending, investment, and service goals that was effective from January 1, 2017 through December 31, 2021. The FDIC approved the current Plan, which also includes annual goals for lending, investments, and services, and is effective from January 1, 2022 through December 31, 2026. Examiners did not review partial year performance for 2023, as they will incorporate full year performance into the next CRA performance evaluation.

Northpointe developed the Plans to address local activities in its AA, particularly in light of the bank's business model and due to a substantial portion of the bank's lending occurring outside of the AA. The Plans contain measurable goals that the FDIC used to evaluate performance in the AA

based on the various activities (lending, investments, and services). The goals outline performance levels needed to attain Satisfactory or Outstanding CRA ratings.

Due to differences in the calculation of goals under the two Plans, examiners presented details on the bank's performance under each Plan separately in the following sections.

CONCLUSIONS ON PERFORMANCE CRITERIA: 2017-2021 STRATEGIC PLAN

Examiners reviewed Northpointe's performance for 2020 and 2021 under the 2017-2021 Plan. As discussed in the following sections, Northpointe achieved Satisfactory performance based on the thresholds contained in the approved goals.

LENDING GOALS

The Plan contains goals for both Satisfactory and Outstanding performance for the total number and dollar volume of originated and purchased HMDA reportable mortgage loans to low- and moderate-income borrowers and within low- and moderate-income census tracts. The Plan also contains stipulations for higher levels of performance should the bank grant more total loans in the AA by 150 loans or \$27.0 million annually. As the bank exceeded these parameters in both years, the following tables reflect the increased performance goals.

As presented in the Plan, the following tables show the bank's performance by combined low- and moderate-income borrowers and census tracts, as well as separately by low-income and moderate-income borrowers and census tracts. Northpointe's lending activity met or exceeded all of the annual goals for Outstanding performance, except the 2020 number of loans to low-income borrowers.

Year	Plan Goals		Bank Performance	
	Satisfactory	Outstanding	Totals	Performance Level Attained
Loans to Low- and Moderate-Income Borrowers				
2020				
# of Loans	132	155	166	Outstanding
\$(000s)	\$14,600	\$17,200	\$25,116	Outstanding
2021				
# of Loans	137	162	207	Outstanding
\$(000s)	\$15,600	\$18,400	\$31,753	Outstanding
Loans to Low-Income Borrowers				
2020				
# of Loans	42	50	42	Satisfactory
\$(000s)	\$3,900	\$4,600	\$4,641	Outstanding
2021				
# of Loans	44	52	65	Outstanding
\$(000s)	\$4,200	\$5,000	\$8,184	Outstanding
Loans to Moderate-Income Borrowers				
2020				
# of Loans	90	105	124	Outstanding
\$(000s)	\$10,700	\$12,600	\$20,475	Outstanding
2021				
# of Loans	93	110	142	Outstanding
\$(000s)	\$11,400	\$13,400	\$23,569	Outstanding
<i>Source: Bank Records and Strategic Plan</i>				

Year	Plan Goals		Bank Performance	
	Satisfactory	Outstanding	Totals	Performance Level Attained
Loans in Low- and Moderate-Income Census Tracts				
2020				
# of Loans	75	88	110	Outstanding
\$(000s)	\$8,500	\$10,000	\$17,235	Outstanding
2021				
# of Loans	78	93	112	Outstanding
\$(000s)	\$9,100	\$10,600	\$18,374	Outstanding
Loans in Low-Income Census Tracts				
2020				
# of Loans	12	14	23	Outstanding
\$(000s)	\$1,500	\$1,700	\$2,815	Outstanding
2021				
# of Loans	12	15	23	Outstanding
\$(000s)	\$1,600	\$1,800	\$2,893	Outstanding
Loans in Moderate-Income Census Tracts				
2020				
# of Loans	63	74	87	Outstanding
\$(000s)	\$7,000	\$8,300	\$14,420	Outstanding
2021				
# of Loans	66	78	89	Outstanding
\$(000s)	\$7,500	\$8,800	\$15,481	Outstanding
<i>Source: Bank Records and Strategic Plan</i>				

QUALIFIED INVESTMENTS

The Plan contains goals for both Satisfactory and Outstanding performance for the total dollar volume of new, qualified community development investments and donations, as well as the total dollar volume of investments as a percentage of end-of-year (EOY) assets. As shown in the following table, the bank did not meet investment Plan goals in 2020 for Satisfactory performance; however, the level of donations exceeded the Outstanding performance goal. The bank's investments and donations in 2021 exceeded Plan goals for Outstanding performance. While the bank's investments in 2020 did not meet Satisfactory performance goals, the aggregate investment totals for 2017-2021 exceeded the Plan's cumulative five year goals for Outstanding performance. Overall, the bank substantially met the goals.

Community Development Investments and Donations				
Year	Plan Goals		Bank Performance	
	Satisfactory	Outstanding	Totals	Performance Level Attained
2020				
New Investments	\$720,000	\$868,000	\$0	Did Not Meet Goal
Outstanding Investments			\$1,513,186	
Total Investments as % of EOY Assets*	0.27%	0.33%	0.05%	Did Not Meet Goal
Donations	\$10,000	\$12,000	\$36,000	Outstanding
2021				
New Investments	\$800,000	\$956,000	\$15,000,000	Outstanding
Outstanding Investments			\$1,469,952	
Total Investments as % of EOY Assets*	0.28%	0.35%	0.35%	Outstanding
Donations	\$10,000	\$12,000	\$65,000	Outstanding
<i>Source: Bank Records and Strategic Plan</i>				
<i>*Total Investments include new and outstanding prior period investments, but does not include donations.</i>				

Northpointe retained a prior period equity investment in a CRA fund secured by affordable housing activities within Kent County. In 2021, the bank established a \$15.0 million deposit account at a minority depository institution in the State of Michigan. Additional community development activities included qualified donations to organizations that provide affordable housing, financial education, and health and human services to underprivileged individuals and families in Kent County.

SERVICES

The Plan contains goals for Satisfactory and Outstanding performance based on the number of hours employees contribute to qualified community development services in the AA. The goals assume an estimated average number of employees providing a minimum of 2.3 hours per year for Satisfactory performance, and 2.8 hours per year for Outstanding performance. As shown in the following table, the bank's performance did not meet the goals for Satisfactory performance in either year based on the estimated average number of employees.

The COVID-19 pandemic greatly impacted the bank's ability to meet service hour goals due to federal, state, and local safety measures meant to prevent potential exposure by limiting person-to-person interaction. Additionally, the bank implemented safety measures, such as working remotely from home, to further limit potential exposure by its workforce. Given the bank has historically performed services in-person, and the majority of service opportunities require in-person participation, the bank faced significant constraints in attaining Plan goals.

Community Development Services				
Year	Plan Goals		Bank Performance	
	Satisfactory	Outstanding	Totals	Performance Level Attained
2020				
Service Hours Based on Estimated 179 Employees	412	494	85.8	Did Not Meet Goal
2021				
Service Hours Based on Estimated 187 Employees	430	516	291.8	Did Not Meet Goal
<i>Source: Bank Records and Strategic Plan</i>				

Notable examples of Northpointe’s community development services include:

- An employee is a board member for a community-based organization that serves residents in an urban area of Grand Rapids. The organization facilitates federal home improvement/accessibility grants for low- and moderate-income homeowners, seniors, and disabled individuals; provides health-based care programs and resources to reduce costly medical visits; offers educational resources and programs to help inner-city students excel and graduate; and engages the community in public safety initiatives to reduce crime in the area. The employee also educates and assists eligible homeowners with the federal grant application process.
- Six employees provided financial education classes at multiple schools in Kent County where a majority of the students qualify for free/reduced cost lunch.
- An employee provided technical assistance to an organization in Grand Rapids that helps individuals and families overcome homelessness. The organization offers shelter services, outreach initiatives, transitional housing, medical care, and workforce development.

**CONCLUSIONS ON PERFORMANCE CRITERIA:
2022-2026 STRATEGIC PLAN**

Examiners reviewed Northpointe’s performance for 2022 under the 2022-2026 Plan. As discussed in the following sections, Northpointe achieved Outstanding performance based on the thresholds contained in the approved goals.

LENDING GOALS

The Plan contains goals for both Satisfactory and Outstanding performance based on the percentage of originated and purchased HMDA reportable mortgage loans to low- and moderate-income borrowers and within low- and moderate-income census tracts in the AA. In 2022, Northpointe originated or purchased 284 total HMDA reportable mortgage loans in the AA. This total included: 47 loans to low-income borrowers; 91 loans to moderate-income borrowers; 15 loans in low-income census tracts; and 78 loans in moderate-income tracts.

As presented in the Plan, the tables below show the bank’s performance by combined low- and moderate-income borrowers and census tracts, as well as separately by low-income and moderate-income borrowers and census tracts. The bank exceeded Outstanding performance levels for each aspect of the goals.

	Plan Goals		Bank Performance	
	Satisfactory	Outstanding	Totals	Performance Level Attained
Loans to Low- and Moderate-Income Borrowers				
% of Loans by Number	28.0%	33.6%	48.6%	Outstanding
Loans to Low-Income Borrowers				
% of Loans by Number	8.0%	9.6%	16.5%	Outstanding
Loans to Moderate-Income Borrowers				
% of Loans by Number	20.0%	24.0%	32.0%	Outstanding

Source: Bank Records and Strategic Plan

	Plan Goals		Bank Performance	
	Satisfactory	Outstanding	Totals	Performance Level Attained
Loans in Low- and Moderate-Income Census Tracts				
% of Loans by Number	19.0%	22.8%	32.7%	Outstanding
Loans in Low-Income Census Tracts				
% of Loans by Number	2.6%	3.1%	5.3%	Outstanding
Loans in Moderate-Income Census Tracts				
% of Loans by Number	16.4%	19.7%	27.5%	Outstanding

Source: Bank Records and Strategic Plan

QUALIFIED INVESTMENTS

The Plan contains goals for both Satisfactory and Outstanding performance based on the total dollar volume of investments and donations as a percentage of prior EOY assets. The Plan also provides a minimum dollar volume of annual donations. As shown in the following table, the bank exceeded Outstanding performance goals in 2022.

Community Development Investments and Donations				
	Plan Goals		Bank Performance	
	Satisfactory	Outstanding	Totals	Performance Level Attained
Total Investments and Donations as % of Prior EOY Assets*	0.26%	0.31%	0.35%	Outstanding
Donations	\$100,000	\$120,000	\$125,000	Outstanding

Source: Bank Records and Strategic Plan

* Total Investments include new and outstanding prior period investments

In addition to the prior period equity investment and deposit account at the minority depository institution, Northpointe also provided qualified donations for purposes similar to those discussed under the 2017-2021 Plan.

SERVICES

The Plan contains goals for Satisfactory and Outstanding performance based on the average number of hours employees spend per year providing qualified community development services within the AA. The number of employees is based on the year-end total from the previous year. In 2022, 350 bank employees provided 831 hours of services. As shown in the following table, the bank exceeded the Outstanding performance goal.

Community Development Services				
	Plan Goals		Bank Performance	
	Satisfactory	Outstanding	Total	Performance Level Attained
Avg. Hours Per Employee	1.5	1.8	2.4	Outstanding
<i>Source: Bank Records and Strategic Plan</i>				

In addition to the activities discussed under the 2017-2021 Plan that employees still engage in, the following are examples of additional community development services provided in 2022.

- In conjunction with a community-based organization in Grand Rapids, an employee taught multiple financial literacy and budgeting classes to individuals and families experiencing homelessness or near homelessness.
- An employee provided technical assistance to an affordable housing organization in Grand Rapids. The same employee provided homeownership education to prospective low- and moderate-income homebuyers and offered various materials about banking services and loan programs.
- An employee provided financial literacy, work and career readiness, and networking education at three schools in Kent County where over 90.0 percent of the students qualify for free/reduced cost lunch.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank’s compliance with laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and Equal Credit Opportunity Act. Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution’s CRA rating.

GLOSSARY

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

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

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. 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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

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

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.