

PUBLIC DISCLOSURE

November 28, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Fairfield County Bank
Certificate Number: 18213

150 Danbury Road
Ridgefield, Connecticut 06877

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
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			
* <i>The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.</i>			

The Lending Test is rated Low Satisfactory.

- Lending Levels reflect good responsiveness to assessment area credit needs.
- A high percentage of loans are made in the institution's assessment area.
- The geographic distribution of loans reflects poor penetration throughout the assessment area.
- The distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses of different sizes.
- The institution uses innovative and/or flexible lending practices to serve assessment area credit needs.
- The institution is a leader in making community development loans

The Investment Test is rated High Satisfactory.

- The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position.
- The institution exhibits adequate responsiveness to credit and community development needs.
- The institution rarely uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- The bank's service delivery systems are accessible to essentially all portions of the institution's assessment area.
- To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- The bank's services and 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 provided a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

Background

Fairfield County Bank (FCB) is a state-chartered financial institution headquartered in Ridgefield, Connecticut. The bank is a wholly owned subsidiary of Fairfield County Bank MHC, a one-bank mutual holding company. The institution wholly owns four subsidiaries, including an insurance subsidiary, a passive investment company, a residential real estate joint venture subsidiary, and a subsidiary that holds foreclosed real estate. The subsidiaries do not engage in CRA related activities.

The Federal Deposit Insurance Corporation (FDIC) last evaluated the bank on November 4, 2019 using the Federal Financial Institution Examination Council's (FFIEC) Interagency Large Institution Examination Procedures. The bank received an overall Satisfactory rating, with a Low Satisfactory rating in the Lending Test, a Low Satisfactory rating in the Investment Test, and a High Satisfactory rating in the Service test.

Operations

The bank operates 16 full-service branches including its main office, which is located in Ridgefield, Connecticut. The branches are located in the following cities and towns throughout southwestern Connecticut: Bridgeport (1), Danbury (1), Darien (1), Fairfield (2), Norwalk (4), Ridgefield (2), Stamford (1), Weston (1), Westport (1), and Wilton (2). All branches have deposit-taking automated teller machines (ATMs) and all but four branches offer drive up services. The bank also operates eight stand-alone ATMs, one of which is a deposit-taking drive up ATM in Ridgefield, Connecticut. Since the previous evaluation, the bank has not opened or closed any branches, nor been involved in any merger or acquisition activities.

FCB offers home mortgage, consumer, and commercial lending products. Additionally, the bank offers government loan programs such as Federal Housing Administration (FHA) loans and Connecticut Housing Finance Authority (CHFA) loans. In addition to standard personal and business deposit products, the bank provides access to alternative banking services including, internet, mobile, and telephone banking; remote deposit capture; person-to-person (P2P) payments through Zelle; and online bill pay. Additionally, FCB offers wealth management and insurance services.

Ability and Capacity

As of September 30, 2022, the bank had total assets of \$1.9 billion and total deposits of \$1.6 billion. The bank's loans totaled \$1.3 billion, representing 69.1 percent of total assets. Commercial loans, which include non-farm non-residential loans and commercial and industrial loans, account for the largest portion of the bank's portfolio at 55.4 percent. The second largest portion of the bank's portfolio is residential loans at 35.2 percent, consisting of one-to-four family loans and multifamily loans. The following table illustrates the bank's loan portfolio distribution.

Loan Portfolio Distribution as of 9/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	120,434	9.1
Secured by Farmland	347	0.0
Secured by 1-4 Family Residential Properties	431,940	32.5
Secured by Multi-family (5 or more) Residential Properties	35,477	2.7
Secured by Non-farm Non-Residential Properties	550,565	41.4
Total Real Estate Loans	1,138,763	85.7
Commercial and Industrial Loans	186,047	14.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer	429	0.0
Obligations of States and Political Subdivisions in the United States	3,412	0.3
Other Loans	140	0.0
Lease Financing Receivables (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	1,328,791	100.0
<i>Source Reports of Condition and Income</i>		

Examiners did not identify any significant financial or legal impediments that would limit the bank's ability to help meet the credit or community development needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FCB designated one assessment area encompassing the entirety of the Bridgeport-Stamford-Norwalk, CT Metropolitan Statistical Area (MSA), which includes the entirety of Fairfield County. The bank has not changed its assessment area since the previous evaluation.

Economic and Demographic Data

The bank's assessment area contains 211 census tracts with the following income designations:

- 31 low-income census tracts,
- 40 moderate-income census tracts,
- 57 middle-income census tracts,
- 81 upper-income census tracts, and
- 2 tracts with no income designation.

There are concentrations of low-and moderate-income census tracts in and around Bridgeport, Danbury, Norwalk, and Stamford. The following table illustrates select demographic information for the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Bridgeport-Stamford-Norwalk, CT MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	211	14.7	19.0	27.0	38.4	0.9
Population by Geography	939,983	12.6	20.6	29.9	36.8	0.1
Housing Units by Geography	363,556	12.6	21.4	31.7	34.2	0.0
Owner-Occupied Units by Geography	228,381	5.1	16.1	34.6	44.2	0.0
Occupied Rental Units by Geography	105,939	26.5	32.3	26.3	14.9	0.0
Vacant Units by Geography	29,236	21.2	23.8	28.3	26.6	0.0
Businesses by Geography	162,607	11.2	18.0	28.3	42.5	0.0
Farms by Geography	4,240	12.9	21.2	29.2	36.8	0.0
Family Distribution by Income Level	232,921	24.6	15.6	17.8	42.0	0.0
Household Distribution by Income Level	334,320	26.6	14.6	16.1	42.7	0.0
Median Family Income MSA - 14860 Bridgeport-Stamford-Norwalk, CT MSA		\$105,628	Median Housing Value			\$489,561
			Median Gross Rent			\$1,414
			Families Below Poverty Level			6.4%

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.

The assessment area is economically diverse, including both highly affluent areas as well as poor areas. Demographics within the assessment area differ between the suburban towns, which consist of some of the most affluent areas in the country, and the urban cities (Bridgeport, Danbury, Norwalk, and Stamford), which contain a majority of the low-and moderate-income census tracts.

The suburban areas are affluent, with high median home values of approximately \$628,787. The majority of housing units in these areas are owner occupied (76.3 percent), while 16.8 percent are rental occupied and 6.9 percent are vacant. Additionally, the suburban areas have a low poverty rate, with only 2.7 percent of families living below the poverty level. Some affluent suburban towns such as Greenwich and Darien contain have median family income levels over \$250,000 and median housing values close to \$2.0 million.

In contrast, demographics for urban areas have low owner occupancy rates and high poverty rates. For example, the City of Bridgeport has a population of 147,340 persons, of which 51.8 percent are low-income, and 45.6 percent are moderate-income. There are 19.8 percent of families living below the poverty level. With a median housing value of \$166,211, families below the poverty level are unlikely to qualify for home mortgages. Of the housing units in the city, the majority is rental occupied at 51.0 percent and only 36.0 percent is owner occupied. The City of Danbury demonstrates similar trends in income and home ownership, with a median home value of \$278,767, a low owner occupancy rate of 54.6 percent, and 9.0 percent of families living below the poverty level. The cities of Stamford and Norwalk have generally higher median home values, higher owner occupancy levels, and lower poverty rates than Bridgeport and Danbury.

The high poverty rates, high median home values, and lower owner occupancy rates in the low- and moderate-income areas suggest barriers to homeownership for low- and moderate-income families and limited opportunities for traditional home mortgage lending; however, these demographics also indicate increased need and opportunity for community development activities. Further, the U.S. Department of Treasury, as recommended by the Governor of Connecticut, designated Bridgeport, Danbury, Norwalk, and Stamford as Opportunity Zones, which is an economic development tool meant to incentivize investment in distressed areas.

The following table illustrates the median family income ranges in the assessment area throughout the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Bridgeport-Stamford-Norwalk, CT MSA Median Family Income (14860)				
2019 (\$119,000)	<\$59,500	\$59,500 to <\$95,200	\$95,200 to <\$142,800	≥\$142,800
2020 (\$119,500)	<\$59,750	\$59,750 to <\$95,600	\$95,600 to <\$143,400	≥\$143,400
2021 (\$121,100)	<\$60,550	\$60,550 to <\$96,880	\$96,880 to <\$145,320	≥\$145,320
<i>Source FFIEC</i>				

Business demographics are largely consistent across the assessment area. D&B data from 2021 revealed the assessment area has 166,847 farm (2.5 percent) and non-farm (97.5 percent) businesses. From this total, 90.7 percent of businesses have gross annual revenues (GARs) of \$1 million or less and 65.2 percent have four or less employees. The largest industries are services at 37.1 percent, non-classifiable establishments at 23.1 percent, and Finance, Insurance & Real Estate at 10.9 percent. The top two employers in the area are Sikorsky Aircraft Corp. and Boehringer Ingelheim Corp.

According to the U.S. Bureau of Labor Statistics, unemployment rates increased significantly during the 2020 COVID-19 pandemic. In 2019 and 2020, the assessment area experienced unemployment rates in-line with the nation; however, in 2021 the state and assessment area maintained a higher unemployment rate than the nation. The table below illustrates the average annual unemployment rates in each area.

Unemployment Rates			
Location	2019	2020	2021
	%	%	%
Bridgeport-Stamford-Norwalk, CT MSA	3.5	8.0	6.3
Connecticut	3.5	7.8	6.3
National	3.7	8.1	5.4

Source U.S. Bureau of Labor Statistics

According to 2022 Moody’s analytics, the assessment area is still recovering from the 2020 COVID-19 pandemic and is showing signs of slowing again. The area has recouped fewer pandemic-induced job losses and has trailed the nation in payroll recovery.

Competition

FCB operates in a highly competitive market for banking services due to the presence of large national and regional banks, community banks, and credit unions. Based on 2021 Peer Deposit Data, 28 financial institutions operate 360 branches in the assessment area. FCB ranked 7th with 2.4 percent market share and was the third highest ranked community bank. The top ranked institutions include; People’s United Bank National, ranked 1st with 23.3 percent market share; Bank of America, ranked 2nd with 15.0 percent market share; and JPMorgan Chase Bank, ranked 3rd with 11.8 percent market share.

The market for mortgage lending is also competitive. According to 2021 Peer Mortgage Data, 534 lenders made 49,504 loans in the assessment area. FCB ranked 38th, with 0.7 percent market share and was the fourth highest ranked community lender. The top three lenders in the area were Rocket Mortgage, ranked 1st with 6.3 percent market share; JPMorgan Chase Bank, ranked 2nd with 6.1 percent market share; and Wells Fargo Bank, ranked 3rd with 4.4 percent market share.

Competition for small business loans is high. According to 2020 Peer Small Business Data, 213 lenders originated 39,844 loans in the assessment area. FCB ranked 10th with 2.8 percent market share and was the second highest ranked community bank, just behind First County Bank, which

ranked 9th. The top three institutions were American Express National Bank, Bank of America N.A., and JPMorgan Chase Bank, with a collective 38.4 percent of the market share.

Community Contact

As part of the CRA evaluation, examiners contact organizations active in the assessment area to better understand and assess credit and community development needs and opportunities. The information obtained helps determine the responsiveness of local financial institutions to identified needs.

Examiners contacted an affordable housing organization within the assessment area. The contact highlighted the significant income disparity between the urban cities and the affluent towns in Connecticut. The contact noted that low-income housing is lacking in low- and moderate-income areas outside of the cities, and indicated that there is a need for more affordable financing options. Further, the contact highlighted challenges for small businesses in the state, noting high tax rates, a lack of incentives for small businesses, and high expenses that limit affordability for businesses and residents. The contact suggested that banks could offer more first-time homebuyer education programs and down payment assistance loans.

Examiners also contacted an economic development organization that coordinates economic development in Stamford and the surrounding towns. The organization noted a need for affordable housing and support for minority- and women-owned businesses. The contact noted that new multifamily housing developments in Stamford must designate 10.0 percent of all units as affordable, and noted there is a high level of non-owner occupied housing. Lastly, the contact stated that the COVID-19 pandemic resulted in an increased need for small business assistance programs.

Credit and Community Development needs and Opportunities

Based on information from the community contact, bank management, and demographic data, examiners determined that affordable housing, economic development, and revitalization and stabilization of low- and moderate-income areas are primary needs in the assessment area. The bank can help meet affordable housing needs via innovative and flexible lending programs and community development loans or investments. Based on limited availability of low-income housing, examiners also identified a need for income-restricted first-time homebuyer credit products. Based on high tax rates and expensive business operations that present challenges to open small businesses in the assessment area, examiners identified needs for small or micro business loans as well as revitalization and stabilization through community development loans or investments. Educational programs and community development services could help support low-income communities and unbanked populations in the assessment area. Lastly, small business financing was a significant need during the COVID-19 pandemic. Banks had an opportunity to meet those financing needs by offering Small Business Administration (SBA) Paycheck Protection Program (PPP) loans.

SCOPE OF EVALUATION

General Information

This performance evaluation covers FCB's CRA performance since the prior evaluation, dated November 4, 2019 through the current evaluation dated November 28, 2022. Examiners used the FFIEC Interagency Large Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include the Lending, Investment, and Service Tests (see Appendices for a complete description). This evaluation does not include any lending activities performed by subsidiaries or affiliates.

Activities Reviewed

Based on the bank's business strategy and the volume of loans originated or purchased during the evaluation period, examiners determined the bank's major product lines include small business loans and home mortgage loans. The bank did not originate any small farm loans during the evaluation period and consumer loans make up a small portion of the bank's loan portfolio; therefore, examiners did not evaluate these product lines.

Examiners analyzed residential mortgage data derived from the bank's 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) loan application registers (LARs). FCB originated 388 residential loans totaling \$192.2 million in 2019, 613 loans totaling \$273.2 million in 2020, and 377 loans totaling \$211.3 million in 2021. Examiners compared the bank's performance to 2019, 2020, and 2021 aggregate HMDA lending data and demographic data from the 2015 American Community Survey (ACS). Examiners presented 2021 home mortgage data, as it was the most recent year for which aggregate data was available, and included 2020 data for trend analysis.

Examiners also analyzed small business loan data derived from the bank's 2019, 2020, and 2021 CRA loan registers. FCB originated 129 small business loans totaling \$27.5 million in 2019, 1,249 loans totaling \$159.2 million in 2020, and 792 loans totaling \$88.0 million in 2021. Examiners compared the bank's performance to 2019 and 2020 aggregate small business lending data and D&B demographic data. Examiners presented all three years of data, as 2019 demonstrates the bank's performance prior to the COVID-19 pandemic; 2020 provides aggregate comparison; and 2021 data demonstrates trend analysis.

When arriving at Lending Test conclusions, examiners gave equal weight to the bank's small business and home mortgage lending performance based on the distribution of reported activity during the evaluation period, loan portfolio distribution, and business focus.

Under the Lending Test, examiners also evaluated the bank's community development lending and innovative and/or flexible lending activities from November 4, 2019 through the current evaluation dated November 28, 2022. Under the Investment and Service Tests, examiners considered qualified investments, retail services, and community development services for the same period. The Investment Test includes both qualified investments purchased prior to the last evaluation that remain outstanding, as well as investments purchased during the current evaluation period.

Examiners obtained demographic and economic information referenced in this evaluation from the 2015 ACS, D&B, Moody's Analytics, and the United States (U.S.) Bureau of Labor Statistics. Financial data is based on the September 30, 2022 Report of Income and Condition (Call Report).

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated Low Satisfactory. The following sections discuss the bank's performance under each criterion.

Lending Activity

The bank's lending levels reflect good responsiveness to assessment area credit needs. In 2020, the bank originated or purchased 542 home mortgage loans in the assessment area. Based on 2020 Peer Mortgage Data, the bank ranked 24th out of 499 lenders, with 1.3 percent market share. In 2020, FCB was the second highest ranked community lender, below Newtown Savings Bank, ranked 12th. In 2021, the bank originated or purchased 333 home mortgage loans in the assessment area. According to 2021 Peer Mortgage Data, the bank ranked 38th out of 534 lenders, with 0.7 percent market share. FCB was the fourth highest ranked community lender, ranking in-line with other community banks such as First County Bank, ranked 32nd and Union Savings Bank ranked 40th.

As for small business loans, in 2019 the bank originated 119 loans in the assessment area. In 2020, the bank originated 1,098 loans in the assessment area. In 2021, the bank originated 724 loans in the assessment area. Based on 2020 Peer Mortgage Data, FCB ranked 10th with 2.8 percent market share and was the second highest ranked community bank, just behind First County Bank, which ranked 9th. The increase in lending activity from 2019 to 2020 and subsequent decline in lending volume from 2020 to 2021 is due to PPP lending activity, which was responsive to business needs during the COVID-19 pandemic.

Assessment Area Concentration

The bank originated a high percentage of loans within its combined assessment area. For home mortgage lending and small business lending, the percentage of loans inside of the assessment area remained consistent by number and dollar volume throughout the evaluation period. The table below highlights the bank's lending inside and outside the assessment area.

Lending Inside and Outside of the Assessment Area										
Assessment Area: Bridgeport-Stamford-Norwalk, CT MSA										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	335	86.3	53	13.7	388	164,299	85.5	27,912	14.5	192,211
2020	543	88.6	70	11.4	613	250,449	91.7	22,784	8.3	273,233
2021	333	88.3	44	11.7	377	184,087	87.1	27,221	12.9	211,308
Subtotal	1,211	87.9	167	12.1	1,378	598,835	88.5	77,917	11.5	676,752
Small Business										
2019	119	92.2	10	7.8	129	23,922	87.0	3,560	13.0	27,482
2020	1,098	87.9	151	12.1	1,249	133,501	83.8	25,740	16.2	159,241
2021	724	91.4	68	8.6	792	79,273	90.1	8,726	9.9	87,999
Subtotal	1,941	89.4	229	10.6	2,170	236,696	86.2	38,026	13.8	274,722
Total	3,152	88.8	396	11.2	3,548	835,531	87.8	115,943	12.2	951,474
<i>Source Bank Data</i>										
<i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the assessment area. The bank's poor home mortgage performance and adequate small business lending performance support this conclusion.

Home Mortgage

The geographic distribution of home mortgage loans reflects poor penetration throughout the assessment area.

In low-income census tracts, FCB's performance trailed aggregated and demographics in 2020. The bank's performance declined further in 2021 despite aggregate performance showing improvement. As stated, the high poverty rate, high median housing value, and low-owner occupancy rates in low-income areas present limited opportunities for traditional home mortgage products; however, 2021 Peer Mortgage Data reveals the bank's performance is below other community banks who face the same demographic challenges. According to 2021 Peer Mortgage data, FCB ranked 81st of 203 lenders that originated a loan in the low-income census tracts. This ranking is below other community banks, such as First County Bank ranked 36th, Newtown Savings bank ranked 56th, Union Savings Bank ranked 59th, Savings Bank of Danbury ranked 60th.

In moderate-income census tracts, the bank's performance was below aggregate and demographic performance in 2020, and declined further in 2021. Although high housing values and low owner-occupancy rates in the moderate-income census tracts also indicate potential barriers to homeownership, 2021 Peer Mortgage Data shows that the bank's performance is below other

community banks who face the same demographic challenges. According to 2021 Peer Mortgage Data, FCB ranked 61st out of 311 lenders in moderate-income census tracts. This ranking is below other community banks, such as Savings Bank of Danbury ranked 25th, Newtown Savings Bank ranked 26th, First County Bank ranked 37th, and Union Savings Bank ranked 41st.

Geographic Distribution of Home Mortgage Loans Assessment Area: Bridgeport-Stamford-Norwalk, CT MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	5.1	3.5	12	2.2	3,191	1.3
2021	5.1	4.1	4	1.2	5,500	3.0
Moderate						
2020	16.1	12.8	45	8.3	12,868	5.1
2021	16.1	14.6	24	7.2	5,387	2.9
Middle						
2020	34.6	32.9	128	23.6	42,973	17.2
2021	34.6	32.4	72	21.6	29,843	16.2
Upper						
2020	44.2	50.8	358	65.9	191,418	76.4
2021	44.2	48.9	233	70.0	143,357	77.9
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
Totals						
2020	100.0	100.0	543	100.0	250,449	100.0
2021	100.0	100.0	333	100.0	184,087	100.0

*Source 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Business

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area.

In 2019, the bank performed above aggregate and demographics in low-income census tracts. As shown in the following table, the bank’s performance declined slightly in 2020, but remained in-line with aggregate and demographics. Performance improved slightly in 2021, showing a positive trend. In moderate-income census tracts, the bank performed below aggregate and demographics for all three years. Performance declined slightly year over year; however, PPP lending significantly increased the bank’s volume of lending in in 2020 and 2021. The bank’s lending activities in 2019 are more representative of the bank’s usual lending patterns.

Considering the high level of competition for small business loans in the assessment area, market share information based on 2020 Peer Small Business Data further supports the conclusion. Of 212 lenders, FCB ranked 11th in lending in low-income census tracts, with 2.7 percent market share, and was only outranked by large national banks. In moderate-income census tracts, FCB ranked 15th with 1.8 percent market share, ahead of similarly situated institution Newtown Savings Bank (17th), but behind First County Bank (8th).

Geographic Distribution of Small Business Loans						
Assessment Area: Bridgeport-Stamford-Norwalk, CT MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	9.8	9.5	13	10.9	2,227	9.3
2020	10.8	9.7	105	9.6	17,028	12.8
2021	11.2	--	73	10.1	12,343	15.6
Moderate						
2019	16.9	16.4	15	12.6	2,404	10.0
2020	17.8	15.6	111	10.1	11,956	9.0
2021	18.0	--	72	9.9	6,249	7.9
Middle						
2019	29.3	30.4	31	26.0	6,849	28.6
2020	28.5	31.0	284	25.9	41,869	31.4
2021	28.3	--	183	25.3	21,102	26.6
Upper						
2019	44.0	43.8	60	50.4	12,442	52.0
2020	43.0	43.8	598	54.5	62,648	46.9
2021	42.5	--	396	54.7	39,579	49.9
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	119	100.0	23,922	100.0
2020	100.0	100.0	1,098	100.0	133,501	100.0
2021	100.0	--	724	100.0	79,273	100.0

*Source 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes. The bank's adequate home mortgage performance and adequate small business performance support this conclusion.

Home Mortgage

The distribution of borrowers reflects adequate penetration among individuals of different income levels.

In lending to low-income borrowers, the bank's performance was below aggregate performance and demographics in 2020 and 2021. As noted, there are high poverty levels across the assessment area, particularly in the Cities of Bridgeport, Stamford, Danbury, and Norwalk, which may create barriers to home ownership for low-income borrowers. Families below the poverty level are unlikely to qualify for conventional mortgage products given the high median home values in the area; ranging from lows of \$166, 211 in Bridgeport, which has the highest poverty rate, to highs of approximately \$2.0 million in affluent areas such as Greenwich and Darien. The median family income for low-income borrowers in 2021 was \$65,550 or less. Borrowers at this income level may face challenges qualifying for traditional mortgage products. These factors may explain the difference between the percent of low-income families in the assessment area compared to aggregate and bank lending performance.

In lending to moderate-income borrowers, the bank's performance was also below aggregate performance in 2020 and 2021, but more comparable to demographics. According to 2021 Peer Mortgage Data, FCB ranked 43rd out of 294 lenders who made loans to moderate-income borrowers in the assessment area. FCB's performance was similar to that of other community banks such as Union Savings Bank (36th) and First County Bank (32nd). The performance context and similar market ranking to other community banks support adequate performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Bridgeport-Stamford-Norwalk, CT MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	24.6	5.7	19	3.5	3,611	1.4
2021	24.6	6.2	5	1.5	770	0.4
Moderate						
2020	15.6	16.3	77	14.2	19,922	8.0
2021	15.6	17.5	45	13.5	11,433	6.2
Middle						
2020	17.8	19.1	108	19.9	35,162	14.0
2021	17.8	19.0	61	18.3	20,144	10.9
Upper						
2020	42.0	46.6	318	58.6	154,161	61.6
2021	42.0	45.2	190	57.1	119,409	64.9
Not Available						
2020	0.0	12.3	21	3.9	37,594	15.0
2021	0.0	12.1	32	9.6	32,332	17.6
Totals						
2020	100.0	100.0	543	100.0	250,449	100.0
2021	100.0	100.0	333	100.0	184,087	100.0
<i>Source 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The distribution of borrowers reflects adequate penetration among businesses of different sizes. In 2019, the bank's performance among businesses with GARs of \$1.0 million or less was below aggregate performance and demographics. However, 2019 Peer Small Business Data reveals FCB ranked 19th with 0.3 percent market share out of 138 lenders who originated loans to businesses with GARs of \$1.0 million or less, and was the third highest ranked community bank.

In the following table, the bank's performance in lending to businesses with GARs of \$1.0 million or less appears to significantly decline in 2020 and 2021. However, this was due to PPP loans comprising a majority of the bank's small business lending in those years. Banks were not required to report GARs for PPP loans, so PPP loans are reflected in the Revenue Not Available category. Because examiners could not conduct a meaningful analysis of lending to businesses of different sizes for 2020, examiners reviewed the bank's PPP lending performance using loan size as a proxy for GARs. As shown in the Distribution of PPP Loans by Loan Size table, the majority of PPP loans originated by the bank had loan sizes of \$100,000 or less in both 2020 and 2021, which indicates that the bank's lending was responsive to the needs of small businesses.

Market share data further supports the conclusion. According to 2020 Peer Small Business Data, FCB ranked 25th out of 213 lenders who made loans to businesses with GARs of \$1.0 million or less. FCB's ranking was similar to other community lenders, such as First County Bank (26th), and Savings Bank of Danbury (22nd).

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Bridgeport-Stamford-Norwalk, CT MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	88.8	46.9	41	34.5	8,478	35.4
2020	90.7	40.0	26	2.4	6,985	5.2
2021	90.5	--	38	5.2	11,310	14.3
>\$1,000,000						
2019	4.9	--	76	63.9	15,384	64.3
2020	3.9	--	37	3.4	10,179	7.6
2021	3.3	--	19	2.6	5,983	7.5
Revenue Not Available						
2019	6.3	--	2	1.7	60	0.3
2020	5.4	--	1,035	94.3	116,337	87.1
2021	6.2	--	667	92.1	61,980	78.2
Totals						
2019	100.0	100.0	119	100.0	23,922	100.0
2020	100.0	100.0	1,098	100.0	133,501	100.0
2021	100.0	--	724	100.0	79,273	100.0
<i>Source 2019, 2020, & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

The following table shows the distribution of PPP Loans by loan size.

Distribution of PPP Loans by Loan Size Assessment Area: Bridgeport-Stamford-Norwalk, CT MSA				
Loan Size	2020		2021	
	Count	%	Count	%
<=\$100,000	713	68.9	490	73.5
\$100,001-\$250,000	205	19.8	119	17.8
\$250,001-\$500,000	74	7.1	38	5.7
\$500,001-\$1,000,000	43	4.2	20	3.0
Total	1,035	100.0	667	100.0
<i>Source Bank Data. Due to rounding, totals may not equal 100.0%</i>				

Innovative or Flexible Lending Practices

FCB uses innovative and flexible lending practices in order to serve assessment area credit needs. During the evaluation period, the bank originated 1,937 innovative and/or flexible loans totaling approximately \$279.1 million that supported low- and moderate-income individuals and small businesses. The bank also provided technical assistance through organizations, which augmented the success and effectiveness of the related community development loan programs.

A large majority of the bank's innovative and flexible lending involved PPP loans and deferral or forbearance modifications, which provided flexibility to borrowers affected by the COVID-19 pandemic. The modifications assisted low- and moderate-income individuals, families, and small businesses undergoing financial hardship. Modifications demonstrate the bank's efforts to provide continued credit during the pandemic. The following summarizes the innovative and flexible loan programs offered by the bank during the evaluation period.

Residential Lending Programs

Connecticut Housing Finance Authority (CHFA) – CHFA creates affordable housing opportunities for low- and moderate-income borrowers in CT to achieve homeownership through a variety of flexible mortgage programs. CHFA offers loans with low down payment options, flexible underwriting standards, and reduced closing costs. During the evaluation period, the bank originated 14 CHFA loans totaling \$3.2 million.

HFA Preferred Loan Program – The HFA Preferred Loan Program is a program offered through the CHFA that provides below-market rates to first-time homebuyers with low mortgage insurance costs. During the evaluation period, the bank originated four HFA Preferred Loans totaling \$1.1 million.

Down Payment Assistance Program (DAP) – The DAP, offered through the CHFA, provides low-interest financing to cover down payments and closing costs through a second mortgage. During the evaluation period, the bank originated one CHFA DAP loan totaling \$7,200.

Fannie Mae HomeReady Mortgage Program (HomeReady) – HomeReady provides borrowers with a flexible mortgage financing option, which includes low down payments, no private mortgage insurance, and use of flexible sources of funds for closing costs. During the evaluation period, FCB originated 26 Fannie Mae HomeReady Loans totaling \$6.5 million.

Federal Housing Administration (FHA) Mortgage Loans – FHA loans target low- and moderate-income first time homebuyers that may not qualify for conventional loan options. FHA loans offer flexible underwriting standards and low down payment options. During the evaluation period, FCB originated one FHA loan totaling \$410,000.

Housing Development Fund (HDF) SmartMove Program – HDF is a Department of Housing and Urban Development (HUD) certified counseling and lending agency and a Community Development Financial Institution (CDFI). HDF provides second mortgages at a discounted rate

through the SmartMove Program. Borrowers who meet certain income limits can use these loans for down payment and closing cost assistance up to 25.0 percent of the purchase price. The bank provided technical assistance to borrowers in need, helping them apply for a down payment assistance loan from HDF in conjunction with their first mortgage from the bank. During the evaluation period, the bank provided technical assistance helping 13 borrowers obtain HDF SmartMove loans totaling \$1.1 million.

Small Business Lending Programs

SBA 504 Loan Program – The SBA 504 program provides businesses with financing for the purchase of fixed assets, which includes real estate, buildings, and machinery. SBA 504 loans are available through Certified Development Companies (CDCs) who regulate non-profits and promote economic development through business growth and job creation. During the evaluation period, FCB originated six SBA 504 loans totaling \$22.1 million.

SBA PPP loans – PPP loans are SBA-guaranteed and designed to help small businesses maintain their workforce during the COVID-19 pandemic. The SBA will forgive the loans if recipients meet all employment retention criteria and use the funds according to established guidelines. The loans offer below-market interest rates, six-month payment deferrals, no origination fees, and no collateral requirements. During the evaluation period, the bank originated 1,872 PPP loans totaling \$244.7 million.

SBA 7(a) Loan Program – Newtown participates in the SBA 7(a) program, which offers fixed rate, variable rate, and revolving credit products to qualified small businesses. The loan program helps small businesses obtain flexible financing when they may not be eligible for business loans through other finance channels. The bank did not originate any of these loans during the evaluation period.

Other Lending Programs

COVID-19 pandemic payment forbearance – In response to the COVID-19 pandemic, the bank offered loan payment forbearance and interest deferment to borrowers experiencing financial hardship. The program included 3-6 months of payment forbearance and interest deferment depending on the loan type. During the evaluation period, the bank provided 54 residential loan deferrals and 145 commercial loan deferrals.

Closing Cost Credits - During the current evaluation period, the bank implemented an internal program to provide a \$1,000 closing cost credit for any home mortgage loan located in a low- or moderate-income census tract. During the evaluation period, the bank provided closing cost credits to 105 borrowers for a total of \$106,227, many of which the bank offered in conjunction with the other flexible lending programs.

Community Development Loans

FCB is a leader in making community development loans. During the evaluation period, the bank originated 46 community development loans totaling approximately \$94.9 million. The volume of

community development loans represents 5.3 percent of average total assets and 7.6 percent of average total loans. The bank originated a significantly higher number and dollar amount of community development compared to the previous evaluation period, when the bank originated 20 community development loans totaling \$30 million. Additionally, the bank's performance exceeded that of similarly situated institutions, including Newtown Savings Bank and First County Bank. The following table shows the bank's community development loans by year and purpose.

Community Development Lending										
Assessment Area: Bridgeport-Stamford-Norwalk, CT MSA										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (Partial)	0	0	0	0	0	0	1	1,410	1	1,410
2020	3	3,094	0	0	4	9,074	7	9,748	14	21,916
2021	7	6,008	2	4,000	6	23,853	6	11,140	21	45,001
2022 (YTD)	1	1,400	1	3,000	3	7,290	5	14,840	10	26,530
Total	11	10,502	3	7,000	13	40,217	19	37,138	46	94,857

Source Bank Data

Below are notable examples of community development loans that benefitted the assessment area:

- In 2020, FCB along with a consortium of other local institutions extended a \$1.4 million line of credit to the fund a program that provides low- and moderate-income borrowers with down payment assistance. The bank's participation in this loan program supports affordable housing efforts in the assessment area.
- In 2021, the bank provided a \$1.1 million PPP loan to a business located in a moderate-income census tract in Norwalk. The loan helped to revitalize and stabilize a moderate-income area by retaining jobs, as the business used the proceeds to maintain their workforce of 64 employees.
- In 2021, the bank provided a \$3.0 million line of credit to a management group that oversees two nursing home facilities in Norwalk and Bridgeport. The borrower uses the line of credit to support the needs of all the facilities, including the provision of care to the occupants, a majority of which are recipients of Medicare and/or Medicaid. This loan supports community service needs in low-income areas.
- In 2022, the bank originated a \$3.2 million loan to purchase, develop, and renovate a mixed use building in the Norwalk Wall Street Area Development District. The building will include six residential apartments and three business units in a moderate-income census tract and opportunity zone. This loan will help revitalize and stabilize the moderate-income area by attracting new businesses and residents.

INVESTMENT TEST

The Investment Test is rated High Satisfactory. The following sections summarize the bank's performance under each criterion.

Investment and Grant Activity

FCB made a significant level of qualified investments and donations, occasionally in a leadership position. During the evaluation period, the bank made 277 investments and donations totaling approximately \$27.7 million. Of this total, 46 investments and donations totaling \$3.4 million benefitted a broader statewide or regional area. Examiners considered these investments because the bank was responsive to the needs of the assessment area. Total investment activity represents 1.5 percent of average total assets and 7.9 percent of average total securities since the prior evaluation.

The bank's activities represent a significant increase since the previous evaluation period, when the bank had 206 qualified investments totaling \$5.1 million. The bank's performance is comparable to similarly situated institutions by number, but exceeds the total dollar amount of investments made by First County Bank and Newtown Savings Bank. The following table shows the bank's total qualified investments by year and purpose.

Qualified Investments by Year										
Assessment Area: Bridgeport-Stamford-Norwalk, CT MSA										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	4	1,492	0	0	1	354	0	0	5	1,846
2019 (Partial)	0	0	0	0	0	0	0	0	0	0
2020	3	9,733	0	0	0	0	0	0	3	9,733
2021	3	15,269	0	0	0	0	0	0	3	15,269
2022 (YTD)	0	0	0	0	0	0	0	0	0	0
Subtotal	10	26,494	0	0	1	354	0	0	11	26,848
Grants & Donations	16	29	241	796	9	46	0	0	266	871
Total	26	26,523	241	796	10	400	0	0	277	27,719

Source: Bank Data

Below are notable examples of the bank's qualified equity investments and donations that benefitted the assessment area:

- The bank purchased six mortgage-backed securities totaling approximately \$25.0 million during the evaluation period. The securities are comprised of pools of loans made to low- and moderate-income individuals. The bank also maintains three mortgage-backed securities from the prior period that have a combined book value of \$491,672. These mortgage-backed securities benefitted affordable housing efforts in the assessment area.

- The bank holds two other equity investments from the prior period. These investments include an investment in a CRA qualified mutual fund supporting affordable housing with a book value of \$1.0 million, and an investment in a SBA loan pool that supports economic development for 14 businesses with a book value of \$354,195.
- In 2022, the bank donated \$25,546 to Banzai, a non-profit that provides an online interactive financial literacy program to schools. The bank's donations primarily benefited schools where a majority of students receive free or reduced lunch. The bank's support in this program helped to provide community services to low-and moderate-income individuals in the assessment area.
- In 2022, the bank donated \$6,000 to the Housatonic Community College Foundation. This foundation primarily supports low-income populations attending the college by providing need based scholarships, hosting an equity program to support under-resourced and under-supported students, offering a food pantry, and providing grants to those struggling with financial hardship. The organization supports community services for low- and moderate-income individuals in the assessment area.
- During the evaluation period, the bank donated over \$31,000 to the Women's Business Development Council. This non-profit provides programs to help women who own small businesses across Connecticut. The organization hosts three small business centers that provide free and low-cost counseling to women-owned small businesses. They also offer an equity grant match program for small businesses in need of financial assistance. The bank's contributions to this organization support economic development efforts for small businesses.

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community development needs throughout the assessment area. During the evaluation period, the bank made six new equity investments and maintained five prior period investments. All of the new qualified investments were mortgage-backed securities directed at supporting single-family affordable housing, which community contacts identified as a primary need within the assessment area. Additionally, a number of the bank's donations supported affordable housing efforts. Affordable housing, revitalization, and stabilization are primary needs within the assessment area. The bank's investments were responsive to affordable housing needs, but the bank did not made any investments or donations supporting revitalization or stabilization.

Community Development Initiatives

The bank rarely uses innovative or complex investments to support community development initiatives. Mortgage backed securities and donations comprise all of the bank's new investments since the prior evaluation. Although these investments help to meet community development needs in the assessment area, they are not innovative or complex.

SERVICE TEST

The Service Test is rated High Satisfactory. The following sections discuss the bank's performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the bank's assessment area. The bank operates 16 full-service branches in the area, 12 of which have a drive-up window, and all of which have deposit-taking ATMs. Additionally, the bank operates eight standalone ATMs. The following table illustrates the distribution of the bank's branches and ATMs by geography income level.

Branch and ATM Distribution by Geography Income Level Assessment Area: Bridgeport-Stamford-Norwalk, CT MSA								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	31	14.7	118,259	12.6	1	6.3	1	4.2
Moderate	40	19.0	193,394	20.6	1	6.3	4	16.7
Middle	57	27.0	280,979	29.9	3	18.8	4	16.7
Upper	81	38.4	346,293	36.8	11	68.8	15	62.5
NA	2	0.9	1,058	0.1	0	0.0	0	0.0
Totals	211	100.0	939,983	100.0	16	100.0	24	100.0

Source 2015 ACS & Bank Data. Due to rounding, totals may not equal 100.0%

The bank maintains at least one branch in each of the major cities where the majority of low- and moderate-income census tracts are located. Although the bank's branching and ATM distribution is lower than the demographics of the assessment area by percentage, many of the bank's branches serve these areas despite not being located directly in a low- or moderate-income census tract. For example, the bank's Federal Road branch in Danbury is located in a middle-income census tract, but is immediately adjacent to several moderate-income census tracts and is reasonably accessible to the low- and moderate-income tracts in Danbury. Similarly, the bank maintains two branches in Fairfield that are reasonably accessible to the low- and moderate-income census tracts in Bridgeport. The bank operates five branches around Norwalk are reasonably accessible to the low- and moderate-income census tracts in the city, and an additional branch in Darien can reasonably serve the low- and moderate-income census tracts in Stamford. Overall, the bank's branches are accessible to low- and moderate-income areas.

In addition to its branches and ATMs, FCB offers alternative delivery systems to expand access to retail banking service. Alternative delivery services include internet, mobile, and telephone banking. Businesses and customers can access their accounts 24-hours a day to perform various transactions. While the bank has not tailored these services to low- and moderate-income persons or geographies, they benefit and increase accessibility for all customers in the assessment area.

Changes in Branch Locations

To the extent that changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. The bank did not open or close any branches in the assessment area during the evaluation period.

Reasonableness of Business Hours and Services

The bank's business hours and services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies, and/or low- and moderate-income individuals. Hours and services in the assessment area are consistent with the hours and services at FCB's other branches, with only limited variation. Additionally, the bank offers the same products and services at all branches.

Community Development Services

The bank provided a relatively high level of community development services during the evaluation period. Bank employees provided 195 instances of qualified community development services. Since the bank was responsive to the needs of the assessment area, examiners considered 75 community development services that supported a broader statewide or regional area. The bank's performance increased compared to the previous evaluation period, when the bank provided 179 instances of qualified community development services. The bank's performance was comparable to similarly situated institutions. The following table shows the bank's community development services by year and purpose.

Community Development Services					
Assessment Area: Bridgeport-Stamford-Norwalk, CT MSA					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2019 (Partial)	2	1	0	0	3
2020	5	31	32	0	68
2021	4	25	43	0	72
2022 (YTD)	2	50	0	0	52
Total	13	107	75	0	195

Source Bank Data

Below are notable examples of the bank's community development services.

- A bank officer serves as a member of the Family Loan Board for the Catholic Charities of Fairfield County. The charity provides low interest loans for cars, security deposits, and childcare costs to benefit low-income families. These services support community services for low- and moderate-income individuals.

- Housing Development Fund (HDF) – HDF is a CDFI that provides commercial multifamily loans for rehabilitation and new construction of affordable rental and homeownership housing, and they provide down payment assistance loans to low- and moderate-income individuals through the SmartMove Program. FCB is part of a consortium of local institutions that fund the HDF SmartMove program and provide technical assistance to the CDFI. During each year of the evaluation period, board members, senior managers, and employees provided technical assistance and supportive services to the organization and directly to applicants for both affordable housing programs. These services support affordable housing and community development services for low- and moderate-income individuals.
- During the evaluation period, 12 employees served as part of the IRS Volunteer Income Tax Assistance Program. Bank employees used their financial expertise to assist low-income individuals with free basic tax return preparation. Individuals participating in the program must earn less than 50.0 percent of the adjusted median income for the MSA. These services helped provide community services to low-income individuals.
- During the evaluation period, bank employees hosted presentations for small businesses about PPP loan forgiveness. Bank employees used their financial expertise to provide small business owners with information about PPP loans and the forgiveness application process. These seminars supported economic development by assisting small businesses.
- Several bank employees and officers served as volunteers for the Women’s Business Development Council (WBDC). The WBDC is a non-profit that provides technical assistance, micro-grants, and financial education to help develop small businesses across Connecticut. Volunteers worked one-on-one to provide financial advice to women developing small businesses. These services provided economic development through assistance to small businesses.

Other Services

Interest on Lawyers Trust Account

The bank participates in the Interest on Lawyer’s Trust Account program, which permits lawyers to deposit funds into interest-bearing accounts. The interest generated is donated to the Connecticut Bar Association to provide legal assistance to low-income individuals.

Interest on Real Estate Brokers Trust Account

The bank participates in the Interest on Real Estate Brokers Trust Accounts. The program allows real estate firms to place client funds into interest bearing accounts. The interest earned on these accounts is not paid to the real estate firm or its clients, but instead provides mortgage assistance to low- or moderate-income families and individuals. Funds are used for down payments or any other appropriate housing subsidies.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the bank's overall CRA rating.

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.