



Oregon Coast Bank

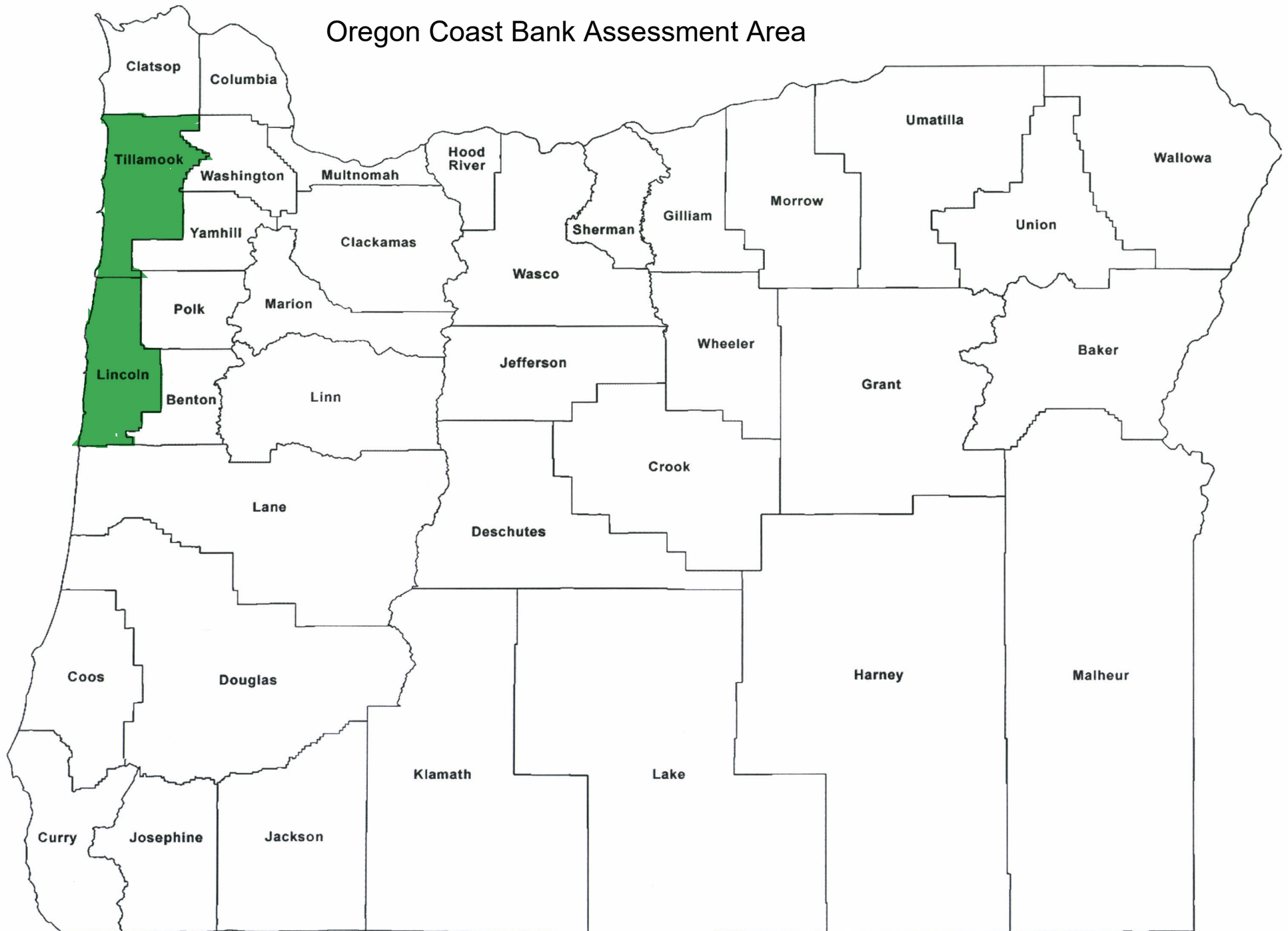
# Community Reinvestment Act Public File

# Written Comments

No Community Reinvestment Act related written comments have been received for the current year or each of the prior two calendar years.

# Assessment Area Map

## Oregon Coast Bank Assessment Area



# Assessment Area Census Demographics

Lincoln  
County,  
Oregon

2019 FFIEC Census Report - Summary Census Demographic Information

State: 41 - OREGON (OR)

County: 041 - LINCOLN COUNTY



State Code	County Code	Tract Code	Tract Income Level	Distressed or Underserved Tract	Tract Median Family Income %	2019 FFIEC Est.MSA/MD non-MSA/MD Median Family Income	2019 Est. Tract Median Family Income	2015 Tract Median Family Income	Tract Population	Tract Minority %	Minority Population	Owner Occupied Units	1- to 4-Family Units
41	041	9501.00	Middle	No	99.26	\$57,500	\$57,075	\$51,176	3399	12.06	410	1137	1672
41	041	9503.03	Upper	No	123.92	\$57,500	\$71,254	\$63,889	1449	14.29	207	427	1423
41	041	9503.04	Upper	No	123.65	\$57,500	\$71,099	\$63,750	3362	24.42	821	696	1869
41	041	9504.00	Middle	No	80.30	\$57,500	\$46,173	\$41,402	4072	16.45	670	835	2235
41	041	9506.01	Middle	No	95.75	\$57,500	\$55,056	\$49,367	2160	12.45	269	900	2561
41	041	9506.02	Middle	No	112.44	\$57,500	\$64,653	\$57,972	2357	9.63	227	816	1961
41	041	9508.00	Middle	No	102.31	\$57,500	\$58,828	\$52,750	3471	18.55	644	1036	1890
41	041	9509.00	Middle	No	119.29	\$57,500	\$68,592	\$61,500	3665	31.98	1172	775	1432
41	041	9510.00	Moderate	No	74.96	\$57,500	\$43,102	\$38,646	2037	24.50	499	261	957
41	041	9511.00	Middle	No	103.04	\$57,500	\$59,248	\$53,125	1656	23.97	397	467	870
41	041	9512.00	Upper	No	124.86	\$57,500	\$71,795	\$64,375	1749	6.69	117	637	1153
41	041	9513.00	Middle	No	116.12	\$57,500	\$66,769	\$59,868	2113	7.05	149	617	1073
41	041	9514.00	Middle	No	98.05	\$57,500	\$56,379	\$50,552	2910	6.74	196	630	1083
41	041	9515.00	Middle	No	82.29	\$57,500	\$47,317	\$42,425	2553	5.84	149	871	2231
41	041	9516.00	Middle	No	96.30	\$57,500	\$55,373	\$49,649	3224	7.97	257	1071	1975
41	041	9517.00	Middle	No	107.49	\$57,500	\$61,807	\$55,417	2045	13.84	283	631	1727
41	041	9518.00	Middle	No	106.14	\$57,500	\$61,031	\$54,722	4125	31.27	1290	1318	1756
41	041	9901.00	Unknown	No	0.00	\$57,500	\$0	\$0	0	0.00	0	0	0

\* Will automatically be included in the 2020 Distressed or Underserved Tract List



Tillamook  
County,  
Oregon

## 2019 FFIEC Census Report - Summary Census Demographic Information

State: 41 - OREGON (OR)

County: 057 - TILLAMOOK COUNTY



State Code	County Code	Tract Code	Tract Income Level	Distressed or Underserved Tract	Tract Median Family Income %	2019 FFIEC Est.MSA/MD non-MSA/MD Median Family Income	2019 Est. Tract Median Family Income	2015 Tract Median Family Income	Tract Population	Tract Minority %	Minority Population	Owner Occupied Units	1- to 4-Family Units
41	057	9601.00	Middle	No	102.47	\$57,500	\$58,920	\$52,829	3355	17.56	589	1155	3983
41	057	9602.00	Middle	No	83.72	\$57,500	\$48,139	\$43,162	2303	9.08	209	761	2880
41	057	9603.00	Middle	No	100.92	\$57,500	\$58,029	\$52,031	2615	12.43	325	796	1233
41	057	9604.00	Middle	No	99.30	\$57,500	\$57,098	\$51,198	7705	17.08	1316	1645	2410
41	057	9605.00	Middle	No	102.39	\$57,500	\$58,874	\$52,792	2273	27.41	623	418	960
41	057	9606.00	Middle	No	118.33	\$57,500	\$68,040	\$61,010	2570	11.48	295	892	1881
41	057	9607.00	Middle	No	102.18	\$57,500	\$58,754	\$52,679	2384	4.07	97	751	1891
41	057	9608.00	Moderate	No	69.78	\$57,500	\$40,124	\$35,978	2225	12.81	285	893	2188
41	057	9901.00	Unknown	No	0.00	\$57,500	\$0	\$0	0	0.00	0	0	0
41	057	9999.99	Middle	No	95.45	\$57,500	\$54,884	\$49,214	25430	14.70	3739	7311	17426

\* Will automatically be included in the 2020 Distressed or Underserved Tract List

# Branch Distribution



# Oregon Coast Bank

Distribution of Branches									
Branch/ATM Address	Hours of Operation			Census Tracts					
	Lobby	Drive Up	ATM	Tract Income Level	Underserved / Distressed Tract	MSA	State	County	Tract
Main Office 909 SE Bay Blvd Newport, Oregon 97365	9:00 - 5:00 Monday - Friday	8:00 - 5:00 Monday - Friday	Deposit Taking Drive Up (24 hours)	Middle	No	NA	41	041	9511.00
Pacific City Office 35490 Airport Way Pacific City, Oregon 97135	9:00 - 5:00 Monday - Friday	8:00 - 5:00 Monday - Friday	Deposit Taking Drive Up (24 hours)	Moderate	No	NA	41	057	9608.00
Lincoln City Office 1298 SW Harbor Lincoln City, Oregon 97367	9:00 - 5:00 Monday - Friday	8:00 - 5:00 Monday - Friday	Deposit Taking Drive Up (24 hours)	Middle	No	NA	41	041	9504.00
Waldport Office 285 NW Maple St. Waldport, Oregon 97394	9:00 - 5:00 Monday - Friday	8:00 - 5:00 Monday - Friday	Deposit Taking Drive Up (24 hours)	Middle	No	NA	41	041	9516.00
Toledo Office 305 NW First St. Toledo, Oregon 97394	9:00 - 5:00 Monday - Friday	8:00 - 5:00 Monday - Friday	Deposit Taking Drive Up (24 hours)	Middle	No	NA	41	041	9513.00
Tillamook Office 2211 Main Ave N. Tillamook, Oregon 97141	9:00 - 5:00 Monday - Friday	8:00 - 5:00 Monday - Friday	Deposit Taking Drive Up (24 hours)	Middle	No	NA	41	057	9604.00

# Branch Opening & Closing



# Oregon Coast Bank

## Branches - Opened & Closed

Branch Location	Opening Date	Closure Date
Main Office 909 SE Bay Blvd Newport, Oregon 97365	July 8, 2002	Remains Open
Pacific City Office 35490 Airport Way Pacific City, Oregon 97135	April 1, 2004	Remains Open
Lincoln City Office 1298 SW Harbor Lincoln City, Oregon 97367	May 1, 2006	Remains Open
Waldport Office 285 NW Maple St. Waldport, Oregon 97394	December 19, 2007	Remains Open
Toledo Office 305 NW First St. Toledo, Oregon 97394	January 11, 2010	Remains Open
Tillamook Office 2211 Main Ave N. Tillamook, Oregon 97141	March 12, 2015	Remains Open

# Deposit & Loan Products

## List of Deposit and Lending Products All Branches

Deposit Products	Lending Products
Anchor Checking Account	Auto Loan
Premier Interest Checking	Pleasure Boat Loan
Classic Savings	All Terrain Vehicle (ATV) Loan
Money Market	Motorcycle Loan
Health Savings Account	Utility Trailer Loan
	Recreational Vehicle (RV) Loan
Certificates of Deposit	Motorhome Loan
Fixed Rate	Consumer Unsecured Loan
	Consumer Unsecured Line of Credit
Business Advantage Checking	Certificate of Deposit Secured Loan
Account Analysis Business Checking	Mortgage Loan
	Manufactured Home Loan
Individual Retirement Accounts (IRA)	Home Equity Loan
	Home Equity Line of Credit
	Raw Land Loan
	Improved Land Loan
Traditional	Construction Loan
Roth	Condo Shared Ownership Loan
SEP	Commercial Real Estate Loan
Rollovers	Rental Property Loan
Fixed Rate	Single Family
	Multi Family
	Commercial Non Real Estate Loan
	Commercial Real Estate Construction Loan
	Commercial Line of Credit - Secured
	Commercial Line of Credit - Unsecured
	Fishing Vessel Loan
	Fishing Vessel Insurance Loan



# Transaction Fees

-

## All Branches



# Oregon Coast Bank

## Other Fees and Services

Account Research and Balancing (per hour)	\$25.00
Account Re-Opening Fee	\$10.00
ACH Account Posting Errors	\$10.00
ACH Return Item Charge	\$10.00
ATM Transactions (no fee at OCB ATM's with an OCB card)	\$2.00
Cashier's Checks (each)	\$6.00
Check and Deposit Slips - Printing and Delivery Fees	Charge dependent on style and quantity
Check Cashing - Non-Customer/Non-OCB Check	\$20.00
Coin Machine:	
OCB Customers	3% over \$300.00
Non-Customers	10% of total
Copies of Checks (each)	\$0.75
Copies of Statements (per statement)	\$2.00
Counter Checks (4 checks)	\$3.00
Debit Card Reissue	\$10.00
Debit Card Re-PIN	\$2.00
Deposit Bags (Locking)	\$25.00
Deposit Bags (Zipper) First bag is free	\$2.50
Deposit Correction (fee if over \$25.00)	\$2.00
Early Account Closure - if closed within first 90 days	\$25.00
External Bank Auto Transfer Set-up Fee	\$25.00
Garnishment Fee	\$85.00
Inactive and Dormant Account Monthly Fee*	\$5.00
IRA Transfers to Another Bank	\$15.00
Mailed Paper Monthly Statements (per month)	\$2.00
Money Orders (each)	\$4.00
Notary Service (per signature)	\$10.00
NSF/Overdraft Items** (per item, paid or returned)	\$30.00 (4 per day maximum)
Ordering of Foreign Currency (per order)	\$10.00
Overdraft Line of Credit Transfer Fee (per day)	\$7.50
Overdraft Transfer Fee on Deposit Accounts (per day)	\$5.00
Processing of Foreign Currency (per item)	\$10.00
Photo Copies (per copy)	\$0.25
Return, Hold, or Undeliverable Mail (per month)	\$5.00
Safe Deposit :	
Box Drilling Fee	\$175.00
Key Deposit	\$20.00
Late Charge	\$10.00
Key Replacement	\$25.00
Annual Rent	3"x5"-\$30; 5"x5"-\$50; 3"x10"-\$50 5"x10"-\$70; 10"x10"-\$110
Stop Payment (6 Months)	\$30.00
Telephone Transfer Fee	\$2.00
Wire Transfer Processing Fees:	
Incoming	\$10.00
Outgoing - Domestic	\$30.00
Outgoing - Foreign	\$45.00

\*Inactive/Dormant Account Fee: \$5.00 applies to: Checking, Savings, or Money Market accounts. After 12 months of no activity, a \$5.00 fee will be charged per month until activity is performed. Activity is defined as: Increasing or decreasing the account balance, excluding any interest, fees or other adjustments made by us.

\*\*Overdraft Fees may apply to overdrafts created by check, in-person withdrawal, or other electronic means as applicable.

# Loan to Deposit Ratios



# Oregon Coast Bank

## Loan to Deposit Ratio Report

Call Report Date	Net loans to Deposits	Total Deposits (in 1,000's)	Net Loans (in 1,000's)	Total Assets (in 1,000's)
12/31/2019	58.59%	\$ 226,818.00	\$ 132,893.00	\$ 256,685.00
9/30/2019	58.79%	\$ 218,377.00	\$ 128,389.00	\$ 248,584.00
6/30/2019	59.97%	\$ 211,665.00	\$ 126,927.00	\$ 240,521.00
3/31/2019	56.19%	\$ 212,026.00	\$ 119,129.00	\$ 241,059.00

Call Report

RC #13a

RC #4d

RC #12

# CRA

## Performance Evaluation

## **PUBLIC DISCLOSURE**

August 17, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Oregon Coast Bank  
Certificate Number: 57373

909 Southeast Bay Boulevard  
Newport, Oregon 97365

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

25 Jessie Street, Suite 2300  
San Francisco, California 94105

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 COMMUNITY REINVESTMENT ACT (CRA) RATING:** This institution is rated **Satisfactory**.

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

The following points summarize the bank's Lending Test performance:

- The bank's level of lending as measured through the net loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- The bank originated a substantial majority of its small business, small farm, and mortgage loans within its AA.
- The bank's performance in lending to businesses and farms of different revenue sizes and borrowers of different income levels is reasonable.
- The bank's geographic distribution of loans is reasonable.
- No CRA-related complaints have been received since the previous evaluation.

Credit practices inconsistent with helping to meet community credit needs were identified at the current examination. The bank's overall CRA Rating was not reduced despite violations of Section 1024 of Regulation X, which implements Section 8 of the Real Estate Settlement Procedures Act (RESPA) identified during the Compliance Examination of the bank.



## **SCOPE OF EVALUATION**

### **General Information**

The current examination was conducted at Oregon Coast Bank's (OCB) main office in Newport, Oregon. Examiners evaluated the institution using procedures applicable to small institutions. Small institutions are classified as ones in which, as of December 31<sup>st</sup> of either of the prior 2 calendar years, had assets of less than \$1.221 billion.

Small bank CRA Ratings are derived from the Small Institution Lending Test, which includes the following five performance criteria:

- LTD Ratio
- AA Concentration
- Borrower Profile
- Geographic Distribution of Loans
- Response to Substantiated CRA-Related Complaints

The five components are not weighted equally. Borrower profile is weighted the heaviest in the overall lending test rating.

The LTD ratio measures the level of lending. AA Concentration refers to the percentage of lending within the AA. Borrower Profile refers to the record of lending to businesses of different revenue sizes and borrowers of different income levels. Geographic Distribution of loans refers to the record of lending in geographies of different income levels.

### **Loan Products Reviewed**

The scope of the current evaluation was determined through a review of bank records, public loan and financial information, demographic data from the 2010 U.S. Census, and community contacts. The performance test was conducted using the bank's delineated AA, which includes all census tracts (CT) located in Lincoln and Tillamook Counties which are not part of a metropolitan statistical area (MSA).

Loan products relevant to the evaluation of OCB's business model are small business, small farm loans, and residential mortgage loans. Small business loans include commercial and industrial as well as commercial real estate loans originated in amounts of \$1 million or less. Small farm loans include agricultural loans with originated loan amounts of \$500,000 or less. Residential mortgage loans are comprised of home purchase, refinance, and home improvement transactions that will be presented as a single loan product in this evaluation; a separate presentation by loan purpose would not yield a different conclusion. Lending data is generally based upon the number of loans originated. Dollar volume figures are only presented when discussing loan concentration, as information based on dollar volume did not significantly add to the analysis. No other loan products represented sufficient volume to warrant review. OCB operates with a commercial lending focus.

Examiners evaluated loans originated within the institution's delineated AA from January 1, 2013 to June 30, 2015. The universe of small business loans equaled 171 loans totaling \$19.8 million. The universe of small farm loans equaled 103 loans totaling \$8.9 million. OCB originated 157 home mortgage loans totaling \$24.0 million. Most weight is given to small business loans as commercial lending is the bank's primary focus, mortgage loans are generally sold on the secondary market upon originated. OCB's Reports of Condition substantiates this lending philosophy. Table 1 details both the universe of originations and loans reviewed.

<b>Table 1 - Loan Products Review</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Home Mortgage				
2013	72	11,415	72	11,415
2014	58	9,682	58	9,682
2015	27	2,949	27	2,949
<b>Subtotal</b>	<b>157</b>	<b>24,046</b>	<b>157</b>	<b>24,046</b>
Small Business				
2013	69	8,267	69	8,267
2014	76	11,196	76	11,196
2015	38	4,372	38	4,372
<b>Subtotal</b>	<b>183</b>	<b>23,835</b>	<b>183</b>	<b>23,835</b>
Small Farm				
2013	45	3,917	45	3,917
2014	42	3,664	42	3,664
2015	16	1,327	16	1,327
<b>Subtotal</b>	<b>103</b>	<b>8,908</b>	<b>103</b>	<b>8,908</b>
<i>Source: Bank Records from 1/1/2013 through 6/30/2015</i>				



## DESCRIPTION OF INSTITUTION

### Background

OCB is a family-owned, state chartered, community bank headquartered in Newport, Lincoln County, Oregon. OCB focuses on lending to traditionally coastal businesses in the State of Oregon (logging, fisheries, hotels and restaurants). The bank operates five branches in Lincoln and Tillamook Counties, including the main branch in Newport, Oregon. OCB opened one branch since the previous examination; the Tillamook branch opened for business in April of 2015.

As of June 30, 2015, OCB reported total assets of \$167.2 million, total deposits of \$160.7 million, total loans of \$89.7 million, and total equity capital of \$21.9 million. Table 2 details the composition of the bank's loan portfolio as of June 30, 2015.

Table 2 - Loan Portfolio Distribution as of 6/30/2015		
Loan Category	\$(000s)	%
Construction and Land Development	4,849	5.4
Secured by Farmland	685	0.8
1 to 4 Family Residential	27,568	30.7
Multi-family (5 or more) Residential	1,261	1.4
Commercial Real Estate	28,506	31.7
<b>Total Real Estate Loans</b>	<b>62,869</b>	<b>70.0</b>
Commercial and Industrial	6,651	7.4
Agricultural	16,913	18.8
Consumer	2,741	3.1
Other	795	0.9
Less: Unearned Income	(220)	(0.2)
<b>Total Loans</b>	<b>89,749</b>	<b>100.0</b>
<i>Source: Reports of Income and Condition</i>		

### Operations

OCB's primary loan products include commercial real estate, 1 to 4 family residential mortgage, and agricultural loans. The institution's agricultural loans focus on loans to logging and fishing businesses. OCB provides a variety of deposit services including checking, savings, individual retirement accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, along with six automated teller machines (ATM).

### Ability and Capacity

No legal or financial impediments currently prevent the institution from helping to meet the credit needs of its AA. A review of FDIC records, as well as the bank's CRA public file, did not

reveal any complaints relating to the institution's CRA performance since the prior evaluation. OCB received a "Satisfactory" CRA Rating at its previous Performance Evaluation dated May 5, 2009. OCB has no affiliates to consider in the current evaluation

## DESCRIPTION OF ASSESSMENT AREA

### Economic and Demographic Data

OCB delineated Lincoln and Tillamook Counties as its AA. This area consists of 27 contiguous CTs. Table 3 details key demographic data for the AA by CT income level.

Table 3 - Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs)	27	-	3.7	66.7	22.2	7.4
Population by Geography	71,284	-	5.4	74.5	20.1	-
Housing Units by Geography	48,118	-	5.8	74.5	19.7	-
Owner-Occupied Units by Geography	21,575	-	4.2	77.7	18.1	-
Occupied Rental Units by Geography	10,203	-	9.5	66.5	24.0	-
Vacant Units by Geography	16,340	-	5.6	75.1	19.3	-
Businesses by Geography	7,115	-	7.2	63.1	29.7	-
Farms by Geography	414	-	2.2	80.7	17.1	-
Family Distribution by Income Level	19,498	21.8	16.0	19.6	42.6	-
Household Distribution by Geography	31,778	-	5.9	74.1	20.0	-
Median Family Income	53,913	Median Housing Value				253,775
FFIEC-Estimated Median Family Income for 2015	53,900	Median Gross Rent				699
		Households Below Poverty Level				16.4%

*Source: 2010 U.S. Census, 2014 D&B Data, and FFIEC Estimated Median Family Income; (\*) The NA category consists of geographies that have not been assigned an income classification*

Lincoln County's major industries include travel, trade, healthcare, and construction. Newport is home to Oregon State University's Hatfield Marine Science Center and the Oregon Coast Aquarium. Many of the communities in the county also depend on tourism as their principal source of revenue. Although paper manufacturing and fishing are still important, they contribute proportionally less to the county's employment base compared to prior years. Newport is one of two major fishing ports in Oregon and ranks among the top 20 fishing ports in the United States. According to the Oregon Employment Department, Lincoln County's most recent unemployment rate in April 2015 was high at 6.4 percent.

Tillamook County's major industries include dairy farming and dairy products, timber, and tourism. The City of Tillamook is the home of the Tillamook Cheese Factory, the county's largest business and employer. With over 44 percent of the county being forest, the timber industry continues to be an economic revenue source for the county although not as significant as in the past. At 5.3 percent, Tillamook County's April 2015 unemployment rate is slightly lower than Lincoln County.

The 2015 Federal Financial Institutions Examination Council adjusted median family income equaled \$53,900 for the state non-MSA areas. The AA contains whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate-income areas. As detailed in Table 4, 67.0 percent of OCB's branches and ATMs are located in middle income CTs, where 74.5 percent of the AA population resides.



Table 4 - Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	-	-	-	-	-	-	-	-
Moderate	1	3.7	3,871	5.4	1	16.7	1	16.7
Middle	18	66.7	53,116	74.5	4	66.6	4	66.6
Upper	6	22.2	14,297	20.1	1	16.7	1	16.7
NA	2	7.4	-	-	-	-	-	-
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>71,284</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, Bank Records</i>								

### **Competition**

OCB operates in a competitive banking environment. In the bank's AA, there are 8 other FDIC-insured institutions operating 29 branches according to the June 30, 2014 FDIC Summary of Deposits database. The competitor branch figures do not include credit unions. OCB holds a 14.5 percent deposit market share, and is ranked 4<sup>th</sup> in the AA. One national and 2 regional banks with larger deposit market share hold a combined 53.3 percent of AA deposits.

### **Community Contact**

Examiners conducted two community contacts in order to have a better understanding of the pressing credit needs in the AA.

Examiners met with the director of a local small business development center (SBDC). The function of the SBDC is to provide technical assistance and education to emerging business owners in the formation or expansion of their businesses; their client base is comprised of 75 percent low income individuals. The contact stated that the current economic conditions of the area are depressed as the fishing, timber, and tourism industries continue to recover. The contact also expressed frustration with the limited credit opportunities in the area for small businesses, categorizing opportunities as "restrictive."

Examiners also met with the director of an established public housing authority serving communities along the Oregon coast. The organization provides public housing, rental assistance, and transitional housing services to individuals and families whose income is at or below 30 percent of area median income. The contact stated they have good relationships with all the banks in the area, who work with clients to establish various down payment savings programs, but that poverty, especially among Hispanic and Native American individuals, remains high.

### **Credit and Community Development Needs and Opportunities**

Community development needs and opportunities for the small business community expressed by community contacts included a need to facilitate partnerships between the Small Business Administration, SBDCs, and banks to inspire/encourage future lending, and educate small business owners on best practices to mitigate risk.

Community development needs and opportunities for individuals interested in home ownership expressed by community contacts included the need for financial institutions to facilitate homeowner buyer education classes, share underwriting criteria for mortgage lending, as well as help facilitate financial education and financial management workshops. There's a need to encourage individuals to open savings accounts, including youth, who participate in summer employment programs.



## CONCLUSIONS ON PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

OCB's LTD ratio is satisfactory given the institution's size, financial condition, and AA credit needs. Examiners use the ratio of net loans to total deposits to evaluate the extent to which the institution invests depositors' funds back into the community through lending activity. To adjust for seasonal fluctuations, examiners calculate an average of the quarter-end net LTD ratio for each quarter since the previous examination. OCB's average net quarter-end LTD ratio since the previous examination through June 30, 2015 is 51.7 percent.

Examiners reviewed the performance of similarly situated institutions in order to account for economic and competitive factors that may impact OCB's ability to lend. Although examiners used the LTD ratio of four other institutions, no banks with a similar asset size, loan portfolio mix, and branch distribution could be found within OCB's AA. Table 5 compares the net LTD ratio of four other Oregon banks identified to be as similarly situated to OCB as possible. Compared to these institutions, and given the dissimilar AA footprint, the level of lending is reasonable.

Table 5 - Loan-to-Deposit Ratio Comparison		
Institutions	Total Assets as of 3/31/15 \$(000s)	Average Net LTD Ratio (%)
Oregon Coast Bank	181,688	51.7
Financial Institution #1	181,765	74.3
Financial Institution #2	187,184	84.6
Financial Institution #3	146,257	91.2
Financial Institution #4	95,598	78.8
Source: Reports of Income and Condition 6/30/09 through 3/31/15		

OCB's level of lending is reasonable considering the area's improving yet still weak loan demand, and strong deposit inflow. The demographic structure of the AA is unique to the State of Oregon; the AA is a strong deposit source, primarily due to the large retired population which typically favors more conservative insured deposit products and typically has less loan demand. According to the 2010 U.S. Census, 20.4 percent of the population of the AA is 65 years or older; this significantly exceeds the 13.3 percent state population age 65 and over. Moreover, there is a comparatively low credit demand for individuals in this demographic. More recently, OCB is experiencing an influx of deposits as the institution has received significant positive marketing in conjunction with the opening of a branch in Tillamook. Finally, the institution had 2 large payoffs of commercial loans in late 2014, aggregating to over \$2.5 million.

### Assessment Area Concentration

OCB originated a substantial majority of loans reviewed during the review period within its AA. Table 6 summarizes the distribution of OCB's small business, small farm, and mortgage originations inside and outside the AA.



**Table 6 - Lending Inside and Outside of the Assessment Area**

Table 6 - Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2013	72	90.0	8	10.0	80	11,415	89.9	1,278	10.1	12,693
2014	58	93.5	4	6.5	62	9,682	85.6	1,623	14.4	11,305
2015	27	90.0	3	10.0	30	2,949	80.3	724	19.7	3,673
Subtotal	157	91.3	15	8.7	172	24,046	86.9	3,625	13.1	27,671
Small Business										
2013	94	92.2	8	7.8	102	9,295	90.4	985	9.6	10,280
2014	42	89.4	5	10.6	47	7,522	85.0	1,331	15.0	8,853
2015	35	92.1	3	7.9	38	3,004	85.0	530	15.0	3,534
Subtotal	171	91.4	16	8.6	187	19,821	87.4	2,846	12.6	22,667
Small Farm										
2013	45	73.8	16	26.2	61	3,917	66.1	2,013	33.9	5,930
2014	42	85.7	7	14.3	49	3,664	85.4	626	14.6	4,290
2015	16	72.7	6	27.3	22	1,327	72.3	508	27.7	1,835
Subtotal	103	78.0	29	22.0	132	8,908	73.9	3,147	26.1	12,055
Total	431	87.8	60	12.2	491	52,775	84.6	9,618	15.4	62,393
Source: Bank Records										

Source: Bank Records

OCB's lending levels reflect an excellent responsiveness to its AA credit needs. Specifically, home mortgage and small business originations exceed 90.0 percent by number of loans, and 85.0 percent by dollar volume. Overall, aggregate lending within the AA are 87.8 percent by number of loans, and 84.6 percent by dollar volume.

### **Geographic Distribution**

Overall, OCB's geographic distribution of loans is reasonable. Most weight is given to small business loans. The bank's AA contains no low-income geographies. As such, the institution's performance will focus on its lending efforts in moderate-income CTs.

### **Small Business Loans**

OCB's geographic distribution of small business loans is reasonable. Table 7 presents the distribution of small business loans by CT income level compared to the distribution of businesses estimated by D&B.

<b>Table 7 - Geographic Distribution of Small Business Loans</b>			
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>
<b>Moderate</b>			
2013	10.2	5	5.3
2014	7.2	2	4.8
2015	-	1	2.9
<b>Middle</b>			
2013	63.5	51	54.3
2014	63.1	19	45.2
2015	-	24	68.6
<b>Upper</b>			
2013	26.3	38	40.4
2014	29.7	21	50.0
2015	-	10	28.5
<b>Total</b>			
2013	100.0	94	100.0
2014	100.0	42	100.0
2015	-	35	100.0
<i>Source: 2013, 2014, and 2015 D&amp;B Data; Bank Records; "-" Data not available</i>			

The AA contains no low-income geographies, and only one moderate-income geography. In 2013 and 2014, OCB originated 5 (5.3 percent) and 2 (4.8 percent) small business loans in moderate income geographies, respectively. This performance underperforms both D&B and aggregate data. Performance in 2014 showed improvement relative to D&B. Although lending in moderate-income geographies declined year-over-year, the same general trend was seen in all income levels.

Given the AA has no low-income geographies, and has a limited number of moderate-income geographies, lending opportunities are extremely limited. Added to this, competition from larger banks with more capacity and loan products designed for smaller and less profitable businesses.

#### Small Farm Loans

OCB's geographic distribution of small farm loans is reasonable. OCB originated no loans in moderate-income geographies during the evaluation period. In 2013, only 4.8 percent of small farms were located in moderate-income CTs; this number dropped to 2.2 percent in 2014. Farm distribution for 2015 is not available.

In 2013, the only year for which aggregate data is available, only three loans were originated to farms in moderate-income CTs. In addition, OCB's agricultural lending is focused on businesses involved with forestry and fisheries; companies typically not located in moderate-income geographies.



### Residential Mortgage Loans

OCB's geographic distribution of residential mortgage loans is excellent given the limited opportunities. Table 8 details OCB's residential mortgage lending distribution by CT income level within the AA. Although not directly related, the distribution of owner occupied housing units according to the 2010 U.S. Census is included for comparison purposes.

Table 8 - Geographic Distribution of Home Mortgage Loans			
Tract Income Level	% of Owner-Occupied Housing Units	#	%
Moderate			
2013	6.3	7	9.7
2014	4.2	3	5.2
2015	-	1	3.7
Middle			
2013	75.6	47	65.3
2014	77.7	42	72.4
2015	-	19	70.4
Upper			
2013	18.1	18	25.0
2014	18.1	13	22.4
2015	-	7	25.9
Total			
2013	100.0	72	100.0
2014	100.0	58	100.0
2015	-	27	100.0
Source: 2010 U.S. Census; Bank Records; "-" Data not available			

OCB's distribution of residential mortgage loans in moderate-income geographies outperformed the housing demographic for the area. Additionally, the bank's rate of lending in moderate-income areas slightly outperforms aggregate lenders. In 2013 and 2014, the distribution of residential mortgage loans at 9.7 percent and 5.2 percent exceeded housing demographics at 6.3 percent and 4.2 percent, respectively. However, in 2015 the percentage of lending in moderate-income CTs declined to 3.7 percent. Demographic information is not yet available for 2015.

### Borrower Profile

Overall, OCB's distribution of loans among businesses and farms of different revenue sizes, and mortgage loans among borrowers of different income levels, given the demographics of the AA, is reasonable. Although small business lending is more heavily weighted of the loan products reviewed, the excellent small business lending rating is not strong enough to raise the overall borrower profile rating to excellent.

### Small Business Loans

The distribution of small business loans reflects a reasonable penetration among businesses of different revenue sizes, given the small business credit needs of the AA.

Table 9 describes the degree of lending to businesses of different revenue sizes by gross annual revenues (GAR) within the AA. The table includes demographic information from D&B that estimates the percentage of businesses in the AA with GARs within the established ranges. D&B data however, represents only credit opportunity in the AA; it is not an indication of loan demand or borrowing ability.

<b>Table 9 - Distribution of Small Business Loans by Gross Annual Revenue Category</b>			
<b>Gross Annual Revenues</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>
<b>≤ \$1,000,000</b>			
2013	75.2	51	54.3
2014	75.0	28	66.7
2015	-	25	71.4
<b>&gt; \$1,000,000</b>			
2013	2.2	25	26.6
2014	2.5	7	16.7
2015	-	5	14.3
<b>Subtotal</b>			
<b>2013</b>	<b>77.4</b>	<b>76</b>	<b>80.9</b>
<b>2014</b>	<b>77.5</b>	<b>35</b>	<b>83.4</b>
<b>2015</b>	<b>-</b>	<b>30</b>	<b>85.7</b>
<b>Revenue Not Available</b>			
2013	22.6	18	19.1
2014	22.5	7	16.6
2015	-	5	14.3
<b>Total</b>			
<b>2013</b>	<b>100.0</b>	<b>94</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>
<b>2015</b>	<b>-</b>	<b>35</b>	<b>100.0</b>
<i>Source: 2013, 2014, and 2015 D&amp;B Data; Bank Records; "-" Data not available</i>			

Small business originations in the AA indicate that the bank's rate of lending to businesses with GARs of \$1 million or less is reasonable. There was a year-over-year increase during the evaluation period. This is a positive indicator relative to originations to smaller businesses, including start-up entities. Although lending in 2013 at 54.3 percent and 2014 at 66.7 percent underperforms D&B data, overall distribution of small business loans among businesses of different revenue sizes is well above institutions in the AA required to annually report small business data.



## Small Farm Loans

The distribution of small farm loans reflects reasonable penetration among farms of different revenue sizes, given the small business credit needs of the AA.

Table 10 describes the degree of lending to farms of different sizes by GAR range within the AA. The table includes demographic information from D&B that estimates the percentage of farms in the AA with GARs within the established ranges. D&B data however, represents only credit opportunity in the AA; it is not an indication of loan demand or borrowing ability.

<b>Table 10 - Distribution of Small Farms Loans by Gross Annual Revenue Category</b>			
<b>Gross Annual Revenues</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>
<b>≤ \$1,000,000</b>			
2013	96.9	10	22.2
2014	96.6	15	35.7
2015	-	5	31.2
<b>&gt; \$1,000,000</b>			
2013	1.5	11	24.4
2014	3.2	13	31.0
2015	-	3	18.8
<b>Subtotal</b>			
2013	98.4	21	46.6
2014	99.8	28	66.7
2015	-	8	50.0
<b>Revenue Not Available</b>			
2013	1.6	24	53.4
2014	0.2	14	33.3
2015	-	8	50.0
<b>Total</b>			
2013	100.0	45	100.0
2014	100.0	42	100.0
2015	-	16	100.0
<i>Source: 2013, 2014, and 2015 D&amp;B Data; Bank Records; "-" Data not available</i>			

The information detailed in Table 10 reveals OCB's rate of lending to farms with GARs of \$1 million or less increased between 2013 through the first half of 2015. The slight decrease between 2014 and 2015 can be attributed to the seasonality inherent to agricultural lending; fall and early winter is when agricultural lending increases. Although OCB's lending at 22.2 percent in 2013 and 35.7 percent in 2014 is lower than D&B's estimates of total farms with GARs of \$1 million or less, the bank's overall distribution of small farm loans among farms of different revenue sizes is consistent with institutions reporting small farm lending. In addition, the majority of OCB's small farm lending is to forestry and fishery businesses, which saw significant consolidation over the past 20 to 25 years, and typically have GARs above \$1 million.

## Residential Mortgage Loans

OCB's distribution of mortgage borrowers represents a reasonable penetration to individuals of different income levels. Table 11 details OCB's distribution of residential mortgage loans by borrower income level over the review period compared to the percentage of families by income level. OCB does not report mortgage originations. As a result, direct comparisons to aggregate originations by reportable lenders within OCB's AA will not be made, although examiners used the information as an indicator of overall demand.

<b>Table 11 - Distribution of Home Mortgage Loans by Borrower Income Level</b>			
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>
<b>Low</b>			
2013	22.0	1	1.4
2014	21.8	3	5.2
2015	-	-	-
<b>Moderate</b>			
2013	16.1	9	12.5
2014	16.0	3	5.2
2015	-	6	22.2
<b>Middle</b>			
2013	19.7	7	9.7
2014	19.6	6	10.3
2015	-	4	14.8
<b>Upper</b>			
2013	42.2	39	54.2
2014	42.6	39	67.2
2015	-	10	37.1
<b>Income Not Collected</b>			
2013	42.2	16	22.2
2014	42.6	7	12.1
2015	-	7	25.9
<b>Total</b>			
2013	100.0	72	100.0
2014	100.0	58	100.0
2015	-	27	100.0
<i>Source: 2010 U.S. Census; Bank Records; "-" Data not available</i>			

Only one mortgage loan in 2013 and three mortgage loans in 2014 were extended to low-income borrowers, a percentage generally consistent with aggregate data, but significantly lagging the percent of low-income families. However, while approximately 16.0 percent of families are estimated to be low-income, 16.4 percent of families in the AA are below the poverty level. This effectively eliminates the ability to service mortgage debt.



OCB's penetration to moderate-income borrowers was volatile, with a significant drop between 2013 at 12.5 percent and 2014 at 5.2 percent, but recovering in 2015 at 22.2 percent. Performance in 2013 was consistent with the distribution of moderate-income borrowers in the AA, but underperformed in 2014. Family distribution data for 2015 is not yet available. OCB's mortgage originations are only slightly below aggregate distribution; given the available comparative data and considering capacity and product offerings relative to its larger competitors, examiners concluded that the bank's rate of lending to low- and moderate-income borrowers is reasonable.

### **Response to Complaints**

The institution received no substantiated CRA-related complaints since the previous evaluation; therefore, this performance criterion was not evaluated.

### **Fair Lending or Other Illegal Credit Practices Review**

Illegal credit practices inconsistent with helping to meet community credit needs were identified at the current examination. The bank's overall CRA Rating was not reduced despite substantive violations of Section 1024 of Regulation X, which implements Section 8 RESPA, identified during the Compliance Examination of the bank. The violation involves both the giving and receiving of things of value for the referral of settlement service business involving federally related mortgage loans. The violations were limited to loans referred to the bank by real estate companies. The scope and number of violations is minimal compared to the scale of the bank's lending and business activity. There is no indication that the illegal payments increased costs to consumers over the review period. Furthermore, the amounts are not substantive. Relative to the severity of these violations, the impact was not significant enough to lower the bank's CRA Rating from "Satisfactory." Examiners found that violations occurred due to inadequate oversight and the lack of effective training to prevent illegal credit practices. Formal corrective action and remediation remain under discussion at this time; however, bank management has committed to enhance its compliance management system and implement appropriate oversight.

## 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.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan 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. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**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 non-metropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**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.

**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).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan 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:** Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (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 Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families)



dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**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:** Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, 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.

**Non-metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan 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 non-metropolitan 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent 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.