

PUBLIC DISCLOSURE

April 10, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American Riviera Bank
Certificate Number: 58281

1033 Anacapa Street
Santa Barbara, California 93101

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

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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 **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment areas (AAs), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Outstanding.

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

The Community Development (CD) Test is rated Outstanding.

- The institution's CD performance demonstrates excellent responsiveness to CD needs in its AAs through CD loans, qualified investments, and CD services, as appropriate, considering the institutions capacity and the need and availability of such opportunities for CD in the institution's AAs.

DESCRIPTION OF INSTITUTION

ARB is a community bank headquartered in Santa Barbara, California. In early 2022, ARB was reorganized under its holding company, American Riviera Bancorp. ARB continues to operate without any affiliate or subsidiary relationships. The institution received an “Outstanding” rating at its prior FDIC CRA Performance Evaluation dated April 29, 2020, based on the Interagency Intermediate Small Institution Examination Procedures.

ARB has six full-service branches in the Central Coast region of California, with four branches in Santa Barbara County and two are in San Luis Obispo County. In February 2023, ARB opened a new branch in the city of Santa Maria (Santa Barbara County) located in a middle-income census tract. In addition to its branches, ARB has four loan production offices, with two in each county.

ARB is primarily a commercial lender while also offering agricultural, construction, home mortgage, and consumer loans. The bank has been an SBA preferred lender since March 2017. The bank provides a variety of deposit accounts including personal checking, savings, money market, and time deposit accounts in addition to individual retirement accounts and health savings accounts. Alternative banking services include internet and mobile banking, ATMs, electronic bill pay, mobile deposit, wire transfers, safe deposit boxes, and business remote deposit. ARB’s business focus has not changed since the prior evaluation.

ARB’s assets totaled approximately \$1.3 billion as of December 31, 2022, and included total loans of \$907.7 million and total securities of \$264.5 million. The bank reported deposits of \$1.2 billion. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 12/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	43,020	4.7
Secured by Farmland	12,827	1.4
Secured by 1-4 Family Residential Properties	169,214	18.6
Secured by Multifamily (5 or more) Residential Properties	76,175	8.4
Secured by Nonfarm Nonresidential Properties	518,561	57.1
Total Real Estate Loans	819,797	90.2
Commercial and Industrial Loans	69,929	7.7
Agricultural Production and Other Loans to Farmers	1,566	0.2
Consumer Loans	194	0.1
Obligations of State and Political Subdivisions in the U.S.	17,929	2.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(1,730)	(0.2)
Total Loans	907,685	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

ARB designated two AAs comprising two whole counties in Southern California:

- The Santa Barbara AA is composed of Santa Barbara County, and wholly contained within the Santa Maria-Santa Barbara, California MSA #42200.
- The San Luis Obispo AA is composed of San Luis Obispo County, and wholly contained within the San Luis Obispo-Paso Robles, California MSA #42020.

Based on 2015 American Community Survey (ACS) Census data, the combined AA consists of 179 census tracts reflecting the following income designations:

- 7 low-income,
- 36 moderate-income,
- 73 middle-income,
- 50 upper-income, and
- 13 with no income designation.

The AA’s 45,601 businesses reported gross annual revenue information as follows:

- 88.4 percent having \$1.0 million or less,
- 3.9 percent having greater than \$1.0 million, and
- 7.7 percent with no revenues reported

The AAs comply with the technical requirements of the CRA and do not arbitrarily exclude low- and moderate-income neighborhoods. The following table details the counties, number of census tracts, and branches located within each AA. Refer to each AA for further details.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Santa Barbara	Santa Barbara	109	4
San Luis Obispo	San Luis Obispo	70	2
Total		179	6
<i>Source: Bank Data</i>			

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 29, 2020, to the current evaluation dated April 10, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate ARB’s CRA performance. Examiners relied on records

provided by the institution, public financial and loan information, demographic data, community contacts, and reported loan information.

Examiners used full-scope examination procedures for the Santa Barbara AA and limited-scope examination procedures for the San Luis Obispo AA. The Santa Barbara AA represents the largest AA based on the number of banking locations, loans, and deposits. As a result, examiners placed more weight on the performance in the Santa Barbara AA. The San Luis Obispo AA was evaluated using full-scope examination procedures at the prior evaluation, and as such, will be evaluated using limited-scope procedures for this evaluation.

Activities Reviewed

Examiners determined that the bank's major product lines are small business and home mortgage loans. Examiners considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and were not analyzed and presented.

Examiners considered the entire universe of small business loans originated or purchased from January 1, 2020 through December 31, 2022. During the review period, the bank originated 769 small business loans totaling \$271.5 million. This total includes 267 loans for \$89.6 million in 2020, 250 loans for \$91.9 million in 2021, and 252 loans for \$89.9 million in 2022. ARB was required to collect and report home mortgage loan data during the evaluation period. As a result, examiners considered the entire universe of home mortgage loans originated or purchased from January 1, 2020 to December 31, 2022. During the review period, the bank originated or purchased 210 home mortgage loans totaling approximately \$237.0 million. This total includes 56 loans for \$67.5 million in 2020, 70 loans for \$65.6 million in 2021, and 84 loans for \$103.9 million in 2022. Examiners placed more weight on small business loans due to the higher volume of loans originated during the review period.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses and individuals served. The 2020 and 2021 lending performance is compared to the 2015 ACS Census data and 2022 lending performance is compared to the updated 2020 U.S. Census data. Other sources of comparable data included 2020 through 2022 D&B data for small business lending, 2020 and 2021 aggregate performance for home mortgage lending, and other information gathered as part of the evaluation process, including community contacts. Aggregate performance for 2022 was not available at the time of writing this evaluation. Examiners also compared current lending performance against the bank's prior CRA performance and noted any differences within the evaluation.

The CD Test includes all qualified CD activities made from April 29, 2020 to April 10, 2023. The evaluation of CD activities is limited to those loans, investments, and services for which management could demonstrate meet the primary purpose of CD. Examiners evaluated CD activities quantitatively based on the financial capacity of the bank, and qualitatively based upon the

impact to the AAs. Examiners were unable to compare ARB’s CD activities to its peer banks because the peer banks’ most recent evaluations were not current and dated back to 2019 and 2020. As such, examiners compared current CD activities against the prior CRA performance.

The Census Bureau released the updated 2020 U.S. Census data during the evaluation period. The update included changes in the total number of census tracts within each AA as well as income tract designations. From the 2015 ACS Census to 2020 U.S. Census data, the total number of tracts in the Santa Barbara AA increased from a total of 90 to 109, with 1 less low-income tract and 3 fewer moderate-income tracts. In the San Luis Obispo AA, the total number of tracts increased from 54 to 70, along with an increase of 1 moderate-income tract.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated Outstanding. Geographic Distribution and Borrower Profile performance primarily support this conclusion. Refer to each AA for more information.

Loan-to-Deposit Ratio

ARB’s average net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and AA credit needs. The ratio, calculated from FFIEC Call Report data, averaged 74.7 percent over the past 11 quarters from June 30, 2020 to December 31, 2022. The ratio ranged from a low of 62.4 percent as of March 31, 2022 to a high of 91.3 percent as of June 30, 2020. The loan-to-deposit ratio remained relatively stable during the evaluation period; however, it is lower than the prior evaluation where it averaged 92.1 percent and was rated more than reasonable. The following table compares the bank’s loan-to-deposit ratio to comparable institutions. Examiners selected the comparable institutions based on asset size, loan portfolio composition, and geographic location.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2022 (\$000s)	Average Net LTD Ratio (%)
American Riviera Bank	1,281,124	74.7
Community West Bank, NA	1,091,378	104.0
Montecito Bank & Trust	2,285,315	63.3

Source: Reports of Condition and Income 6/30/2020 – 12/31/2022

Assessment Area Concentration

During the evaluation period, ARB made a substantial majority of its small business and home mortgage loans by number and dollar volume within its AAs. Overall, the AA concentration increased since the prior evaluation where it originated 88.4 percent by number and 87.1 percent by dollar volume within its AAs. The following table shows the current performance by year and loan category.

Lending Inside and Outside of the Assessment Area											
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total	
	Inside		Outside			Inside		Outside			
	#	%	#	%		\$	%	\$	%		\$(000s)
Small Business											
2020	250	93.6	17	6.4	267	81,814	91.3	7,829	8.7	89,643	
2021	230	92.0	20	8.0	250	85,211	92.7	6,704	7.3	91,915	
2022	230	91.3	22	8.7	252	82,314	91.5	7,635	8.5	89,949	
Subtotal	710	92.3	59	7.7	769	249,339	91.8	22,168	8.2	271,507	
Home Mortgage											
2020	50	89.3	6	10.7	56	63,573	94.2	3,948	5.8	67,521	
2021	63	90.0	7	10.0	70	60,899	92.8	4,694	7.2	65,593	
2022	78	92.9	6	7.1	84	94,455	90.9	9,440	9.1	103,895	
Subtotal	191	91.0	19	9.0	210	218,927	92.4	18,082	7.6	237,009	
Total	901	92.0	78	8.0	979	468,266	92.1	40,250	7.9	508,516	
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>											

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the AAs. Performance is consistent throughout the AAs.

Borrower Profile

The distribution of borrowers reflects excellent penetration among businesses of different revenue sizes and individuals of different income levels. Performance is consistent throughout the AAs.

Response to Complaints

ARB has not received any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

The institution's CD performance demonstrates excellent responsiveness to CD needs in its AAs through CD loans, qualified investments, and CD services, as appropriate, considering the institutions capacity and the need and availability of such opportunities for CD in the institution's AAs.

Community Development Loans

ARB originated 707 CD loans totaling approximately \$230.4 million during the evaluation period. This level of activity represents 19.6 percent of average total assets and 29.0 percent of average total loans since the prior evaluation. The current performance is similar to the prior evaluation where its CD loans represented 24.0 percent of average total assets and 29.7 percent of average total loans. ARB originated 690 of its 707 CD loans, totaling \$171.3 million, in 2020 and 2021 as part of the SBA Paycheck Protection Program (PPP) in response to the coronavirus pandemic. The PPP loans met both the size and purpose tests to promote economic development or were located in low- or moderate-income tracts that revitalized and stabilized these geographies. Since the bank was responsive to the AAs’ needs, examiners considered 50 CD loans for approximately \$81.4 million outside of the AAs.

The following table shows the number and dollar volume of CD loans by year and purpose during the review period. Refer to the Santa Barbara AA for notable examples.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	0	0	0	0	155	19,26	97	26,570	252	45,696
2021	1	1,940	0	0	276	48,580	169	104,203	446	154,723
2022	3	13,346	1	150	3	7,702	2	8,825	9	30,023
YTD 2023	0	0	0	0	0	0	0	0	0	0
Total	4	15,286	1	150	434	75,408	268	139,598	707	230,442
<i>Source: Bank Data</i>										

Qualified Investments

ARB made or continued to hold 159 qualified investments and donations, totaling approximately \$12.9 million. The bank made 8 new equity or debt investments totaling approximately \$10.1 million and continues to hold 6 prior period investments totaling \$2.5 million. Out of the 14 qualified equity or debt investments, 9 were outside the bank’s AAs. Since ARB was responsive to the AAs’ needs, examiners considered the outside investments. The outside investments consisted of six school bonds for nearby school districts where a majority of students are eligible for free or reduced lunch, one to a minority-owned bank, one to a women-owned bank, and one in a statewide affordable housing tax credit.

In addition, ARB provided 145 qualified donations for \$301,440 during the evaluation period. The number and dollar volume of donations increased compared to the prior evaluation when ARB provided 114 donations for \$152,596.

The dollar amount of qualified investments and donations equals 1.1 percent of average total assets and 8.1 percent of average total securities. These ratios slightly increased compared to the prior evaluation’s ratios of 0.5 percent and 7.7 percent, respectively. The following table shows the

number and dollar volume of qualified investments made or held by year and purpose during the evaluation period. Refer to the Santa Barbara AA for notable examples.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	160	0	0	2	668	3	1,700	6	2,528
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	1	500	1	500
2022	2	3,700	0	0	1	250	4	5,640	7	9,590
YTD 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	3	3,860	0	0	3	918	8	7,840	14	12,618
Qualified Grants & Donations	6	4	122	254	7	18	10	26	145	302
Total	9	3,864	122	254	10	936	18	7,866	159	12,920

Source: Bank Data

Community Development Services

During the review period, 16 Board members and employees contributed 2,349 hours of CD services using their financial expertise or technical assistance to 29 organizations within the AAs. The hours were less than the prior evaluation’s total hours of 3,806 made over a similar review period. Pandemic-related restrictions limited the employees’ opportunities for in-person services. The following table shows the CD services by hours, year, and purpose during the evaluation period. Refer to the Santa Barbara AA for notable examples.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	326	267	12	36	641
2021	328	306	12	36	682
2022	384	501	3	64	952
YTD 2023	18	56	0	0	74
Total	1,056	1,130	27	136	2,349

Source: Bank Data

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.

SANTA BARBARA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE SANTA BARBARA ASSESSMENT AREA

The Santa Barbara AA includes all of Santa Barbara County. ARB operates four branches in this AA, including its newly opened branch in Santa Maria. The bank has not closed any branches in this AA since the prior evaluation. The largest percentage of ARB’s lending activities are contained within this AA, which is consistent with its footprint and resources.

Economic and Demographic Data

According to the November 2022 Moody’s Analytics Report, Santa Barbara County’s economy remains strong, with employment growth right behind the nation’s pace. Furthermore, the area’s payroll is finally fully recovered from the pandemic in recent months. The majority of the recent job gains were in the leisure and hospitality industry, while weakness is mainly in the goods-producing industries and retail. The unemployment rate has decreased to 3.1 percent. Higher mortgage rates have negatively impacted demand and brought down home prices. However, the area continues to have low affordability together with a lack of high-wage employment opportunities. Strengths of the area include beautiful weather and coastal location, above-average per capita income and a highly educated labor force, presence of a large research university, and stable consumer base in the University of California Santa Barbara students. Weaknesses of the area include a very high cost of living, reliance on the defense industry, worsening migration patterns, and high employment volatility. The top major employers in the area include Vandenberg Air Force Base, Dignity Health Central Coast, University of California Santa Barbara, Cottage Health Organization, and Marian Medical Center.

Based on the 2020 U.S. Census, the AA consists of 109 census tracts of which 7 are low-, 28 are moderate-, 30 are middle-, 38 are upper-, and 6 do not have an income designation. The following table illustrates demographic information within the AA.

Demographic Information of the Assessment Area						
Assessment Area: Santa Barbara						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	109	6.4	25.7	27.5	34.9	5.5
Population by Geography	448,229	6.8	28.4	30.4	32.6	1.8
Housing Units by Geography	159,317	5.9	24.6	30.9	38.6	0.1
Owner-Occupied Units by Geography	77,504	1.3	16.7	36.0	46.1	0.0
Occupied Rental Units by Geography	70,805	11.0	34.4	25.7	28.8	0.1
Vacant Units by Geography	11,008	4.6	17.8	28.8	48.3	0.6
Businesses by Geography	45,601	3.2	18.5	27.4	50.3	0.7
Farms by Geography	1,826	2.1	14.6	31.0	52.0	0.3
Family Distribution by Income Level	97,397	22.0	18.1	18.4	41.5	0.0
Household Distribution by Income Level	148,309	23.7	16.6	17.6	42.0	0.0
Median Family Income MSA - 42200 Santa Maria-Santa Barbara, CA MSA		\$89,549	Median Housing Value			\$731,508
			Median Gross Rent			\$1,758
			Families Below Poverty Level			7.1%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA contains 159,317 housing units of which approximately 48.7 percent are owner occupied, 44.4 percent are renter occupied, and 6.9 percent are vacant. According to the 2022 D&B data, there were 45,601 businesses in the AA. Of those, 88.4 percent have gross annual revenues of \$1.0 million or less, 3.9 percent have revenues of more than \$1.0 million, and 7.7 percent have unknown revenues. The services industry represents the largest portion of businesses at 39.2 percent, followed by non-classifiable establishments at 18.5 percent, and retail trade at 11.0 percent. In addition, 65.0 percent of area businesses have 4 or fewer employees, with 91.7 percent operating from a single location.

The FFIEC updates median family incomes annually by MSA. The low-, moderate-, middle-, and upper-income categories are presented in the following table for the Santa Barbara AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Santa Maria-Santa Barbara, CA MSA Median Family Income (42200)				
2020 (\$87,800)	<\$43,900	\$43,900 to <\$70,240	\$70,240 to <\$105,360	≥\$105,360
2021 (\$90,100)	<\$45,050	\$45,050 to <\$72,080	\$72,080 to <\$108,120	≥\$108,120
2022 (\$100,100)	<\$50,050	\$50,050 to <\$80,080	\$80,080 to <\$120,120	≥\$120,120
<i>Source: FFIEC</i>				

Competition

The AA is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share Report as of June 30, 2022, there were 20 financial institutions that operated 90 branch offices within the Santa Barbara AA. Of these institutions, ARB ranked 7th with a 4.9 percent deposit market share. The top 3 financial institutions account for 44.7 percent of the total deposit market share: Wells Fargo Bank, National Association (N.A.) at 17.0 percent; Bank of America, N.A. at 14.3 percent; and JPMorgan Chase Bank, N.A. at 13.4 percent.

ARB is not required to report small business loan data and has elected not to do so. However, reported data is an indicator of the competition and demand for small business loans in the AA. According to the 2020 aggregate reported data, 144 lenders reported 13,773 small business loans in the Santa Barbara AA, indicating a highly competitive market for small business loans. The top 3 lenders accounted for 34.8 percent of the total market share: American Express National Bank, Montecito Bank and Trust, and JPMorgan Chase Bank, N.A. According to the 2021 aggregate reported data, 136 lenders reported 14,473 small businesses loans in the AA. The top 3 lenders accounted for 40.8 percent of the total market share: American Express National Bank; JPMorgan Chase Bank, N.A.; and Montecito Bank and Trust.

The Santa Barbara AA is a highly competitive market for home mortgage loans. According to 2020 aggregate reported data, 563 lenders reported 32,096 home mortgage loans in the AA. By number of loans, ARB ranked 127th with a 0.1 percent home mortgage loan market share. The top 3 lenders accounted for 19.3 percent of the total market share: Quicken Loans, LLC; Wells Fargo Bank, N.A., and United Wholesale Mortgage, LLC. According to 2021 aggregate reported data, 547 lenders reported 32,547 home mortgage loans in the AA. By number of loans, ARB ranked 111th with a 0.1 percent home mortgage loan market share. The top 3 lenders accounted for 16.6 percent of the total market share: United Wholesale Mortgage, Rocket Mortgage, and Loandepot.com, LLC.

Community Contact

Examiners conducted one new community contact that serves the Central Coast region, including Santa Barbara County. The contact is a non-profit corporation that services the financial needs of small businesses and farmers by providing direct loans and loan guarantees to these businesses. The contact stated there is a lack of affordable housing for the underserved population in the area. The contact noted there is a huge opportunity for banks to participate in state loan guarantee programs to support small businesses that do not qualify for SBA lending. Other opportunities or needs in the area include referrals of declined loans to the organization, financial education to the unbanked population, and Spanish-speaking tellers to assist the Hispanic population. The contact indicated that many of the regional community banks have been responsive to the credit needs of the area.

Credit and Community Development Needs and Opportunities

Examiners determined that alternative small business lending and affordable housing initiatives represent the primary credit needs for the Santa Barbara AA. CD needs and opportunities include financial education and resources for the unbanked population.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SANTA BARBARA ASSESSMENT AREA

LENDING TEST

Lending Test performance in the Santa Barbara AA is outstanding.

Geographic Distribution

Overall, the geographic distribution of loans in the Santa Barbara AA is excellent. This conclusion is primarily supported by excellent dispersion of both small business and home mortgage loans. The following sections describe the performance by loan type.

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the Santa Barbara AA. The following table illustrates the geographic distribution of small business in the Santa Barbara AA by year and tract income level.

Geographic Distribution of Small Business Loans					
Assessment Area: Santa Barbara					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	5.2	0	0.0	0	0.0
2021	5.1	1	0.8	270	0.6
2022	3.2	0	0.0	0	0.0
Moderate					
2020	29.3	85	57.4	23,337	54.8
2021	28.9	73	57.0	22,053	50.1
2022	18.5	27	21.6	11,131	25.2
Middle					
2020	25.3	31	20.9	11,023	25.9
2021	25.0	26	20.3	11,506	26.2
2022	27.4	22	17.6	8,640	19.6
Upper					
2020	39.8	31	20.9	7,804	18.3
2021	40.5	28	21.9	10,148	23.1
2022	50.3	75	60.0	23,973	54.3
Not Available					
2020	0.5	1	0.7	420	1.0
2021	0.5	0	0.0	0	0.0
2022	0.7	1	0.8	400	0.9
Totals					
2020	100.0	148	100.0	42,584	100.0
2021	100.0	128	100.0	43,977	100.0
2022	100.0	125	100.0	44,144	100.0
<i>Source: 2020, 2021 & 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Although there was very limited lending in low-income tracts during the evaluation period, ARB's lending in moderate-income tracts is very strong and helps mitigate the lack of lending in low-income tracts. Examiners also noted that there are limited lending opportunities as reflected in the percentages of businesses located within low-income tracts. Lending performance in moderate-income tracts was significantly higher than the percentage of businesses as reported by D&B data in 2020 and 2021. It was also above D&B data in 2022. Additionally, ARB's lending performance in moderate-income tracts for both 2020 and 2021 was significantly higher than aggregate reported data. Aggregate data showed 31.1 percent in 2020 and 29.7 percent in 2021. While not used as a direct comparison or benchmark, aggregate data reflects actual lending in the area and is an indicator of the demand for small business credit. Examiners also noted that with the updated Census data, there were four fewer

low- and moderate-income tracts in 2022. Taking all of this into consideration, ARB’s geographic distribution of small business loans reflects excellent dispersion.

Home Mortgage Loans

The geographic distribution of home loans reflects excellent dispersion through the Santa Barbara AA. The following table illustrates the geographic distribution of home mortgage loans in the Santa Barbara AA by year and tract income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Santa Barbara						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	3.1	2.9	1	3.7	1,800	3.8
2021	3.1	3.5	4	10.5	3,193	7.7
2022	1.3	--	2	3.8	10,387	16.4
Moderate						
2020	15.6	17.0	8	29.6	22,193	47.1
2021	15.6	17.2	10	26.3	7,142	17.3
2022	16.7	--	14	26.9	15,063	23.9
Middle						
2020	34.1	35.6	3	11.1	2,194	4.7
2021	34.1	33.7	2	5.3	1,220	3.0
2022	36.0	--	7	13.5	5,252	8.3
Upper						
2020	47.2	44.6	15	55.6	20,895	44.4
2021	47.2	45.6	22	57.9	29,651	72.0
2022	46.1	--	29	55.8	32,444	51.4
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	--	0	0.0	0	0.0
Totals						
2020	100.0	100.0	27	100.0	47,082	100.0
2021	100.0	100.0	38	100.0	41,206	100.0
2022	100.0	--	52	100.0	63,146	100.0

Source: 2015 ACS & 2020 U.S. Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Lending performance in low-income tracts for all three years was above the aggregate performance. It is noteworthy that in 2021, the bank's performance was three times the aggregate performance. Similarly, lending in moderate-income tracts was consistent throughout the three years and exceeded aggregate performance. Examiners noted that lending in moderate-income tracts in 2022 remained consistent with 2021's performance, even with three fewer moderate-income tracts as a result of the updated Census data.

Borrower Profile

Overall, the bank's lending to businesses of different revenue sizes and borrowers of different income levels is excellent. This conclusion is primarily supported by excellent performance for small business loans and poor performance for home mortgage loans. The following sections describe the performance by loan type.

Small Business Loans

The distribution of borrowers reflects excellent penetration among business customers of different revenue sizes in the Santa Barbara AA. Lending performance to small businesses is below the demographic data as shown in the following table. However, many small businesses may not have credit needs or be creditworthy. Throughout the review period, lending performance was consistent and strong with a majority of lending made to businesses with revenues of \$1.0 million or less. Lending to small businesses also increased from the prior evaluation's 41.7 percent in 2019. Additionally, ARB's lending performance in both 2020 and 2021 exceeded aggregate reported data at 32.2 percent in 2020 and 43.9 percent in 2021. While not used as a direct comparison or benchmark, aggregate data reflects actual lending in the area and is an indicator of the demand for small business credit. Furthermore, the bank's lending performance does not take into consideration the PPP loans originated as those were considered under the CD Test. Taking all of this into consideration, ARB's distribution of borrowers reflects excellent dispersion.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Santa Barbara					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	86.7	82	55.4	23,901	56.1
2021	87.7	70	54.7	25,666	58.4
2022	88.4	63	50.4	23,188	52.5
>\$1,000,000					
2020	4.8	66	44.6	18,683	43.9
2021	4.3	58	45.3	18,311	41.6
2022	3.9	62	49.6	20,956	47.5
Revenue Not Available					
2020	8.5	0	0.0	0	0.0
2021	8.1	0	0.0	0	0.0
2022	7.7	0	0.0	0	0.0
Totals					
2020	100.0	148	100.0	42,584	100.0
2021	100.0	128	100.0	43,977	100.0
2022	100.0	125	100.0	44,144	100.0
<i>Source: 2020, 2021 & 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among borrowers of different income levels. ARB made a nominal volume of loans to both low- and moderate-income borrowers as shown in the following table. The performance is well below aggregate performance and is similar to the prior evaluation where it was also rated poor. Although the area has been highly competitive for home mortgage loans, ARB's performance is still considered poor with only three loans to low- or moderate-income borrowers throughout the evaluation period.

To mitigate the low in-house performance, ARB also offers loans through its broker channel to meet the needs of borrowers who cannot afford the significant down payment required for a home in the area. The broker channel provides bank clients access to more flexible loan programs such as Fannie Mae's HomeReady, Freddie Mac's Home Possible, Federal Housing Administration, Veterans Affairs, and United States Department of Agriculture loans.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Santa Barbara						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	23.4	2.4	0	0.0	0	0.0
2021	23.4	3.4	0	0.0	0	0.0
2022	22.0	--	1	1.9	850	1.3
Moderate						
2020	16.8	9.8	1	3.7	168	0.4
2021	16.8	10.9	0	0.0	0	0.0
2022	18.1	--	1	1.9	104	0.2
Middle						
2020	18.2	19.9	1	3.7	335	0.7
2021	18.2	18.7	3	7.9	1,730	4.2
2022	18.4	--	1	1.9	305	0.5
Upper						
2020	41.6	50.9	17	63.0	22,126	47.0
2021	41.6	50.1	24	63.2	26,563	64.5
2022	41.5	--	15	28.8	12,305	19.5
Not Available						
2020	0.0	16.9	8	29.6	24,453	51.9
2021	0.0	16.9	11	28.9	12,913	31.3
2022	0.0	--	34	65.4	49,582	78.5
Totals						
2020	100.0	100.0	27	100.0	47,082	100.0
2021	100.0	100.0	38	100.0	41,206	100.0
2022	100.0	--	52	100.0	63,146	100.0
<i>Source: 2015 ACS & 2020 U.S. Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

COMMUNITY DEVELOPMENT TEST

ARB's CD performance demonstrates excellent responsiveness to the CD needs of the Santa Barbara AA through CD loans, qualified investments, and CD services. Examiners considered the institution's capacity and the need and availability of such opportunities for CD in the area.

Community Development Loans

During the evaluation period, ARB originated 516 CD loans totaling approximately \$111.9 million in the Santa Barbara AA. The CD loan total by number and dollar volume represents an increase since the prior evaluation where ARB made 326 CD loans totaling \$80.6 million. The following table shows the number and dollar volume of CD loans originated in the Santa Barbara AA by year and CD purpose.

Community Development Lending – Santa Barbara Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	0	0	0	0	104	11,489	83	10,355	187	21,844
2021	0	0	0	0	173	29,138	150	36,046	323	65,184
2022	2	13,130	1	150	1	2,725	2	8,825	6	24,830
YTD 2023	0	0	0	0	0	0	0	0	0	0
Total	2	13,130	1	150	278	43,352	235	55,226	516	111,858

Source: Bank Data

The following CD loans are notable examples in the AA.

- In 2020 and 2021, the bank originated 508 PPP loans totaling \$71.5 million to help small businesses retain their workforce or to help revitalize and stabilize low- and moderate-income areas during the coronavirus pandemic.
- In 2022, ARB refinanced a \$3.1 million loan to purchase land for development of a 184-unit affordable multi-family apartment complex located in a low-income census tract.
- In 2022, the bank made a \$10.0 million loan to purchase a 125-unit affordable housing apartment building located in a moderate-income tract. The complex is age-restricted to tenants who are 55 years and older and who are considered low- or moderate-income.

Qualified Investments

During the evaluation period, ARB made 1 new investment for \$500,000, and continued to hold 3 investments totaling \$860,000 in the Santa Barbara AA. The prior period investments included two school bonds for school districts with majority low- and moderate-income students, and one to a housing trust fund in support of affordable housing. In addition, the bank provided \$194,000 in qualified grants and donations.

Qualified Investments – Santa Barbara Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	160	0	0	0	0	2	700	3	860
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	1	500	0	0	0	0	1	500
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	1	160	0	0	0	0	3	1,200	4	1,360
Qualified Grants & Donations	6	4	79	164	7	18	5	7	97	194
Total	7	164	79	164	7	18	8	1,207	101	1,554
<i>Source: Bank Data</i>										

The following are notable examples of qualified investments and donations made in the area.

- In 2021, the bank made a \$500,000 investment in a school bond in support of a school district where 69.7 percent of the students are eligible for free and reduced lunch.
- During the evaluation period, ARB donated a total of \$11,500 to an organization that is dedicated to the economic empowerment of women by providing small business consulting, funding, and classes, as well as financial empowerment and professional development programs and networking opportunities.
- ARB donated a total of \$16,000 during the evaluation period to a foundation that provides scholarships to eligible students for college, graduate, and vocational school education. Eligibility is based on financial needs, motivation, and potential.

Community Development Services

During the evaluation period, ARB Board members and employees provided a total of 2,349 hours of financial expertise or technical assistance to CD organizations that operate in or serve the Santa Barbara AA. The current evaluation’s service hours represent a slight decrease when compared to the prior evaluation where ARB contributed 2,453 hours. The following table details the CD service hours by year and CD purpose during the current evaluation.

Community Development Services – Santa Barbara Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	326	267	12	36	641
2021	328	306	12	36	682
2022	384	501	3	64	952
YTD 2023	18	56	0	0	74
Total	1,056	1,130	27	136	2,349
<i>Source: Bank Data</i>					

The following are notable examples of CD services provided in the AA.

- An executive vice president served as a Board member of a non-profit that funds and develops affordable housing and related social services for low-income families, seniors, and disabled individuals.
- During the evaluation period, a vice president served on the loan committee of a non-profit corporation that promotes economic development by providing direct loans and loan guarantees to small businesses and farmers in the area.

SAN LUIS OBISPO ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE SAN LUIS OBISPO ASSESSMENT AREA

The San Luis Obispo AA includes all of San Luis Obispo County. ARB currently operates two branches in this AA.

Demographic Data

The following table illustrates select demographic housing, and business information within the San Luis Obispo AA.

Demographic Information of the Assessment Area						
Assessment Area: San Luis Obispo						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	70	0.0	11.4	61.4	17.1	10.0
Population by Geography	282,424	0.0	10.4	63.5	18.0	8.0
Housing Units by Geography	122,256	0.0	11.1	66.9	18.2	3.8
Owner-Occupied Units by Geography	66,635	0.0	10.5	66.7	21.4	1.4
Occupied Rental Units by Geography	39,609	0.0	12.3	65.9	13.6	8.3
Vacant Units by Geography	16,012	0.0	10.4	70.3	16.6	2.7
Businesses by Geography	32,746	0.0	13.0	60.3	24.8	1.9
Farms by Geography	1,565	0.0	11.9	60.2	25.7	2.2
Family Distribution by Income Level	67,187	20.4	17.5	22.5	39.6	0.0
Household Distribution by Income Level	106,244	24.3	16.1	17.7	41.8	0.0
Median Family Income MSA - 42020 San Luis Obispo-Paso Robles, CA MSA		\$97,590	Median Housing Value			\$617,576
			Median Gross Rent			\$1,504
			Families Below Poverty Level			5.3%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2022 D&B data, there were 32,746 businesses in the AA, of which 89.9 percent have revenues of \$1.0 million or less. According to the U.S. Bureau of Labor Statistics, the unemployment rate for the area was 2.4 percent as of December 2022. The area's largest employers include California Polytech State University, Atascadero State Hospital, and PG&E.

The FFIEC updates median family incomes on an annual basis by MSA. The low-, moderate-, middle-, and upper-income categories are presented in the following table for the San Luis Obispo AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
San Luis Obispo-Paso Robles, CA MSA Median Family Income (42020)				
2020 (\$97,300)	<\$48,650	\$48,650 to <\$77,840	\$77,840 to <\$116,760	≥\$116,760
2021 (\$97,800)	<\$48,900	\$48,900 to <\$78,240	\$78,240 to <\$117,360	≥\$117,360
2022 (\$109,200)	<\$54,600	\$54,600 to <\$87,360	\$87,360 to <\$131,040	≥\$131,040
<i>Source: FFIEC</i>				

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SAN LUIS OBISPO ASSESSMENT AREA

LENDING TEST

The institution's lending performance in the San Luis Obispo AA is consistent with the institution's lending performance in the full-scope Santa Barbara AA. The following tables support this conclusion.

Geographic Distribution

Geographic Distribution of Small Business Loans					
Assessment Area: San Luis Obispo					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
2022	0.0	0	0.0	0	0.0
Moderate					
2020	20.5	21	20.6	8,702	22.2
2021	20.4	18	17.6	7,554	18.3
2022	13.0	20	19.0	5,364	14.1
Middle					
2020	58.8	70	68.6	25,703	65.5
2021	58.9	72	70.6	27,236	66.1
2022	60.3	57	54.3	22,916	60.0
Upper					
2020	20.0	11	10.8	4,825	12.3
2021	19.8	12	11.8	6,444	15.6
2022	24.8	24	22.9	8,440	22.1
Not Available					
2020	0.7	0	0.0	0	0.0
2021	0.8	0	0.0	0	0.0
2022	1.9	4	3.8	1,450	3.8
Totals					
2020	100.0	102	100.0	39,230	100.0
2021	100.0	102	100.0	41,234	100.0
2022	100.0	105	100.0	38,170	100.0
<i>Source: 2020, 2021 & 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Geographic Distribution of Home Mortgage Loans						
Assessment Area: San Luis Obispo						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	--	0	0.0	0	0.0
Moderate						
2020	9.3	9.8	4	17.4	3,143	19.1
2021	9.3	10.5	3	12.0	1,661	8.4
2022	10.5	--	4	15.4	3,256	10.4
Middle						
2020	71.7	73.0	19	82.6	13,348	80.9
2021	71.7	71.2	16	64.0	9,985	50.7
2022	66.7	--	13	50.0	7,500	24.0
Upper						
2020	18.5	17.0	0	0.0	0	0.0
2021	18.5	18.1	6	24.0	8,047	40.9
2022	21.4	--	5	19.2	13,513	43.2
Not Available						
2020	0.5	0.3	0	0.0	0	0.0
2021	0.5	0.2	0	0.0	0	0.0
2022	1.4	--	4	15.4	7,040	22.5
Totals						
2020	100.0	100.0	23	100.0	16,491	100.0
2021	100.0	100.0	25	100.0	19,693	100.0
2022	100.0	--	26	100.0	31,309	100.0
<i>Source: 2015 ACS & 2020 U.S. Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: San Luis Obispo					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	88.4	58	56.9	19,324	49.3
2021	89.1	69	67.6	26,952	65.4
2022	89.8	56	53.3	16,396	43.0
>\$1,000,000					
2020	4.0	44	43.1	19,906	50.7
2021	3.6	33	32.4	14,282	34.6
2022	3.3	49	46.7	21,774	57.0
Revenue Not Available					
2020	7.6	0	0.0	0	0.0
2021	7.3	0	0.0	0	0.0
2022	6.9	0	0.0	0	0.0
Totals					
2020	100.0	102	100.0	39,230	100.0
2021	100.0	102	100.0	41,234	100.0
2022	100.0	105	100.0	38,170	100.0
<i>Source: 2020, 2021 & 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: San Luis Obispo						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	21.0	3.1	0	0.0	0	0.0
2021	21.0	3.9	0	0.0	0	0.0
2022	20.4	--	0	0.0	0	0.0
Moderate						
2020	18.2	12.5	1	4.3	280	1.7
2021	18.2	12.8	2	8.0	205	1.0
2022	17.5	--	2	7.7	450	1.4
Middle						
2020	20.2	23.8	1	4.3	850	5.2
2021	20.2	22.2	0	0.0	0	0.0
2022	22.5	--	2	7.7	832	2.7
Upper						
2020	40.6	47.3	9	39.1	5,747	34.8
2021	40.6	45.6	11	44.0	5,862	29.8
2022	39.6	--	9	34.6	8,831	28.2
Not Available						
2020	0.0	13.3	12	52.2	9,614	58.3
2021	0.0	15.6	12	48.0	13,626	69.2
2022	0.0	--	13	50.0	21,196	67.7
Totals						
2020	100.0	100.0	23	100.0	16,491	100.0
2021	100.0	100.0	25	100.0	19,693	100.0
2022	100.0	--	26	100.0	31,309	100.0
<i>Source: 2015 ACS & 2020 U.S. Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

COMMUNITY DEVELOPMENT TEST

The institution's CD performance in the San Luis Obispo AA is consistent with the institution's CD performance in the full-scope Santa Barbara AA. During the evaluation period, ARB originated 141 CD loans totaling \$12.8 million, allocated \$418,000 in qualified investments and donations, and provided 869 CD service hours within the AA.

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.