

PUBLIC DISCLOSURE

September 12, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

One Florida Bank
Certificate Number: 58811

1601 S Orange Ave
Orlando, Florida 32806

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

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Atlanta, Georgia 30309-3849

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 Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- The bank originated a majority of the loans in the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of loans to borrowers reflects, given the demographics of the assessment areas, poor penetration among businesses of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

The bank's community development performance demonstrates excellent responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

DESCRIPTION OF INSTITUTION

One Florida Bank is a community bank headquartered in Orlando, Florida. The bank is a wholly-owned subsidiary of OFB Bancshares, Inc., a one-bank holding company also headquartered in Orlando. The bank received a Satisfactory rating under Interagency Small Institution CRA Examination Procedures at the previous CRA evaluation, dated December 9, 2019, performed by the FDIC.

The bank operates five offices in three central and north Florida counties: Orange, Seminole, and Washington. Since the previous evaluation, the bank opened two offices: one in Longwood (Seminole County), which opened in January 2020 and one in Winter Park (Orange County), which opened in May 2020. The Winter Park office is located in a moderate-income census tract. Since the previous evaluation, the bank has not closed any offices.

Although One Florida Bank primarily focuses on commercial lending, a variety of loan products are offered, including commercial, home mortgage, and consumer loans. In terms of commercial lending, the bank offers real estate, equipment, accounts receivable, inventory, and unsecured loans and lines of credit. In addition, loans through the United States Small Business Administration's (SBA) 504 and 7a programs are also available. Furthermore, the bank participated in the Paycheck Protection Program (PPP). In 2020, the United States Government established the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which implemented the PPP through the SBA to offer economic relief to small businesses adversely impacted by the COVID-19 Pandemic. The program ended on May 31, 2021.

Home mortgage lending products include construction-to-permanent loans, variable-rate loans, and home equity lines of credit. In addition, the bank introduced, in 2019, a community lending program, to assist low- and moderate-income individuals to obtain a mortgage loan. Through this program, the bank provides 30-year, fixed-rate loans to low- and moderate-income individuals referred to the bank by a non-profit housing organization. As a service to its customers, the bank brokers long-term, fixed-rate mortgage loans through various government programs, including Veteran's Administration and the Federal Housing Administration. These two government programs offer lending standards that are more flexible than conventional mortgage loans. From the previous evaluation, through June 30, 2022, the bank brokered 290 loans for \$95.3 million; these loans are not reflected in this evaluation.

Consumer deposit products, include checking, savings, money market, and certificates of deposit accounts. All offices have deposit-taking automated teller machines (ATMs). Alternative banking services include internet and mobile banking, electronic bill pay, and person-to-person transfers.

Examiners did not identify any financial or legal impediments that would prevent the bank from meeting the assessment areas' credit needs. As of the June 30, 2022 Consolidated Reports of Condition and Income (Call Report), One Florida Bank had total assets of \$1.4 billion, with loans totaling \$916.3 million, total deposits of \$1.3 billion, and total securities of \$120.4 million. As shown in the following table, commercial real estate and commercial and industrial loans represented the largest portion of the outstanding loan portfolio at 76.9 percent; followed by

construction, land development, and other land loans at 9.4 percent; and 1-4 family residential properties at 8.8 percent.

Loan Portfolio Distribution as of 6/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	85,628	9.4
Secured by Farmland	17,561	1.9
Secured by 1-4 Family Residential Properties	80,870	8.8
Secured by Multifamily (5 or more) Residential Properties	21,837	2.4
Secured by Nonfarm Nonresidential Properties	440,548	48.1
Total Real Estate Loans	646,444	70.6
Agricultural Production and Other Loans to Farmers	4,021	0.4
Commercial and Industrial Loans	264,176	28.8
Consumer Loans	727	0.1
Obligations of State and Political Subdivisions in the U.S.	913	0.1
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	916,281	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. One Florida Bank continues to operate in two assessment areas. Since the previous evaluation, the bank expanded the Orlando Metropolitan Statistical Area (MSA) assessment area to include Lake and Osceola counties. The Florida Non-MSA assessment area was reduced by removing Jackson County. The following table provides details on the assessment areas.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Branches
Orlando MSA	Lake, Osceola, Orange, and Seminole	390	4
Florida Non-MSA	Holmes and Washington	11	1
<i>Source: Bank Data</i>			

The evaluation includes separate discussions for each of the two assessment areas reviewed. Refer to the *Description of Institution's Operations* of each assessment area section for additional information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation, dated December 9, 2019, to the current evaluation dated September 12, 2022. In evaluating One Florida Bank's CRA performance, examiners used the Interagency Intermediate Small Institution CRA Examination Procedures, which consist of two tests: Lending and Community Development. Refer to the Appendices for a detailed description of these tests. Examiners used these procedures to perform a full-scope review of the bank's CRA performance in the Orlando MSA assessment area and a limited-scope review in the Florida Non-MSA assessment area. In determining the scope and weight of each assessment area, the examiner considered the branching structure and loan and deposit activity in each assessment area.

Since a significant majority of lending and deposit activity is in the Orlando MSA assessment area, along with the number of branches, the Orlando MSA assessment area received more weight than the Florida Non-MSA assessment area. Refer to the following table for additional details regarding the breakdown of loans, deposits, and branches within each assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Orlando MSA	51,450	96.7	930,989	94.9	4	80.0
Florida Non-MSA	1,769	3.3	50,123	5.1	1	20.0
Total	53,219	100.0	981,112	100.0	5	100.0

Source: Bank Records; FDIC Summary of Deposits (June 30, 2021)

Activities Reviewed

Examiners reviewed the bank's small business and home mortgage loans to assess its lending performance. These loans were selected based on the bank's business strategy and number and dollar volume of loans originated during the evaluation period. Since the bank is not a CRA data reporter and select small business data was not readily available, examiners reviewed a sample of small business loans originated during 2020 and 2021. In 2020, the bank originated 894 small business loans totaling \$187.9 million, and examiners reviewed a sample of 127 small business loans totaling \$22.4 million. Of the small business loans sampled in 2020, 57 loans totaling \$6.8 million were PPP loans. In 2021, the bank originated 729 small business loans totaling \$167.7 million. Examiners reviewed a sample of 100 small business loans totaling \$24.5 million. The sample includes 25 PPP loans. As a non-CRA reporter, examiners did not use aggregate small business lending data for comparison purposes; instead, examiners compared small business lending performance to 2020 and 2021 D&B business demographic data. Although examiners analyzed small business lending data for 2020 and 2021, only 2021 data is presented with anomalies in 2020 discussed, as applicable. Due to the bank's commercial lending focus and the number of small business loan originations, examiners gave most weight in the overall conclusion to the bank's small business lending performance.

The bank is not subject to the Home Mortgage Disclosure Act (HMDA). Therefore, examiners analyzed all 49 home mortgage loans totaling \$31.5 million originated or renewed during 2021. Examiners compared home mortgage lending performance to applicable demographic data based on the 2015 American Community Survey (ACS) Census.

According to the June 30, 2022 Call Report, farm loans represent only 2.3 percent of outstanding loans and are not a business focus of the bank. Therefore, small farm loans were not evaluated.

For the Community Development Test, examiners reviewed information provided by management on community development loans, qualified investments, and community development services since the previous evaluation dated, December 9, 2019, through this evaluation dated September 12, 2022.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

One Florida Bank demonstrated reasonable performance under the Lending Test. This conclusion is supported by a reasonable loan-to-deposit ratio, a majority of the loans originated within the assessment areas, and reasonable geographic distribution of loans.

Loan-to-Deposit Ratio

The net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment areas’ credit needs. The net loan-to-deposit ratio for the previous 11 quarters averaged 79.5 percent. Since the previous evaluation, the net loan-to-deposit ratio ranged from a high of 93.2 percent, on December 31, 2019, to a low of 68.5 percent on December 31, 2021. Overall, the net loan-to-deposit ratio has been trending downward. This trend is due to deposits increasing at a faster rate than loans, due in part to an elevated level of deposits during the Covid-19 pandemic.

As of the June 30, 2022, Call Report, the bank had a net loan-to-deposit ratio of 70.0 percent. One Florida Bank maintained an average net loan-to-deposit ratio that was higher than comparable banks. The following table presents One Florida Bank’s average net loan-to-deposit ratio, as well as comparable institutions based on size, geographic location, branch network, and/or lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2022 \$(000s)	Average Net Loan-to-Deposit Ratio (%)
One Florida Bank, Orlando, FL	1,411,301	79.5
Mainstreet Community Bank, Deland, FL	804,904	70.2
Wauchula State Bank, Wauchula, FL	982,248	62.9
Bank of Central Florida, Lakeland, FL	965,730	60.4

Source: Call Reports from December 31, 2019, through June 30, 2022

Assessment Area Concentration

The bank originated a majority of sampled small business and home mortgage loans within its assessment areas. The following table details lending inside and outside of the assessment areas.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2020	92	72.4	35	27.6	127	17,428	77.7	4,992	22.3	22,420
2021	66	66.0	34	34.0	100	16,332	66.8	8,124	33.2	24,456
Subtotal	158	69.6	69	30.4	227	33,760	72.0	13,116	28.0	46,876
Home Mortgage										
2021	33	67.3	16	32.7	49	19,459	61.8	12,008	38.2	31,467
Total	99	66.4	50	33.6	149	35,791	64.0	20,132	36.0	55,923
<i>Source: Bank Data</i>										

Geographic Distribution

The geographic distribution of the loans reflects reasonable dispersion throughout the Orlando MSA assessment area. The Florida Non-MSA assessment area does not contain any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Only loans extended within the assessment areas are included in the analyses. Refer to the *Geographic Distribution* section of each assessment area for further details.

Borrower Profile

The distribution of loans to borrowers reflects, given the demographics of the assessment areas, an overall poor penetration among businesses of different sizes and individuals of different income levels, including low- and moderate-income individuals, in the Orlando MSA assessment area. Since a limited number of sampled loans were extended within the Florida Non-MSA assessment area, a review of the Borrower Profile criterion would not result in meaningful conclusions. Only loans extended within the assessment areas are included in the analyses. Refer to the *Borrower Profile* sections of each assessment area for further details.

Response to Complaints

The bank has not received any CRA-related complaints since the previous evaluation. Therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

One Florida Bank demonstrated excellent responsiveness to the community development needs of its assessment areas. The bank met those needs through community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity and the need and availability of such opportunities for community development in the assessment areas.

Community Development Loans

The community development loans were responsive to the assessment areas’ needs and opportunities for community development lending. One Florida Bank originated 193 community development loans totaling \$68.3 million during the evaluation period. The dollar volume of community development loans equates to 7.1 percent of average total assets and 10.4 percent of average total loans as of June 30, 2022. The bank’s lending, in terms of both percentages, is higher than similarly-situated banks. Excluding PPP community development lending, the bank originated 44 community development loans totaling \$34.8 million, which equates to 3.6 percent of average total assets and 5.3 percent of average total loans.

Of the 193 community development loans, 149 PPP loans totaling \$33.5 million were extended in low- and moderate-income and distressed middle-income census tracts within the assessment areas. Since these particular PPP loans qualify as community development loans, examiners considered them in the Community Development Test and excluded them from the Lending Test. The following table provides additional details regarding community development lending by year and purpose.

Community Development Loans										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$(000s)
2019 (Partial)	-	-	-	-	2	1,551	-	-	2	1,551
2020	3	303	-	-	10	10,393	96	22,164	109	32,860
2021	1	325	1	106	13	12,488	55	13,304	70	26,223
2022 (YTD)	2	633	2	514	8	6,563	-	-	12	7,710
Total	6	1,261	3	620	33	30,995	151	35,468	193	68,344

Source: Bank Data from December 9, 2019, through September 12, 2022

Refer to the Community Development Test section of each assessment area for additional details on community development loans.

Qualified Investments

The qualified investments were responsive to the assessment areas’ needs and opportunities for community development investments. One Florida Bank made 40 qualified investments totaling \$5.1 million during the evaluation period. The dollar amount of qualified investments equates to

0.5 percent of total average assets and 10.2 percent of total average securities, as of June 30, 2022. The bank’s level of qualified investments to average total securities is higher than other similarly-situated institutions. The following table details the bank's qualified investments by year and purpose.

Qualified Investments										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$(000s)
2019 (Partial)	-	-	-	-	-	-	-	-	-	-
2020	1	504	-	-	-	-	-	-	1	504
2021	5	3,036	-	-	-	-	-	-	5	3,036
2022 (YTD)	2	1,510	-	-	-	-	-	-	2	1,510
Subtotal	8	5,050	-	-	-	-	-	-	8	5,050
Grants & Donations	6	53	21	35	5	4	-	-	32	92
Total	14	5,103	21	35	5	4	-	-	40	5,142
<i>Source: Bank Data from December 9, 2019, through September 12, 2022</i>										

Refer to the Community Development Test section of each assessment area for additional details on qualified investments.

The bank made three investments totaling approximately \$2.0 million outside of the assessment areas but in the broader statewide area that includes the bank's assessment areas. Since the bank adequately served the needs of its assessment areas, these investments were included in the analysis. Details follow.

- The bank purchased a \$500,000 bond secured by an 89-unit apartment complex in Volusia County, where all units are affordable for moderate-income families.
- The bank purchased a \$1.0 million bond secured by a 234-unit apartment complex in a moderate-income census tract in Brevard County, where 98 percent of the units are income restricted to people earning less than or 60 percent of the area median income.
- The bank purchased a \$500,000 bond secured by an 83-unit manufactured housing community in a low-income census tract in Bay County, where all units are for low-income persons.

Community Development Services

The qualified services were responsive to the community development needs and opportunities within the assessment areas. One Florida Bank provided qualified services in 64 instances that benefited 12 organizations throughout the assessment areas. By number, the institution’s performance at the current evaluation is above the performance of two similarly-situated institutions

and below the performance of one similarly-situated institution. As noted in the examples provided at the assessment area level, officers devoted a significant number of hours to these organizations. The following table illustrates the bank’s community development services activity by year and purpose within the assessment areas.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019 (Partial)	-	-	2	-	2
2020	3	4	2	-	9
2021	14	12	2	-	28
2022 (YTD)	12	11	2	-	25
Totals	29	27	8	-	64
<i>Source: Bank Records from December 9, 2019, through September 12, 2022</i>					

Refer to the Community Development Test section within each assessment area for further details on community development services.

One Florida Bank operates two branches and deposit-taking ATMs in moderate-income census tracts. Branches in moderate-income census tracts represent 40.0 percent of total full-service branches. These branches and ATMS demonstrate the availability of banking services to low- and moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

ORLANDO ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE ORLANDO MSA ASSESSMENT AREA

Since the previous evaluation, the bank expanded this assessment area to include all counties in the Orlando-Kissimmee-Sanford, FL MSA (Orlando MSA). Specifically, at the previous evaluation, the Orlando MSA assessment area consisted of Orange and Seminole counties. Currently, the assessment area consists of Lake, Osceola, Orange, and Seminole counties. The bank operates four offices (80.0 percent) in this assessment area.

Economic and Demographic Data

This assessment area includes 390 census tracts, which consist of 14 low-, 116 moderate-, 140 middle-, and 118 upper-income census tracts. There are two census tracts with no income designation. The table below outlines select demographic data of this assessment area based on the 2015 ACS Census data and the 2021 D&B data.

Demographic Information of the Orlando MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	390	3.6	29.7	35.9	30.3	0.5
Population by Geography	2,277,816	2.5	28.2	36.9	32.4	0.0
Housing Units by Geography	964,253	2.7	28.0	38.6	30.7	0.0
Owner-Occupied Units by Geography	487,196	1.0	21.1	39.1	38.8	0.0
Occupied Rental Units by Geography	310,972	5.2	37.9	35.6	21.4	0.0
Vacant Units by Geography	166,085	2.9	29.7	43.1	24.3	0.0
Businesses by Geography	493,068	1.7	26.1	35.1	37.1	0.0
Farms by Geography	10,389	1.2	25.0	41.1	32.5	0.2
Family Distribution by Income Level	532,416	21.5	18.1	19.2	41.2	0.0
Household Distribution by Income Level	798,168	23.0	16.9	18.4	41.7	0.0
Median Family Income MSA - 36740 Orlando-Kissimmee-Sanford, FL MSA		\$57,304	Median Housing Value			\$162,453
			Median Gross Rent			\$1,056
			Families Below Poverty Level			12.4%
<i>Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0%. (* The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the Federal Financial Institutions Examination Council’s (FFIEC) updated median family income (MFI) figures to analyze the home mortgage lending under the *Borrower Profile* criterion. The following table reflects the low-, moderate-, middle-, and upper-income MFI

categories for the assessment area. The maximum MFI for low-income families was less than \$35,400, which is very low, when considering the median housing value of \$162,453 in 2015. Further, 12.4 percent of families have incomes below the federal poverty level. These families will likely face difficulty in qualifying for home mortgage loans. Lastly, home prices increased significantly since 2015 as more people migrated to Florida, which increased housing demand. For example, the Orlando Regional Realtor Association noted that the median price of all types of homes sold in March 2020 was \$253,500; by July 2022, the price rose to \$380,900.

Median Family Income Ranges for the Orlando MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$70,800)	<\$35,400	\$35,400 to <\$56,640	\$56,640 to <\$84,960	≥\$84,960
<i>Source: FFIEC</i>				

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business lending by gross annual revenues. According to 2021 D&B data, gross annual revenues for these businesses are as follows:

- 93.4 percent have \$1 million or less,
- 1.8 percent have more than \$1 million, and
- 4.8 percent have unknown revenues.

As shown in the table below, the unemployment rates for the assessment area declined from 2020 to July 2022. The unemployment rate in 2020 was higher than the state and national rates. In 2021 and July 2022, the unemployment rates were lower than the national rates, but higher than the state rates.

Unemployment Rates			
Area	2020	2021	July 2022
	%	%	%
Orlando MSA	11.0	5.1	3.0
Florida	8.2	4.6	2.8
National Average	8.1	5.4	3.5
<i>Source: Federal Reserve Economic Data</i>			

In terms of businesses and the economy, 2021 D&B data shows the top industries in the assessment area were services; non-classifiable establishments; and finance, insurance, and real estate. The *Orlando Business Journal* notes the top five employers in the MSA are Walt Disney World Resort (58,478 employees), Universal Studios Florida at Universal Orlando (26,000 employees), Orange County Public Schools (25,125 employees), Orlando Health (23,192 employees) and Advent Health (20,726 employees).

Moody’s *Economy.com, Inc., Précis Metro*, dated August 2021, notes that only half the jobs lost in 2020, due to the COVID-19 pandemic, have been regained. Orlando’s dominant tourism industry is undergoing a slow recovery from the COVID-19 pandemic, because international visitors have not

returned. Furthermore, business travel has shifted from in-person meetings to less expensive virtual platforms meaning the hospitality industry may be permanently smaller.

Competition

There is a high level of competition for financial services in the assessment area. In addition to competing with large national and regional banks, One Florida Bank competes with local banks, credit unions, and finance companies. As of June 30, 2021, 41 FDIC-insured institutions operated 499 offices within the assessment area. The top five banks, by deposit market share, were Truist Bank; Bank of America, National Association (N.A.); Wells Fargo Bank, N.A.; JP Morgan Chase Bank, N.A.; and Regions Bank. Collectively, these five banks account for 73.3 percent of the deposit market share. One Florida Bank ranked thirteenth in total deposits with a market share of 2.2 percent.

In addition, there is a high level of competition for small business loans in the assessment area. One Florida Bank is not required to report small business data and has elected not to report such information. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, with regard to competition for small business loans, aggregate data for 2020 indicates 264 lenders reported 82,302 small business loans. The top five institutions (by number of loans) were American Express National Bank; Bank of America, N.A.; JPMorgan Chase Bank, N.A.; Truist Financial; and Wells Fargo Bank, N.A. Collectively, these leading institutions accounted for 54.7 percent of the total market share.

There is a high level of competition for home mortgage loans. One Florida Bank is not required to report its home mortgage loan data and has elected not to report such information. Therefore, the analysis of home mortgage loans does not include a comparison against aggregate data. However, to provide context, 2020 aggregate data indicates 1,003 lenders reported 138,396 home mortgage loans in the assessment area. The top five home mortgage lenders were Quicken Loans, LLC; Wells Fargo Bank N.A.; Freedom Mortgage Corporation; United Wholesale Mortgage, LLC; and PennyMac Loan Services, LLC. These institutions accounted for 22.5 percent of total market share, by number of loans.

Community Contacts

As part of the CRA evaluation process, examiners typically contact community organizations to gain insight regarding the credit needs and economic conditions of an assessment area. For this evaluation, examiners utilized an existing community contact from Lake County and conducted a community contact in Orange County. The Lake County contact is employed by an organization that serves Lake County businesses. The individual noted that economic conditions are improving. Specifically, in 2021, businesses, such as Kroger and Amazon, helped improve the economy by bringing new jobs to the county. The contact also noted that small business owners and newly formed businesses need working capital, start-up funding, and financial counseling.

The Orange County contact is familiar with the economic development needs of the Orlando MSA and stated that small businesses credit needs include seed capital, venture, debt, and equity financing. In addition, the contact stated that Orange County's greatest economic weakness is affordable housing.

Credit and Community Development Needs and Opportunities

Based on the information gathered from the community contacts and demographic and economic data, some conclusions regarding the credit needs of the assessment area can be derived. First, the high percentage of low- and moderate-income families at 39.6 percent along with the poverty rate indicate needs for financial literacy and affordable housing. Government-guaranteed home loan programs with more flexible underwriting criteria is needed. Additionally, small business loans are needed, since a significant percentage of businesses have gross annual revenues of \$1.0 million or less at 93.4 percent and the community contacts identified this as a need for the area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ORLANDO MSA ASSESSMENT AREA

LENDING TEST

One Florida Bank's lending performance within the Orlando MSA assessment area reflects reasonable performance. The reasonable distribution of small business loans and excellent distribution of home mortgage loans supports this conclusion.

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. This conclusion is based on the reasonable dispersion of small business loans and the excellent dispersion of home mortgage loans.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. Although none of the loans were originated in low-income census tracts, lending performance is considered reasonable due to the limited number of businesses operating in these geographies. Lending performance in moderate-income census tracts is slightly higher than demographic data. The following table reflects the distribution of small business loans by income level of census tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	1.7	0	0.0	0	0.0
Moderate	26.1	17	27.0	4,565	28.1
Middle	35.1	27	42.9	7,272	44.8
Upper	37.1	19	30.1	4,388	27.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	63	100.0	16,225	100.0
<i>Source: 2021 D&B Data and Bank Data</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As shown in the following table, the percentage of lending in low-income census tracts significantly exceeded the percentage of owner-occupied housing units in these tracts. In addition, the percentage of lending in moderate-income census tracts is slightly higher than demographic data.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	1.0	2	7.7	215	1.2
Moderate	21.1	6	23.1	7,760	42.2
Middle	39.1	7	26.9	3,263	17.7
Upper	38.8	11	42.3	7,158	38.9
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	26	100.0	18,396	100.0

Source: 2015 ACS and Bank Data

Borrower Profile

The distribution of loans reflects poor penetration among businesses of different sizes and individuals of different income levels. This conclusion is based on the poor penetration among of businesses of different sizes.

Small Business Loans

The distribution of loans to borrowers reflects poor penetration among business of different sizes. Lending to businesses with revenues of \$1.0 million or less is significantly below demographic data. Nine loans in the sample were PPP loans for which revenue data was not collected. Accounting for these loans results in 20.4 percent of businesses with revenue data available originated to small businesses, which continues to be significantly below demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	93.4	11	17.5	4,834	29.8
>\$1,000,000	1.8	43	68.3	10,707	66.0
Revenue Not Available	4.8	9	14.2	685	4.2
Totals	100.0	63	100.0	16,225	100.0

Source: 2021 D&B Data and Bank Data

Home Mortgage Loans

Overall, lending to borrowers of different income levels reflects reasonable penetration. As shown in the following table, lending to low-income borrowers was below demographic data but considered reasonable given the increase in home prices, high competition, poverty rate, median family income, and median housing value. The bank originated all three loans through its community lending program. Lending performance to moderate-income borrowers is below demographics as no loans were extended to these individuals. Examiners noted that seven loans were extended to businesses for investment purposes, where income was not available.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	21.5	3	11.5	295	1.6
Moderate	18.1	0	0.0	0	0.0
Middle	19.2	0	0.0	0	0.0
Upper	41.2	16	61.6	14,630	79.5
Not Available	0.0	7	26.9	3,471	18.9
Totals	100.0	26	100.0	18,396	100.0

Source: 2015 ACS and Bank Data

COMMUNITY DEVELOPMENT TEST

One Florida Bank's community development performance demonstrates excellent responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

By number, the bank originated 79.8 percent of its community development loans in this assessment area. The following table depicts community development lending by year and purpose for the Orlando MSA assessment area.

Community Development Lending in Orlando MSA Assessment Area										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$ (000s)
2019 (Partial)	-	-	-	-	2	1,551	-	-	2	1,551
2020	3	303	-	-	9	9,163	78	21,727	90	31,193
2021	1	325	1	106	12	12,448	37	12,965	51	25,844
2022 (YTD)	2	633	1	500	8	6,563	-	-	11	7,696
Total	6	1,261	2	606	31	29,725	115	34,692	154	66,284

Source: Bank Data from December 9, 2019, through September 12, 2022

The following are examples of community development loans in the assessment area.

- In 2021, the bank originated an SBA 504 loan for \$904,000 to purchase a building located in a low-income census tract in Osceola County. The loan resulted in the retention of 48 jobs and the creation of 15 jobs for low- and moderate-income individuals.
- In 2022, the bank originated a \$2.0 million line of credit to a non-profit that provides rehabilitation training and jobs to the visually impaired. The line will give the organization the ability to hire more than a hundred employees, including low- and moderate-income individuals, to operate call centers.
- In 2020 and 2021, the bank originated 113 PPP loans totaling \$32.7 million in low- and moderate-income census tracts, which helped to revitalize or stabilize low- and moderate-income geographies.

Qualified Investments

The following table reflects the bank purchased five investments totaling \$3.0 million that directly benefited the Orlando MSA assessment area. The bank also made \$90,000 in donations. The qualified investments and donations within this assessment area account for 60.6 percent of the bank's total qualified investments and donations.

Qualified Investments										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$(000s)
2019 (Partial)	-	-	-	-	-	-	-	-	-	-
2020	1	504	-	-	-	-	-	-	1	504
2021	2	1,013	-	-	-	-	-	-	2	1,013
2022 (YTD)	2	1,510	-	-	-	-	-	-	2	1,510
Subtotal	5	3,027	-	-	-	-	-	-	5	3,027
Grants & Donations	6	53	17	33	4	4	-	-	27	90
Total	11	3,080	17	33	4	4	-	-	32	3,117

Source: Bank Data from December 9, 2019, through September 12, 2022

The bank purchased five mortgage-backed securities secured by properties located in low- or moderate-income geographies or that serve low- and moderate- individuals within the assessment area. Examples follow.

- In 2022, the bank purchased a \$500,000 bond secured by a 22-unit apartment complex in a low-income census tract within Orange County. Sixty-eight percent of the units are for low- and moderate-income individuals.

- In 2020, the bank purchased a \$500,000 bond secured by a 108-unit apartment complex in Seminole County, where 91 percent of the units are for low-income individuals.

Community Development Services

One Florida Bank provided 60 qualified services benefiting 11 organizations throughout the Orlando MSA assessment area. The following table demonstrates the community development services activity by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019 (Partial)	0	0	1	0	1
2020	3	4	1	0	8
2021	14	12	1	0	27
2022 (YTD)	12	11	1	0	24
Totals	29	27	4	0	60

Source: Bank Data from December 9, 2019, through September 12, 2022

The following are notable examples of community development services activities.

- From 2020 to 2022, an employee provided financial literacy education classes to a school within the assessment area in which all of the school’s students qualify to participate in the Federal Free- or Reduced-Lunch programs.
- From 2020 to 2022, a bank officer devoted over 1,000 hours by serving on the Board of Directors (Board) of a non-profit organization that provides quality affordable housing to low-income individuals and families throughout Seminole and Orange counties.
- In 2021 and 2022, an employee devoted over 50 hours by serving on the Board and on the Capital Campaign Committee of an organization that assists low- and moderate-income individuals with obtaining personal identification in order to find jobs and fully take part in society.

FLORIDA NON-MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE FLORIDA NON-MSA ASSESSMENT AREA

The assessment area contains 11 census tracts within Holmes and Washington counties. Due to elevated poverty levels, all census tracts are designated as distressed middle-income geographies. The assessment area contains one office (20.0 percent). The following table outlines select demographic data of this assessment area based on the 2015 ACS Census data and 2021 D&B data.

Demographic Information of the Assessment Area for the Florida Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	0.0	100.0	0.0	0.0
Population by Geography	44,264	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	19,298	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	11,868	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	3,206	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	4,224	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	4,333	0.0	0.0	100.0	0.0	0.0
Farms by Geography	324	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	10,259	24.1	17.3	20.8	37.8	0.0
Household Distribution by Income Level	15,074	27.0	14.2	18.4	40.3	0.0
Median Family Income Non-MSAs - FL		\$46,899	Median Housing Value			\$84,579
			Median Gross Rent			\$647
			Families Below Poverty Level			18.4%
<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>						

As shown in the following table, the unemployment rates for Holmes and Washington counties declined from 2020 to July 2022. The unemployment rates for both counties were below the state and national rates for 2020 and 2021. As of July 2022, the rates were above the state rate, but below the national rate.

Area	Unemployment Rates		
	2020	2021	July 2022
	%	%	%
Holmes County	6.0	4.1	3.1
Washington County	6.3	4.5	3.2
Florida	8.2	4.6	2.8
National	8.1	5.4	3.5
<i>Source: Federal Reserve Economic Data</i>			

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE FLORIDA NON-MSA ASSESSMENT AREA

The bank operates one office in this assessment area. Since the last evaluation, the bank removed Jackson County from this assessment area. The area now includes Holmes and Washington Counties.

LENDING TEST

The bank’s lending performance in this assessment area is below the lending performance for the bank; however, it does not change the bank rating.

The assessment area does not include any low- and moderate-income geographies, and of the loans sampled, only a limited number were originated within this assessment area; therefore, a review of the Geographic Distribution and Borrower Profile criteria would not result in meaningful conclusions. Of the sampled loans, three small business loans totaling approximately \$107,000 were originated within this assessment area. Of these loans, one loan totaling \$34,000 was extended to a business with gross annual revenues of \$1.0 million or less. Of the sampled home mortgage loans, seven totaling approximately \$1.1 million were originated within this assessment area. Of these home mortgage loans, two totaling \$69,000 were extended to moderate-income individuals.

COMMUNITY DEVELOPMENT TEST

The bank’s community development performance in the Florida Non-MSA assessment area is below the community development performance for the bank; however, it does not change the bank rating.

The following information notes community development activities within the Florida Non-MSA assessment area.

Community Development Loans

Community Development Lending in Florida Non-MSA Assessment Area										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$ (000s)
2019 (Partial)	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	1	1,230	18	436	19	1,666
2021	-	-	-	-	1	40	18	339	19	379
2022 (YTD)	-	-	1	15	-	-	-	-	1	15
Total	-	-	1	15	2	1,270	36	775	39	2,060

Source: Bank Data from December 19, 2019 through September 12, 2022

Qualified Investments

One Florida Bank made five donations totaling approximately \$2,000 in this assessment area. Four donations provided community services to low- and moderate-income people and one donation benefited an organization that provides economic development services to small businesses.

Community Development Services

A loan officer provided four qualified services benefiting one organization in the Florida Non-MSA assessment area, which supported economic development activities.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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