

PUBLIC DISCLOSURE

May 1, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Gorham Savings Bank
Certificate Number: 17748

64 Main Street
Gorham, Maine 04038

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

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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

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

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated **High Satisfactory.**

- The bank's lending levels reflect good responsiveness to assessment area credit needs.
- The bank originated a high percentage of loans in its assessment area.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size
- The bank is a leader in making community development loans.
- The bank uses innovative or flexible lending practices in order to serve assessment area credit needs.

The Investment Test is rated High Satisfactory.

- The bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits excellent responsiveness to credit and community economic development needs.
- The bank makes significant use of innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are accessible to essentially all portions of the institution's assessment area.
- To the extent changes have been made, the institution's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The bank provides an adequate level of community development services.

DESCRIPTION OF INSTITUTION

Background

Gorham Savings Bank (GSB), headquartered in Gorham, Maine (ME), is part of a two-tier mutual holding company structure. GSB is wholly owned by Gorham Bancorp, Inc., which is owned by Gorham Bancorp, MHC. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation dated February 10, 2020, based on Interagency Large Institution Examination Procedures.

Operations

GSB operates its main office and 11 full-service branches throughout Cumberland and York Counties. In July 2021, the bank closed a branch in a moderate-income census tract in Portland. All current locations offer Interactive Teller Machines (ITM)¹ and Automatic Teller Machines (ATM). The bank also maintains standalone ATMs at 417 Roosevelt Street in Naples, 91 County Road in Scarborough, and 367 Main Street in Yarmouth and ITMs at 174 Running Hill Road in South Portland and 742 Main Street in Westbrook. The two-standalone ITM locations also maintain an ATM. GSB offers a broad range of loan and deposit products. Loan products include commercial, residential, and construction mortgages; commercial and home equity lines of credit; and consumer and agricultural loans. Deposit products include various checking, savings, and money market accounts, as well as certificates of deposit and individual retirement accounts.

GSB is a member of the SUM ATM network, providing customers with access to many free ATMs worldwide. Alternatively, bank customers can assess retail banking services by telephone, the internet, mobile banking, mobile check deposit, and remote deposit capture.

Ability and Capacity

As of March 31, 2023, assets totaled approximately \$1.6 billion, which included total loans of \$1.2 billion, total securities of \$258.8 million, and total deposits of \$1.4 billion. The following table illustrates the bank's loan portfolio.

¹ITMs allow customers to speak directly with a live teller via video link, perform numerous different transaction types, and provide extended hours beyond a branch's standard operating hours.

Loan Portfolio Distribution as of 3/31/2023		
Loan Category	\$(000s)	%
Construction and Land Development	71,303	5.7
Secured by Farmland	241	0.0
Secured by 1-4 Family Residential Properties	353,329	28.3
Secured by Multifamily (5 or more) Residential Properties	107,588	8.6
Secured by Nonfarm Nonresidential Properties	518,781	41.6
Total Real Estate Loans	1,051,242	84.3
Commercial and Industrial Loans	161,096	12.9
Agricultural Loans	0	0.0
Consumer Loans	3,255	0.3
Obligations of States and Political Subdivisions in the United States	3,224	0.3
Other Loans	48	0.0
Lease Financing Receivables (net of unearned income)	28,502	2.3
Total Loans	1,247,367	100.0
<i>Source: Report of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. GSB designated a single assessment area in the center of the Portland-South Portland, ME Metropolitan Statistical Area (MSA). According to the 2015 American Community Survey (ACS), the assessment area includes 78 census tracts throughout portions of Cumberland and York Counties. These tracts reflect the following income designations:

- 4 low-income tracts,
- 18 moderate-income tracts,
- 37 middle-income tracts, and
- 19 upper-income tracts

Based on information collected during the 2020 United States (U.S.) Census, the Federal Financial Institution Examination Council (FFIEC) in 2022, released updates to the MSA and Metropolitan Divisions, states, counties, census tracts, and income level indicators. These updates resulted in census tract income designations changing. Specifically, the reclassifications resulted in three fewer low-income census tracts and one less moderate-income census tract.

Economic and Demographic Data

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. According to 2021 D&B data, there were 31,305 non-farm businesses in the Portland–South Portland, ME MSA assessment area. The GARs for the businesses are as follows:

- 84.2 percent have \$1 million or less.
- 5.7 percent have more than \$1 million.
- 10.1 percent have unknown revenues.

Service industries represent the largest portion of all businesses at 43.7 percent, followed by Retail Trade (13.0 percent); Non-Classifiable Establishments (13.0 percent); Finance, Insurance & Real Estate (8.6 percent); and Construction (8.0 percent). In addition, 88.5 percent of businesses operate from a single location, 80.6 percent have revenues of \$0.5 million or less, and 65.2 percent have four or fewer employees, which indicates the majority of businesses in the assessment area are very small businesses.

The following table illustrates demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	78	5.1	23.1	47.4	24.4	0.0
Population by Geography	352,362	4.0	20.6	50.7	24.7	0.0
Housing Units by Geography	169,366	4.1	22.6	48.5	24.7	0.0
Owner-Occupied Units by Geography	97,689	1.4	15.0	54.3	29.3	0.0
Occupied Rental Units by Geography	46,364	10.5	38.0	37.9	13.6	0.0
Vacant Units by Geography	25,313	3.1	23.4	45.7	27.8	0.0
Businesses by Geography	31,305	3.6	28.1	42.9	25.4	0.0
Farms by Geography	982	1.5	14.2	56.8	27.5	0.0
Family Distribution by Income Level	89,461	20.0	17.3	21.0	41.7	0.0
Household Distribution by Income Level	144,053	23.6	16.1	17.8	42.6	0.0
Median Family Income MSA - 38860 Portland-South Portland, ME MSA		\$74,701	Median Housing Value			\$249,584
			Median Gross Rent			\$961
			Families Below Poverty Level			7.0%
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.						

As the table depicts, approximately 7.0 percent of families are below the poverty level, which not only poses challenges for home mortgage lending to this group, as these families likely face difficulty in qualifying for a home mortgage loan under conventional underwriting standards, but also presents opportunities to address this need.

According to the U.S. Bureau of Labor Statistics, as of January 2023, the unemployment rate was 2.2 percent in the Portland-South Portland, ME MSA. This rate was slightly lower than the ME unemployment rate of 2.9 percent and the nationwide rate of 3.4 percent. Since 2020, the unemployment rate in the Portland-South Portland, ME MSA has been declining, but reflects a higher percentage given the COVID-19 pandemic.

Examiners used the FFIEC-updated median family incomes to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects low-, moderate-, middle-, and upper-income categories in the Portland-South Portland, ME MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Portland-South Portland, ME MSA Median Family Income (38860)				
2019 (\$86,700)	<\$43,350	\$43,350 to <\$69,360	\$69,360 to <\$104,040	≥\$104,040
2020 (\$92,300)	<\$46,150	\$46,150 to <\$73,840	\$73,840 to <\$110,760	≥\$110,760
2021 (\$93,300)	<\$46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
<i>Source: FFIEC</i>				

Competition

The bank operates in a moderately competitive market for financial services. According to a 2021 deposit market share report, 35 financial institutions operated 144 locations in the assessment area. GSB ranked 4th with a 6.9 percent market share, ahead of other community banks operating in the assessment area. TD Bank N.A. (15.1 percent); Bank of America N.A. (12.9 percent); and KeyBank, N.A (11.5 percent) were the top three institutions.

GSB faces a high level of competition for small business loans from national and other community banks. In 2021, 116 lenders made 15,917 small business loans throughout Cumberland and York counties. The three most prominent lenders were American Express, Bangor Savings Bank, and JPMorgan Chase Bank, N.A. Collectively, these three lenders captured a 32.4 percent market share in the assessment area. GSB ranked 12th with a 3.4 percent market share.

GSB also faces a high level of competition for home mortgage loans from national and community banks, mortgage companies, and credit unions. In 2021, 317 financial institutions reported 25,251 home mortgage loan originations or purchases. Large national banks, mortgage companies, and three community banks ranked ahead of GSB. The top three lenders included United Wholesale Mortgage Company ranked 1st, Bangor Savings Bank ranked 2nd, and Rocket

Mortgage ranked 3rd. Collectively, these lenders captured a 17.5 percent market share in the assessment area. GSB reported 317 home mortgage loans and ranked 28th with a 1.3 percent market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the area's 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 contacted an affordable housing organization operating in Cumberland County. The organization develops, maintains, and manages low- and moderate-income rental units. The contact stated that there is a significant need for affordable rental housing, particularly multifamily housing, amongst low-, moderate-, and middle-income individuals. Given the lack of affordable housing for middle-income residents further limits the availability of this housing for low- and moderate-income residents. The contact also noted there are opportunities and a need for community banks to invest in affordable housing projects.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable and rental housing are the assessment area's primary community development needs and opportunities exist for banks to invest in affordable housing projects. Additionally, affordable home mortgage lending programs are a primary credit need for many residents.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated February 10, 2020, to the current evaluation dated May 1, 2023. Examiners used the Interagency Large Institution Examination Procedures to evaluate GSB's CRA performance. These procedures include three tests: the Lending, Investment, and Service Test. Examiners used full-scope procedures to evaluate the bank's CRA performance in its assessment area.

Activities Reviewed

Examiners determined that the bank's major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of originations during the evaluation period. The bank's record of originating small business loans contributed more weight to overall conclusions as the bank's strategy continues to focus on small business lending and the overall increase in lending compared to other loan products since the previous examination.

Commercial lending, consisting of loans secured by nonfarm and nonresidential property as well as commercial and industrial loans, accounts for the largest category of the bank's loan portfolio by dollar at 54.5 percent, an increase of 34.4 percent since the previous evaluation. Examiners obtained information concerning small business loans from the bank's CRA Loan Registers. The bank made 1,404 loans totaling \$168.1 million in 2020, 587 loans totaling \$103.5 million in 2021, and 345 loans totaling \$91.1 million in 2022. In response to the COVID-19 pandemic, the bank originated 1,597 small business loans totaling \$143.9 million through the Small Business Administration (SBA) Paycheck Protection Program (PPP), which explains the substantial volume in 2020. The PPP was part of the Coronavirus Aid, Relief, and Economic Security Act and was designed to provide businesses with access to low-interest forgivable loans. Loan proceeds assisted with payroll and other business-related costs during the pandemic. SBA discontinued the PPP in mid-2021. Although the Assessment Area Concentration performance table includes CRA small business loans from all three years, Geographic Distribution and Borrower Profile performance tables within the Lending Test only reference 2020 and 2021.

The CRA Loan Registers also contained data regarding small farm loans originated during the same three years. In 2020, the bank made no loans; in 2021, 2 loans totaling \$245,000; and in 2022, 1 loan totaling \$25,000. The Assessment Area Concentration performance table includes small farm lending; however, due to the low volume of small farm loans and the limited percentage of such loans in the loan portfolio, other Lending Test criteria do not include an analysis of small farm loans. The limited small farm lending activity does not allow for meaning analysis of this loan type, nor does it materially affect Lending Test conclusions.

Conversely, given the loan volume, the Lending Test considered all home mortgage loans reported on the bank's 2020, 2021, and 2022 Home Mortgage Act Loan Application Registers. Residential lending, consisting of loans secured by one-to-four family and multifamily residential properties, represents 36.9 percent of the loan portfolio, an increase of 30.2 percent since the previous evaluation. In 2020, 2021, and 2022, the bank originated 328 loans totaling \$116.9 million, 379 loans totaling \$139.2 million, and 550 loans totaling \$166.2 million, respectively. Although the Assessment Area Concentration performance table includes data from all three years, Geographic Distribution and Borrower Profile performance tables within the Lending Test only reference 2020 and 2021.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans as it is a better indicator of the number of businesses and individuals served.

Furthermore, examiners reviewed retail products and services targeted toward low- and moderate-income individuals or small businesses; delivery systems for providing retail-banking services, including branches and alternative delivery systems; and the impact of any branch openings and closings during the evaluation period. The evaluation considered community development loans, investments, and services, as well as innovative and/or flexible lending practices since the prior CRA evaluation dated February 10, 2020 through May 1, 2023. Examiners reviewed lending-related activities in 2020 and 2021 based on 2015 ACS data, using

2010 U.S. Census boundary data; whereas, other activities were based on 2020 U.S. Census boundary data.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated High Satisfactory. GSB's performance under the Geographic Distribution, Borrower Profile, and Community Development Lending criteria primarily support this conclusion.

Lending Activity

Lending levels reflect good responsiveness to assessment area credit needs, considering the bank's performance context and competition.

Small Business Lending

GSB originated 1,256 loans totaling \$146.3 million in 2020 and 523 loans totaling \$88.4 million in 2021 in the assessment area. The decline is primarily attributed to the fact that during 2020, the bank originated 1,071 PPP loans totaling \$107.2 million, whereas, in 2021, the bank originated fewer PPP loans (526 loans totaling \$36.7 million) as the program ceased mid-2021. In 2020, GSB ranked 2nd out of 132 small business lenders with a market share of 8.9 percent by number and 17.1 percent by dollar volume. In 2021, GSB's ranking declined to 12th out of 116 lenders with a market share of 3.4 percent by number and 11.7 percent by dollar volume. Despite the decline in 2021, GSB ranked ahead of many local community banks and only trailed Bangor Savings Bank, ranked 2nd, with 8.5 percent market share and Kennebunk Savings Bank, ranked 7th, with 4.6 percent market share. The highest ranked lenders primarily consisted of national banks and credit card companies. The top lenders included American Express, JPMorgan Chase Bank, Bank of America, Capital One, Citibank, TD Bank, Key Bank, and US Bank with average loan amounts ranging from \$4,000 to \$57,000. Given the significant competition in the assessment area, the bank's small business lending activity reflects good responsiveness to assessment area credit needs.

Home Mortgage Lending

The bank originated 285 home mortgage loans totaling \$89.9 million in 2020 and 317 home mortgage loans totaling \$118.7 million in 2021 in the assessment area. Home mortgage originations increased by 11.2 percent by number and 32.0 percent by dollar from 2020 to 2021. Additionally, in 2020, GSB ranked 30th with a market share of 1.1 percent out of 339 HMDA reporters. In 2021, GSB ranked 28th with a market share of 1.3 percent out of 354 HMDA reporters. Local competitors, Bangor Savings Bank, ranked 2nd with 6.1 percent market share; Camden National Bank, ranked 7th with 2.8 percent market share; Saco & Biddeford Savings Bank, ranked 19th with 1.5 percent market share; and Androscoggin Bank, ranked 25th with 1.3 percent market share. GSB's lending volume in the assessment area, particularly given significant competition, reflects adequate responsiveness to assessment area credit needs.

Assessment Area Concentration

The bank originated a high percentage of its loans in its assessment area. The following table depicts the bank's lending inside and outside the assessment area. For home mortgages, lending increased significantly by both number and dollar from 2021 to 2022 due to the bank originating a large number of rate-related refinances and expanding residential product eligibility for new construction and first time homebuyer programs. For small business loans, lending declined by both number and dollar from 2021 to 2022 due to the SBA's PPP ceasing in mid-2021. Overall, although the percentages by both number and dollar amount fluctuated, they remained stable since the previous evaluation.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	285	86.9	43	13.1	328	89,862	76.9	27,022	23.1	116,885
2021	317	83.6	62	16.4	379	118,690	85.3	20,487	14.7	139,177
2022	474	86.2	76	13.8	550	143,855	86.6	22,303	13.4	166,158
Subtotal	1,076	85.6	181	14.4	1,257	352,407	82.9	69,812	17.1	422,220
Small Business										
2020	1,256	89.5	148	10.5	1,404	146,261	87.0	21,874	13.0	168,135
2021	523	89.1	64	10.9	587	88,447	85.5	15,052	14.5	103,499
2022	283	82.0	62	18.0	345	76,209	83.6	14,930	16.4	91,139
Subtotal	2,062	86.9	274	13.1	2,336	310,917	85.4	51,856	14.6	362,773
Small Farm										
2020	0	0.0	0	0.0	0	0	0.0	0	0.0	0
2021	2	100.0	0	0.0	2	245	100.0	0	0.0	245
2022	1	100.0	0	0.0	1	25	100.0	0	0.0	25
Subtotal	3	100.0	0	0.0	3	270	100.0	0	0.0	270
Total	3,141	87.3	455	12.7	3,596	663,594	84.5	121,668	15.5	785,263
Source: Bank Data Due to rounding, totals may not equal 100.0%										

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment area. The bank's good penetration of small business loans and adequate penetration of home mortgage loans during the evaluation period supports this conclusion.

Small Business Lending

The geographic distribution of small business loans reflects good penetration throughout the assessment area. In both 2020 and 2021, lending in the low-income census tracts was generally consistent with the aggregate and demographics, whereas, lending in moderate-income census tracts trailed both the aggregate and demographics. From 2020 to 2021, lending in the low- and moderate-income census tracts declined by number and dollar, as the PPP ceased in mid-2021 resulting in fewer PPP originations.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	3.7	3.8	45	3.6	3,887	2.7
2021	3.6	3.5	19	3.6	2,185	2.5
Moderate						
2020	28.1	24.5	299	23.8	43,310	29.6
2021	28.1	26.3	128	24.5	18,121	20.5
Middle						
2020	43.2	43.5	635	50.6	67,511	46.2
2021	42.9	42.4	266	50.9	42,153	47.7
Upper						
2020	25.0	28.2	277	22.1	31,553	21.6
2021	25.4	27.8	110	21.0	25,988	29.4
Totals						
2020	100.0	100.0	1,256	100.0	146,261	100.0
2021	100.0	100.0	523	100.0	88,447	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; 2020 & 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Lending

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. In 2020, lending by number in low-income census tracts was slightly less than the aggregate and in line with demographics. Conversely, in 2021, lending in the low-income tracts increased and was the same as the aggregate and greater than demographics. In moderate-income census tracts, 2020 performance by number was less than both the aggregate and demographics, whereas, in 2021, lending increased by number and was less slightly than the aggregate and greater than demographics.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	1.4	2.1	4	1.4	2,168	2.4
2021	1.4	2.5	8	2.5	2,889	2.4
Moderate						
2020	15.1	15.5	37	13.0	20,697	23.0
2021	15.1	17.0	52	16.4	36,422	30.7
Middle						
2020	54.3	51.3	184	64.6	45,388	50.5
2021	54.3	52.4	187	59.0	51,909	43.7
Upper						
2020	29.3	31.0	60	21.1	21,610	24.0
2021	29.3	28.2	70	22.1	27,470	23.1
Totals						
2020	100.0	100.0	285	100.0	89,863	100.0
2021	100.0	100.0	317	100.0	118,690	100.0
Source: 2015 ACS; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among business customers of different size and retail customers of different income levels. The bank's good performance in lending to businesses with GARs of \$1.0 million or less primarily supports this conclusion.

Small Business Lending

The distribution of small business loans reflects good penetration to businesses with GARs of \$1 million or less. The following table shows that in 2020, the bank's lending to businesses with GARs of \$1 million or less, significantly trailed aggregate performance and demographics. For 2021, lending increased; however, performance remained significantly less than demographics. The table also illustrates that the primary reason for the limited lending to businesses with GARs of \$1 million or less was due to the large volume of PPP loans that the bank was not required to and did not consider or collect GARs during the application process. Therefore, the "Revenue Not Available" category includes all PPP loans originated inside the assessment area, which significantly reduced the percentage of loans in the two GARs categories. Therefore, examiners could not conduct meaningful analysis of lending to businesses of different sizes for 2020 and 2021. Instead, examiners relied upon market share to assess the bank's performance. In 2020, the bank ranked 12th with a 2.5 percent market share indicating that the bank is most likely helping to serve the needs of small businesses throughout both counties, including the

assessment area. Bangor Savings Bank was the only community bank ranked higher (1st with an 11.6 percent market share). In 2021, although lending by number to businesses with GARs of \$1 million or less declined, the percentage of lending to this group increased as the number of PPP loans declined in line with the program ceasing in mid-2021. In 2021, the bank again ranked 12th with a 2.5 percent market share.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2020	83.9	32.5	179	14.3	34,316	23.5
2021	84.2	44.3	164	31.4	31,755	35.9
>\$1,000,000						
2020	5.9	--	119	9.5	35,615	24.4
2021	5.7	--	159	30.4	42,909	48.5
Revenue Not Available						
2020	10.2	--	958	76.3	76,330	52.2
2021	10.1	--	200	38.2	13,783	15.6
Totals						
2020	100.0	100.0	1,256	100.0	146,261	100.0
2021	100.0	100.0	523	100.0	88,447	100.0
Source: 2020 & 2021 D&B Data; Bank Data; 2020 & 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Home Mortgage Lending

The distribution of home mortgage loans reflects adequate penetration among individuals of different income levels. In 2020, lending to low-income borrowers was less than the aggregate, whereas, in 2021, it was in line with the aggregate. For both 2020 and 2021, lending was less than demographics. As a low-income individual maintains a median family income of \$46,650 and the median housing value is \$249,584, it may be difficult for these individuals to afford a home mortgage loan. Furthermore, approximately 7.0 percent of the area's families live below the poverty level. Considering the poverty rate, median housing value, and median family income, the bank's lending performance is adequate.

In 2020, lending to moderate-income borrowers was less than the aggregate and demographics. In 2021, lending was slightly less than the aggregate and greater than demographics.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	20.0	5.6	12	4.2	1,458	1.6
2021	20.0	6.5	21	6.6	2,644	2.2
Moderate						
2020	17.3	18.1	40	14.0	7,355	8.2
2021	17.3	19.4	59	18.6	10,459	8.8
Middle						
2020	21.0	22.8	76	26.7	15,968	17.8
2021	21.0	22.1	62	19.6	13,866	11.7
Upper						
2020	41.7	39.8	115	40.4	39,877	44.4
2021	41.7	37.1	137	43.2	48,694	41.0
Not Available						
2020	0.0	13.7	42	14.7	25,205	28.0
2021	0.0	14.9	38	12.0	43,026	36.3
Totals						
2020	100.0	100.0	285	100.0	89,862	100.0
2021	100.0	100.0	317	100.0	118,690	100.0
Source: 2015 ACS; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Community Development Loans

GSB continues to be a leader in making community development loans, considering its resources and the available opportunities in its assessment area. During the evaluation period, GSB originated 18 loans totaling approximately \$79.4 million. This activity represents 5.4 percent of average total assets and 7.1 percent of average total loans as of March 31, 2023. At the prior evaluation, GSB originated 36 loans totaling approximately \$50.6 million. Despite a decline in the number of community development loans, the dollar amount substantially increased by \$28.8 million or 56.9 percent. Additionally, GSB outperformed a similarly situated institution whose community development lending represented 0.7 percent of average total loans.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	4	9,989	1	400	0	0	0	0	5	10,389
2021	6	38,533	0	0	0	0	0	0	6	38,533
2022	7	30,490	0	0	0	0	0	0	7	30,490
YTD 2023	0	0	0	0	0	0	0	0	0	0
Total	17	79,012	1	400	0	0	0	0	18	79,412
<i>Source: Bank Data</i>										

The following represents examples of the community development loans:

- In 2020, GSB originated a \$400,000 working capital line of credit to a non-profit food bank, which serves low- and moderate-income individuals and families.
- In 2021, GSB originated a \$9.5 million loan to an affordable housing organization. The organization used the proceeds to construct 52 affordable housing units in Portland.
- In 2022, GSB originated an \$18.5 million loan to a limited liability company to build a 200 bed homeless shelter in Portland.

Innovative or Flexible Lending Practices

GSB uses innovative and flexible lending practices to serve assessment area credit needs. The bank's performance in providing small business financing is particularly noteworthy. By collaborating with the SBA (excluding PPP loans) and the Finance Authority of Maine (FAME), GSB originated 90 loans totaling approximately \$23.9 million to small businesses in its assessment area during the evaluation period. GSB also maintains an in-house first time home buyer product that offers 100 percent financing, a fixed- or adjustable-interest rate, and a construction loan option. To better meet borrowers' credit needs, given increasing housing values and shrinking inventory, the bank expanded loan eligibility on its 100 percent financing first time home buyer product (reduced the minimum credit score from 700 to 680) and its residential construction product (reduced the 80 percent maximum loan-to-value to 95 percent). The bank's level of innovative and flexible lending practices substantially increased since the prior evaluation when the bank made 61 loans for \$14.4 million. Even when excluding the PPP loans originated through the SBA's PPP, which was available only during this evaluation period, GSB originated 126 loans for \$26.5 million. GSB outperformed a similarly situated institution by both number and dollar amount. The following table reflects the origination volume through innovative and flexible lending programs during the evaluation period.

Innovative or Flexible Lending Programs										
Type of Program	2020		2021		2022		YTD 2023		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
GSB First Time Home Buyer	4	815	1	242	6	1,170	0	0	11	2,227
Maine State Housing Authority	0	0	1	200	1	178	0	0	2	378
Hometown Hero Discounts	10	5	7	4	6	3	0	0	23	12
SBA (excluding PPP)	5	771	19	4,122	24	3,701	0	0	48	8,594
FAME	13	4,247	22	6,829	7	4,267	0	0	42	15,343
SBA PPP	1,071	107,164	526	36,671	0	0	0	0	1,597	143,835
Totals	1,103	113,002	576	48,068	44	9,319	0	0	1,723	170,389
Source: Bank Data										

The following provides details on the lending programs.

- ***SBA Loan Programs (excluding PPP):*** SBA provides financing which assists in creating new businesses and in acquiring, operating, or expanding existing businesses.
- ***FAME Loans:*** FAME is an independent state agency that facilitates small business financing by providing loan guarantees. Loan proceeds allow businesses to expand and create employment opportunities that benefit individuals and communities throughout Maine.
- ***SBA PPP Loans:*** The PPP helped businesses keep their workforce employed during the COVID-19 pandemic. In 2020 and 2021, this program was responsive to meeting the small business credit needs of the assessment area. The program ended mid-2021.
- ***GSB First Time Home Buyer Program:*** This product provides financing to first time homebuyers at a below market interest rate with a minimum 3 percent down payment. There are no income or asset restrictions. The bank extended 11 loans to low- and moderate-income individuals.
- ***Maine State Housing Authority First Time Home Buyer Program:*** This program assists low- and moderate-income individuals in purchasing their first home and offers loans with a low down payment, below market interest rates, and closing cost assistance. Applicants are required to complete a first time homebuyer education class.
- ***Hometown Hero Program:*** This program provides borrowers in qualifying employment fields (teachers, medical, police, fire, military, and emergency medical technicians), a

discounted origination fee (\$500 savings) and a reduced private mortgage insurance premium, if applicable. The bank provided 23 discounts to low- or moderate-income borrowers.

INVESTMENT TEST

The Investment Test is rated High Satisfactory. GSB's performance under the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria primarily support this conclusion.

Investment and Grant Activity

The institution has a significant level of qualified community development investments and grants, particularly those that private investors do not routinely provide and for which they are occasionally in a leadership position.

During the evaluation period, the bank provided 60 qualified community development investments totaling approximately \$7.8 million. This total includes 12 prior period investments with a current book value of approximately \$3.3 million. As of March 31, 2023, the total dollar amount of qualified investments represented approximately 0.5 percent of average total assets and 3.2 percent of average total securities. The total number of qualified investments declined since the prior evaluation; however, the total dollar amount increased by \$1.1 million, or 16.4 percent. Additionally, GSB's performance was in line with a similarly situated institution whose equity investments accounted for 0.7 percent of average total assets and 7.0 percent of average total securities. The following table summarizes the bank's investment and grant activity by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	7	1,921	0	0	5	1,353	0	0	12	3,274
2020	0	0	0	0	0	0	0	0	0	0
2021	3	2,400	0	0	0	0	0	0	3	2,400
2022	2	1,100	0	0	2	725	0	0	4	1,825
YTD 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	12	5,421	0	0	7	2,078	0	0	19	7,499
Qualified Grants & Donations	5	154	34	165	2	20	0	0	41	339
Total	17	5,575	34	165	9	2,098	0	0	60	7,838
Source: Bank Data										

The following represent examples of qualified community development investments:

- ***Northern New England Housing Investment Fund (Fund)***: This prior period investment maintains a \$775,000 current book value. The Fund used the proceeds to construct affordable housing in a broader regional area that includes the assessment area.
- ***Genesis Community Loan Fund (Genesis)***: In 2021, the bank invested \$400,000 in the Genesis, a certified Community Development Financial Institution. Genesis uses the investments to provide loans at below market rates to non-profit organizations. The organizations develop affordable housing and community facilities for low- and moderate-income individuals in the assessment area and throughout Maine.
- ***Westbrook Housing Authority (WHA) and the University of New England Center for Excellence in Aging in Health (UNECEAH)***: In 2021, the bank donated \$30,000 to assist WHA and UNECEAH in establishing a three-year, multi-phase student placement and research partnership to serve seniors aging in place in affordable housing.

Responsiveness to Credit and Community Development Needs

The institution exhibits excellent responsiveness to credit and community economic development needs. Qualified investment activities are responsive to existing assessment area credit needs by investing in and providing grants and donations for affordable housing and facilitating economic development. Most notably, the majority of investment activities benefitted affordable housing, a community development need identified by the community contact.

Community Development Initiatives

The institution makes significant use of innovative and/or complex investments to support community development initiatives. To help small businesses, the bank hosts an annual business plan competition called Launchpad. The competition awards a grant to a Maine-based business that has the ability to sustain growth and positively affect the state's economy. Additionally, GSB provides a second award for an Emerging Idea to address early stage business needs. The bank provided \$120,000 in grants to the 2021 and 2022 winners. Due to the pandemic, the bank did not award a grant in 2020. The 2021 and 2022 grants assisted the winners in growing and expanding their businesses. Other business-related grant efforts were also innovative. Since the prior evaluation, the bank established a new mission-based checking account and corresponding debit card designed to support Maine's minority-owned businesses and the immigrant and refugee population. For every qualified purchase a bank customer makes using a Make Change debit card, the bank donates \$.10 per transaction to an earmarked fund. The bank has pledged a minimum donation of \$10,000 per fiscal year.

SERVICE TEST

The Service Test is rated High Satisfactory. GSB's performance under the Accessibility of Delivery Systems, Change in Branch Locations, and Reasonableness of Business Hours and Services in Meeting Assessment Area Needs criteria support this conclusion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the assessment area. The following table illustrates the distribution of branches, ATMs, and ITMs by tract income level.

Branch, ATM, and ITM Distribution by Geography Income Level										
Tract Income Level	Census Tracts		Population		Branches		ATMs		ITMs	
	#	%	#	%	#	%	#	%	#	%
Low	1	1.0	2,253	0.6	0	0.0	0	0.0	0	0.0
Moderate	17	17.4	59,195	16.0	2	16.7	3	17.6	3	21.4
Middle	56	57.1	203,896	55.2	4	33.3	7	41.2	5	35.7
Upper	24	24.5	103,892	28.2	6	50.0	7	41.2	6	42.9
NA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	98	100.0	369,236	100.0	12	100.0	17	100.0	14	100.0
<i>Source: 2020 U.S. Census</i>										

Based on the 2020 U.S. Census, the bank does not operate any branches, ATMs, or ITMs in the one low-income tract. Conversely, in the moderate-income tracts, the bank maintains two branches (Portland and South Portland), three ATMs (Portland and South Portland (2)), and three ITMs (Portland and South Portland (2)). Although the 2020 changes resulted in fewer low- and moderate-income census tracts in the assessment area, the bank maintains a good presence in the moderate-income census tracts.

The main office and the 11 locations are full service; maintain an ATM and ITM, and all except the 1 India Street branch (middle-income), offer drive-up service. Given its location, the India Street office cannot support a drive-up. Access to this branch is by appointment only. In addition to the 12 offices (main office and 11 branches), the bank maintains standalone ATMs in Naples, Scarborough, and Yarmouth. Further, there are standalone ITMs in South Portland (moderate-income) and Westbrook. Each standalone ATM location also maintains an ITM. Although ITMs do not accept loan applications, they increase access to banking services that ATMs do not offer, have a teller as a guide, and provide live video beyond a branch's standard operating hours. Since the prior evaluation, the bank added seven ITMs so that all branches have an ITM. Two were at branches in moderate-income census tracts.

In addition to ATMs and ITMs, the bank offers other alternative delivery systems, through telephone, online, and mobile banking. All three services are free and available 24 hours a day, 7 days a week. Functionality varies, but generally, each system provides customers with access to account histories, the ability to transfer money between accounts, and place stop payments.

Online banking also includes bill payment services, deposit account opening, and consumer and mortgage loan applications. These alternative delivery systems help to meet the banking needs of low- and moderate-income individuals. Specifically, 57 percent of the customers using telephone banking at least once a month are low- and moderate-income. Although the bank considered discontinuing this service, given customer feedback and its impact, the bank continued to offer telephone banking. Similarly, online and mobile banking usage rates reflect that 34.4 percent and 34.2 percent, respectively, of customers using online and mobile banking are low- and moderate-income.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. The bank did not open any new branches since the last examination. The bank closed one branch (no onsite staff and ITM used to serve customers) in a moderate-income tract in Portland since the last examination; however, the bank maintains three nearby branches in Portland (1 India Street, 172 Commercial Street, and 71 Marginal Way) that range in distance from .7 to 1.3 miles away. The 71 Marginal Way branch is in a moderate-income census tract. Of the three branches, the Commercial Street and Marginal Way locations provide access to all services and are the furthest away from the closed location. The 1 India Street office is the closest location, and although access is by appointment only, this location maintains an ITM.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies, and/or individuals. All branches are full service, offer customer access to all bank products and services, and maintain the same hours. Hours are Monday through Thursday from 8:30 a.m. to 4:00 p.m., Friday 8:30 a.m. to 5:00 p.m., and Saturdays from 8:30 a.m. to 12:00 p.m. ITMs provide extended hours, as they are accessible Monday through Friday from 7:30 a.m. to 6:00 p.m. and Saturdays from 7:30 a.m. to 12:00 p.m. For the one ITM and two branches located in moderate-income census tracts, hours are the same as the other ITMs and branches in the middle- and upper-income census tracts.

Since the prior evaluation, the bank launched its new certified BankOn Smart Start checking account. This safe and affordable account is designed for new and underbanked citizens. The account offers no overdraft or non-sufficient fund fees, reimbursed foreign wire transfer and U.S.-based ATM fees, and free money orders. BankOn, led by the Cities for Financial Empowerment Fund, a national non-profit organization works to ensure that everyone has access to a safe, affordable transactional banking account.

Community Development Services

GSB provided an adequate level of community development services. The bank provided 495 hours (178 instances) of financial expertise or technical assistance to 11 community development-related organizations. Although the number of hours declined from 1,324 hours at

the previous examination to 495 hours (62.6 percent), the number of hours and instances is slightly less than a similarly situated institution. This decline is partially due to the pandemic, which limited in-person activities. All services were responsive to the assessment area's needs, albeit routinely provided. The following table highlights the service hours provided by year and purpose during the evaluation period.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	0	65	0	0	65
2021	2	113	73	0	188
2022	11	162	36	0	209
YTD 2023	0	27	6	0	33
Total	13	367	115	0	495
Source: Bank Data					

The following represents a sample of the community development services:

- ***Kennebunk Development Corporation (KDC):*** An employee served as the treasurer. KDC provides free technical assistance to small businesses looking to establish or expand their business in the Kennebunk area.
- ***Revolving Loan Committee for Granite Street State Development Corporation:*** An employee served as a member of this 504 Certified Development Corporation that provides financing to small businesses.
- ***CASH Maine:*** An employee helped to prepare taxes through this program. The free tax preparation service provided through the CASH Maine program is expressly intended to benefit low- and moderate-income individuals and families with incomes less than \$60,000.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDICES

LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;

- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

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.