

# **PUBLIC DISCLOSURE**

February 8, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Passumpsic Savings Bank  
Certificate Number: 14134

497 Railroad Street  
St. Johnsbury, Vermont 05819

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 **Outstanding**.

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

**The Lending Test is rated Outstanding.**

- The loan-to-deposit ratio (LTD) is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a substantial majority of small business loans in its assessment areas.
- The geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment areas.
- The distribution of borrowers reflects excellent penetration among individuals of different income levels (including low- and moderate-income) and reasonable penetration of businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Outstanding.**

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

## DESCRIPTION OF INSTITUTION

Passumpsic Savings Bank (PSB), established in 1853, is a stock savings bank and a wholly owned subsidiary of Passumpsic Bancorp, a mutual holding company. Both entities are headquartered in St. Johnsbury, Vermont (VT). Northeast Home Loan (NEHL) is a PSB wholly owned subsidiary that underwrites and originates home mortgages for PSB and independent brokers. Unlike the bank, NEHL reports loans pursuant to the Home Mortgage Disclosure Act (HMDA) and the bank elected to have NEHL's mortgage loan originations considered when evaluating the bank's Lending Test performance.

PSB received an Outstanding CRA rating at its previous FDIC CRA evaluation, dated April 3, 2018, based on Interagency Intermediate Small Institution (ISI) Examination Procedures.

PSB operates eleven full-service branch offices; seven located in VT and four in New Hampshire (NH). All branches offer drive-up service and 24 hour Automatic Teller Machines (ATMs), except for the Island Pond, VT branch. The bank also operates five stand-alone ATMs in East Burke, Island Pond, Lyndonville, and St. Johnsbury (2), VT. Three ATMs are full-service and two are cash only machines. In addition, a limited service-loan production office is located in Littleton, NH. In October 2018, the bank opened a branch in a middle-income census tract in Berlin, VT. The bank has not closed any branches since the last evaluation.

The bank offers deposit and credit products to consumers and small businesses. Consumer deposit products include savings and checking accounts, certificates of deposit, individual retirement accounts, and money market accounts. Loan products include fixed- and variable-rate mortgages, first time homebuyer loans, residential construction loans, home equity loans and lines of credit, and personal loans. The bank also offers checking and savings accounts for businesses and loans for the purchase of commercial real estate and equipment, and working capital loans and lines of credit. PSB also offers various Small Business Administration (SBA) loan programs.

Alternative banking products and services include safe deposit boxes, direct deposit, wire transfers, and night deposit drop boxes. PSB's online banking platform offers customers Popmoney, bill pay, mobile banking, and electronic statements (e-statements). The bank also offers investment services through Passumpsic Financial Advisors, a division of PSB.

Assets totaled approximately \$814 million as of December 31, 2020, including total loans of \$548 million and total deposits of \$682 million.

The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 12/31/2020</b>		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	5,190	0.9
Secured by Farmland	1,102	0.2
Secured by 1-4 Family Residential Properties	292,622	53.4
Secured by Multi-family (5 or more) Residential Properties	2,865	0.5
Secured by Nonfarm Nonresidential Properties	103,780	19.0
Total Real Estate Loans	405,559	74.0
Commercial and Industrial	62,140	11.4
Agricultural Production and Other Loans to Farmers	340	0.1
Consumer Loans	50,606	9.2
Obligations of State and Political Subdivisions in the U.S.	29,170	5.3
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	547,815	100.0

*Source: Reports of Condition and Income.*

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

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires the financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. PSB designated two contiguous assessment areas, one in northeastern VT and one in northwestern NH. Examiners performed full-scope reviews for each assessment area and provided separate ratings for each state and the combined assessment area.<sup>1</sup> The combined assessment area consists of 42 census tracts. The bank added 12 tracts to the combined assessment area since the previous evaluation with the Berlin, VT branch opening in 2018. Of these 12 new census tracts, 10 are middle-income and 2 upper-income. Refer to the VT and NH sections of the performance evaluation for additional information about those assessment areas.

<b>Description of Assessment Areas</b>			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
VT	Caledonia, Essex, Orleans, and Washington	35	7
NH	Grafton and Coos	7	4

*Source: Bank Data*

<sup>1</sup> Combined assessment area refers to both northern VT and northwestern NH combined.

## **SCOPE OF EVALUATION**

### **General Information**

The lending test covers the period from the previous evaluation dated April 3, 2018, to the date of the current evaluation dated February 8, 2021. Examiners used the Interagency Small Institutions (ISI) Examination Procedures to evaluate PSB's CRA performance. These procedures include the Lending Test and the Community Development Test. Examiners considered the bank's performance in both the VT and NH assessment areas. However, examiners placed greater weight on performance in the VT assessment area in arriving at overall conclusions, as the bank is headquartered in, and a majority of loans, deposits, and branches are in VT.

At the bank's request, examiners considered the affiliated mortgage broker NEHL's activity when evaluating PSB's lending performance. The Conclusions on Performance Criteria sections that follow describe the Lending Test results.

### **Activities Reviewed**

Examiners determined the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of originations during the evaluation period. According to the bank's loan portfolio dated December 31, 2020, the bank is primarily a residential lender with 53.4 percent secured by 1-4 family residential real estate, and commercial real estate and commercial and industrial loans at 30.2 percent.

The bank's record of originating home mortgage loans contributed more weight to the overall conclusions due to the larger loan volume when compared to small business loans. No other loan types, such as small farm or consumer loans represent a major product line. Therefore, the evaluation does not present these products because they provide no material support for conclusions or ratings.

Per the CRA regulations, examiners did not consider affiliate NEHL's residential mortgage lending activity when determining assessment area concentration. However, examiners analyzed and presented NEHL lending in the Geographic Distribution and Borrower Profile criteria. Examiners compared NEHL's home mortgage lending to 2018 and 2019 aggregate lending performance and demographic data from the 2010 U.S. Census and the 2015 American Community Survey (ACS). In 2018, NEHL originated 823 home mortgage loans totaling \$219.7 million, of which 132 loans totaling approximately \$21.5 million were in the combined assessment area. In 2019, NEHL originated 1,238 home mortgage loans totaling approximately \$357.9 million, of which 121 loans totaling approximately \$18.4 million were in the combined assessment area.

As an ISI, the bank is not required to collect and report small business lending. Nonetheless, the bank collected and provided data for all 2018 and 2019 small business loan originations. In 2018, the bank originated 359 small business loans, of which 319 loans totaling approximately \$29 million were in the combined assessment area. In 2019, the bank originated 320 small business loans totaling approximately \$31 million, of which 287 loans were in the combined assessment

area. Since the bank is not required to collect small business loan data, examiners compared small business loan activity in each assessment area to corresponding 2018 and 2019 D&B loan data.

Examiners reviewed the number and dollar volume of home mortgage and small business loans for the Lending Test. Although this evaluation presents the number and dollar volume of the loans, examiners emphasized the bank’s performance by the number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

For the Community Development Test, examiners reviewed bank provided data for qualified community development loans, investments, and services since April 3, 2018 to the current evaluation date, February 8, 2021.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

PSB demonstrated excellent performance under the Lending Test. The bank’s Loan-to-Deposit (LTD) Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance all support this conclusion. The bank’s overall performance is consistent with the conclusions in the VT rated area and inconsistent with that reached for the NH rated area.

#### **Loan-to-Deposit Ratio**

The LTD ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s LTD ratio during the evaluation period, calculated from Call Report data, averaged 93.6 percent over the past 11 calendar quarters from June 30, 2018 to December 31, 2020. The ratio ranged from a high of 100.9 percent to a low of 79.2 percent. PSB maintained a ratio similar to that of comparable institutions selected based on asset size, lending portfolio, and geographic location.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2020 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
Woodsville Guaranty Savings Bank	590,181	99.1
<b>Passumpsic Savings Bank</b>	<b>814,284</b>	<b>93.6</b>
Union Bank	1,092,721	91.0
<i>Source: Reports of Condition and Income 06/30/2018 – 12/31/2020</i>		

#### **Assessment Area Concentration**

The bank made a substantial majority of small business loans, by number, in the combined assessment area. Please see the following table.

Lending Inside and Outside of the Combined Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2018	319	88.9	40	11.1	359	28,521	79.2	7,509	20.8	36,030
2019	287	89.7	33	10.3	320	30,647	81.8	6,825	18.2	37,473
<b>Total</b>	<b>606</b>	<b>89.2</b>	<b>73</b>	<b>10.8</b>	<b>679</b>	<b>59,168</b>	<b>80.5</b>	<b>14,335</b>	<b>19.5</b>	<b>73,503</b>
<i>Source: Bank Data</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects excellent dispersion throughout the combined assessment area. Consistent excellent dispersion of home mortgage and small business loans in both rated areas supports this conclusion. In arriving at overall conclusions, examiners placed more weight on the bank's performance in the VT assessment area. Please refer to the VT and NH assessment area sections for more detail.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the combined assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income), and businesses of different sizes. Consistent excellent penetration of home mortgage loans and reasonable penetration of small business loans in the VT area and reasonable penetration of home mortgage and small business loans in the NH area supports this conclusion. In arriving at overall conclusions, bank performance in the VT assessment area received greater weight due to the majority of loans originated in that area and the bank maintaining a larger presence in the area. Please refer to the VT and NH full-scope assessment area evaluations for more detail.

### **Response to Complaints**

The bank did not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

### **COMMUNITY DEVELOPMENT TEST**

PSB demonstrated excellent responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. The bank's overall performance is consistent with its performance in each rated area. Examiners considered the institution's capacity and the need and availability of such opportunities in the assessment areas. Please refer to the VT and NH assessment area sections for more detail.



**Community Development Loans**

The bank originated 235 community development loans (CDLs) totaling approximately \$26.1 million in the combined assessment area during the evaluation period. This total includes 18 CDLs for approximately \$4.5 million and 217 SBA Paycheck Protection Program (PPP) loans for approximately \$21.6 million that qualified as CDLs. As of December 31, 2020, the total CDL activity represents 3.8 percent of average total assets and 5.0 percent of average total loans. The bank offered SBA PPP loans during 2020 in response to the COVID-19 pandemic. The level of PPP lending reflects the bank’s excellent responsiveness to community development needs in its assessment area. PPP loans were essential in helping many area businesses remain open and employ local residents, many low- and moderate-income. Based on bank application data, PPP loans originated to businesses located in moderate- and unserved nonmetropolitan middle-income areas in VT and NH helped retain approximately 1,800 jobs in those areas.

The following table reflects the community development loans in the combined assessment area.

<b>Community Development Lending Combined Assessment Area</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Vermont	1	250	1	200	0	0	132	10,487	<b>134</b>	<b>10,937</b>
New Hampshire	2	1,250	1	500	0	0	98	13,429	<b>101</b>	<b>15,179</b>
<b>Total</b>	<b>3</b>	<b>1,500</b>	<b>2</b>	<b>700</b>	<b>0</b>	<b>0</b>	<b>230</b>	<b>23,916</b>	<b>235</b>	<b>26,116</b>
<i>Source: Bank Data</i>										

Please refer to the VT and NH assessment area sections for more detail on community development lending.

**Qualified Investments**

PSB made 181 qualified investments and donations totaling approximately \$3.2 million in the combined assessment area. This includes 16 qualified investments totaling approximately \$2.6 million and 165 qualified donations totaling approximately \$521,000. Of the 16 investments, 3 are prior period investments with book values totaling \$332,000, and 2 are new regional investments totaling \$750,000. Of the 165 total donations, 22 totaling approximately \$52,000 benefitted the region including the combined assessment area, 89 totaling approximately \$393,000 benefitted the VT assessment area, and 54 totaling approximately \$75,000 benefitted the NH assessment area.

The dollar amount of equity investments and donations represents 0.5 percent of average total assets and 6.7 percent of average total securities since the last CRA evaluation.

The number and dollar amount of new equity investments is relatively consistent with the number and dollar amount made during the prior evaluation period. However, donations increased substantially from 130 donations totaling \$371,000 reported during the prior evaluation.

The following table shows all qualified investments and donations made during the evaluation period by community development activity.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	3	332	0	0	0	0	0	0	3	332
2018	0	0	0	0	0	0	0	0	0	0
2019	2	1,165	0	0	0	0	4	227	6	1,392
2020	1	500	0	0	2	107	4	315	7	922
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>6</b>	<b>1,997</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>107</b>	<b>8</b>	<b>542</b>	<b>16</b>	<b>2,646</b>
Qualified Grants & Donations	4	16	149	469	10	33	2	3	165	521
<b>Total</b>	<b>10</b>	<b>2,013</b>	<b>149</b>	<b>469</b>	<b>12</b>	<b>140</b>	<b>10</b>	<b>545</b>	<b>181</b>	<b>3,167</b>
<i>Source: Bank Data</i>										

The following are examples of notable qualified investments that benefit communities throughout New England, including in the bank’s VT and NH assessment areas.

- In 2020, the bank invested \$500,000 in a non-profit limited partnership that invests in low- and moderate-income housing projects in VT, Maine (ME), and NH. This investment benefits the broader regional area that includes the VT and NH assessment areas.
- In 2020, the bank invested \$250,000 in Champlain Capital, a Small Business Investment Company (SBIC) that provides financing and management expertise to small businesses. This investment benefits the broader regional and national area that includes the VT and NH assessment areas.
- *Banzai! Financial Literacy*: During the evaluation period, the bank donated approximately \$14,000 to support Banzai!’s financial literacy program. This program is offered to local elementary and high school students in VT and NH. Eight schools have a majority of students that qualify for free or reduced lunch. This data was based on the National Center for Education Statistic’s free and reduced lunch statistics.

### **Community Development Services**

During the evaluation period, bank employees provided 142 instances of financial expertise or technical assistance to 7 different community development-related organizations. This is a substantial increase over the 81 instances of service provided during the previous evaluation period. Of the 142 instances provided during the current evaluation period, 105 directly benefitted the VT assessment area and 36 benefitted the NH assessment area, and 1 benefitted a broader regional area. In addition, the bank maintains five full-service branches in moderate-income census tracts in VT, and four branches and a loan production office in the moderate-income census tracts in NH. These locations provide banking services to low- and moderate-income individuals residing in these areas.

The following table illustrates the bank’s community development services by purpose and year. Please refer to the VT and NH assessment area sections for more detail on community development services.

<b>Community Development Services Combined Assessment Area</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2018	4	3	17	16	<b>40</b>
2019	4	9	17	21	<b>51</b>
2020	4	9	17	21	<b>51</b>
YTD 2021	0	0	0	0	0
<b>Total</b>	<b>12</b>	<b>21</b>	<b>51</b>	<b>58</b>	<b>142</b>
<i>Source: Bank Data</i>					

The following is a notable example of a qualified community development service.

- During the evaluation period, the bank president and a Director were members of an investment company board. The investment company provides capital and expertise to small businesses in NH and VT. Many businesses are in low- and moderate-income areas and provide jobs to low- and moderate-income individuals residing in Vermont's Northeast Kingdom and New Hampshire’s North Country. This service benefits the VT and NH assessment areas.
- *Northern Community Investment Corporation (NCIC)*: NCIC is a Certified Development Financial Institution dedicated to strengthening businesses, communities, and employment opportunities across the Northeast Kingdom in VT and northern NH. A bank Trustee and an executive officer are board members. This entity serves a broader regional area including the VT and NH assessment areas.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## STATE OF VERMONT - Full-Scope Review

### CRA RATING FOR VERMONT: OUTSTANDING

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN VERMONT

The VT assessment area is situated along the northeastern border of the Connecticut River and NH. The area consists of 35 census tracts and includes all of Caledonia County (10 census tracts), all of Essex County (3 census tracts), all of Orleans County (10 census tracts), and part of Washington County (12 of 19 census tracts). PSB operates seven of its eleven branches in the VT assessment area, including a new branch opened in October 2018, in Berlin, VT. In conjunction with the branch opening, the bank added 12 new census tracts to the VT assessment area. There are also eleven underserved middle-income census tracts in the VT assessment area.<sup>2</sup> The following table and sections discusses economic and demographic for the VT assessment area.

#### Economic and Demographic Data

The 35 census tracts within the VT assessment area reflect the following income designations:

- 8 moderate-income census tracts,
- 25 middle-income census tracts, and
- 2 upper-income census tracts.

Six moderate-income tracts are located in Brighton, Lyndonville (2), Newport City (2), and St. Johnsbury. The other two moderate-income tracts encompass the municipalities of Norton, Canaan, Averill, Lewis, Lemington, Bloomfield, Brunswick, Ferdinand, Maidstone, Avery's Gore, Warren's Gore, Warren's Grant, East Haven, Granby, Guildhall, Victory, Lunenburg, and Concord. Community development activities directed to these areas likely benefit low- and moderate-income individuals and receive CRA credit.

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<sup>2</sup> A non-metropolitan middle-income census tract is designated as underserved if it meets criteria for population size, density, and dispersion that indicate 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. Lending and community development activities in these tracts receive CRA credit if the activities meet certain community development criteria. Additional information about eligible non-metropolitan census tracts is available on the FFIEC Council Web site (<http://www.ffiec.gov>).

<b>Demographic Information Vermont Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	35	0.0	22.9	71.4	5.7	0.0
Population by Geography	101,092	0.0	20.3	74.4	5.3	0.0
Housing Units by Geography	55,185	0.0	20.5	75.2	4.4	0.0
Owner-Occupied Units by Geography	31,000	0.0	18.3	75.9	5.8	0.0
Occupied Rental Units by Geography	10,741	0.0	23.8	72.3	3.9	0.0
Vacant Units by Geography	13,444	0.0	22.8	75.8	1.4	0.0
Businesses by Geography	8,857	0.0	17.7	78.0	4.2	0.0
Farms by Geography	578	0.0	12.3	84.9	2.8	0.0
Family Distribution by Income Level	25,906	22.8	18.9	23.1	35.1	0.0
Household Distribution by Income Level	41,741	26.6	17.2	18.4	37.8	0.0
Median Family Income Non-MSAs - VT		\$64,849	Median Housing Value			\$169,298
			Median Gross Rent			\$772
			Families Below Poverty Level			8.6%
<i>Source: 2015 ACS and 2019 D&amp;B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(* The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the 2018 and 2019 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>VT NA Median Family Income (99999)</b>				
2018 (\$71,900)	<\$35,950	\$35,950 to <\$57,520	\$57,520 to <\$86,280	≥\$86,280
2019 (\$73,600)	<\$36,800	\$36,800 to <\$58,880	\$58,880 to <\$88,320	≥\$88,320
<i>Source: FFIEC</i>				

According to 2019 D&B data, there were 78,857 non-farm businesses operating in the VT assessment area. The following reflects GARs for these businesses.

- 81.2 percent have \$1.0 million or less
- 5.7 percent have more than \$1.0 million
- 13.1 percent have unknown revenues

Service industries represent the largest portion of businesses at 39.1 percent; followed by non-classifiable establishments (12.7 percent); retail trade (12.3 percent); and construction (7.6 percent). In addition, 65.0 percent of area businesses have four or fewer employees, and 86.9 percent operate

from a single location. Major employers in the VT assessment area include Northeastern Vermont Regional Hospital, North Country Hospital, Ethan Allen, Inc., Jay Peak Resort, and Copley Health System.

According to the U.S. Department of Labor Bureau of Labor Statistics, the 2018 and 2019 VT average unemployment rates were 2.7 percent and 2.3 percent, respectively; the 2019 VT state average was 3.5 percent. In 2020 due to the COVID-19 pandemic, the VT unemployment rate increased to 3.1 percent, but remained below the 2020 U.S. average unemployment rate of 6.7 percent.

### **Competition**

According to FDIC Deposit Market Share data as of June 30, 2020, 9 FDIC insured financial institutions operated 45 branch offices throughout the counties of Caledonia, Washington, Essex, and Orleans. PSB ranked 5<sup>th</sup> with a 10.5 percent deposit market share. Ranked ahead of PSB were Peoples' United Bank, N.A. (30.7 percent), TD Bank, (19.9 percent), Community National Bank, (15.3 percent), and Northfield Savings Bank (13.5 percent). Other competitors include credit unions, such as NorthCountry Federal Credit Union and the Vermont State Employees Credit Union.

Home mortgage lending is also competitive in the VT assessment area. Competitors include national banks, regional banks, and credit unions. According to CRA Wiz, 129 lenders reported 2,211 home mortgage loans originated or purchased in 2018. NEHL ranked 7<sup>th</sup> originating 99 mortgage loans for a 4.5 percent market share. The six lenders ranked ahead of NEHL consisted of two national lenders, two credit unions, and two regional lenders (Union Bank and Northfield Savings Bank) with a combined market share of 56.2 percent. In 2019, 130 lenders originated or purchased 2,156 home mortgage loans in the assessment area. NEHL ranked 6<sup>th</sup> originating 91 mortgage loans for a 4.2 percent market share. The top five lenders again included one national lending institution, two credit unions, and the same two regional banks, together earning a combined market share of 49.5 percent.

As stated previously, examiners did not compare the bank's small business lending to aggregate data. However, small business aggregate data assisted examiners in determining the general level of small business competition. In 2018, 59 lenders originated or purchased 2,286 small business loans. In 2019, 61 lenders originated or purchased 3,226 small business loans, illustrating moderate competition.

### **Community Contact**

As part of the evaluation process, examiners contact third parties in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to area community needs and what opportunities may exist to meet these needs.

Examiners contacted a community action organization in the Northeast Kingdom. The contact reported needed increases in transitional housing for the homeless and basic services for the poor, such as transportation, food, childcare, and health care, as well as long-term affordable housing.

The contact indicated local financial institutions have been responsive to assessment area needs and provide donations and grants to community service organizations for affordable housing, food assistance, and other support services.

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

Considering information from bank management, demographic and economic data, and feedback from the community contact, examiners determined the VT assessment area credit and community development needs are affordable housing, revitalization and stabilization, and community services.

## **SCOPE OF EVALUATION – VERMONT**

The scope is similar to the overall scope discussed previously, except this portion only considers the bank's CRA performance within the VT assessment area. Additionally, examiners do not evaluate the assessment area concentration separately for the VT assessment area evaluation. Please refer to the overall discussion for more information on products reviewed and review timeframe.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN VERMONT**

### **LENDING TEST**

PSB's Lending Test performance in the VT assessment area is excellent. The bank's excellent performance under the Geographic Distribution and Borrower Profile criteria support this conclusion.

### **Geographic Distribution**

The geographic distribution of loans reflects excellent dispersion throughout the VT assessment area. The assessment area contains no low-income and eight moderate-income geographies. The bank's excellent performance of home mortgage and small business lending support this conclusion.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects excellent dispersion in moderate-income geographies. In 2018 and 2019, lending in the moderate-income geographies exceeded both aggregate and demographics. NEHL originated at least 1 home mortgage loan in 24 of the 35 (69.0 percent) census tracts in the VT assessment area and originated multiple loans in all 8 moderate-income tracts. This performance demonstrates excellent dispersion of loans throughout the VT assessment area.

The following table illustrates performance in VT.

<b>Geographic Distribution of Home Mortgage Loans Vermont Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	0.0	0	0.0	0	0.0
<b>Moderate</b>						
2018	18.3	17.1	31	31.3	4,300	27.7
2019	18.3	17.0	26	28.6	3,084	22.2
<b>Middle</b>						
2018	75.9	75.2	68	68.7	11,213	72.3
2019	75.9	74.5	55	60.4	8,512	61.3
<b>Upper</b>						
2018	5.8	7.7	0	0.0	0	0.0
2019	5.8	8.5	10	11.0	2,283	16.4
<b>Not Available</b>						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>15,513</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>13,879</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2018 &amp; 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business Loans***

The geographic distribution of small business loans reflects excellent dispersion throughout the VT assessment area. In 2018 and 2019, the bank's lending in moderate-income areas exceeded the percentage of businesses operating in those areas. Additionally, in 2019, lending in moderate-income census tracts improved by percentage and dollar amount. This performance supports excellent distribution.

The following table illustrates the small business geographic lending performance.



Geographic Distribution of Small Business Loans Vermont Assessment Area						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2018	0.0	0	0.0	0	0.0
	2019	0.0	0	0.0	0	0.0
Moderate						
	2018	18.1	86	35.8	9,017	43.1
	2019	17.7	83	39.7	9,430	47.7
Middle						
	2018	77.8	154	64.2	11,909	56.9
	2019	78.0	126	60.3	10,345	52.3
Upper						
	2018	4.0	0	0.0	0	0.0
	2019	4.2	0	0.0	0	0.0
Not Available						
	2018	0.0	0	0.0	0	0.0
	2019	0.0	0	0.0	0	0.0
<b>Totals</b>						
	<b>2018</b>	<b>100.0</b>	<b>240</b>	<b>100.0</b>	<b>20,926</b>	<b>100.0</b>
	<b>2019</b>	<b>100.0</b>	<b>209</b>	<b>100.0</b>	<b>19,775</b>	<b>100.0</b>
<i>Source: 2018 &amp; 2019 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

## **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes. Excellent performance of home mortgage and reasonable performance of small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners also focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers was excellent. Examiners focused on the comparison to 2019 aggregate data, the most recent year.

Although the bank's lending to low- and moderate-income borrowers lagged aggregate performance and demographics in 2018, examiners placed more weight on 2019 lending when arriving at conclusions for the bank's performance.

In 2019, the bank’s performance reflected a sharp increase in the number and dollar amount of loans originated to low- and moderate-income borrowers. Lending to low-income individuals exceeded aggregate performance, but trailed demographics. Conversely, lending to moderate-income individuals exceeded both aggregate lending and demographics by both number and dollar amount. These factors support excellent performance.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Vermont Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2018	22.8	9.8	6	6.1	587	3.8
2019	22.8	8.3	13	14.3	1,083	7.8
<b>Moderate</b>						
2018	18.9	23.7	17	17.2	1,943	12.5
2019	18.9	21.1	30	33.0	4,064	29.3
<b>Middle</b>						
2018	23.1	24.9	31	31.3	4,540	29.3
2019	23.1	26.3	22	24.2	4,311	31.1
<b>Upper</b>						
2018	35.1	29.9	44	44.4	8,177	52.7
2019	35.1	32.9	25	27.5	4,293	30.9
<b>Not Available</b>						
2018	0.0	11.7	1	1.0	266	1.7
2019	0.0	11.4	1	1.1	128	0.9
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>15,513</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>13,879</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2018 &amp; 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. In 2018, the bank originated 78.8 percent of small business loans to businesses with GARs of \$1 million or less, consistent with demographics. The percentage of loans to these businesses declined in 2019, but the bank continued to originate a significant majority of its small business loans to businesses with GARs of \$1 million or less.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Vermont Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2018	79.2	189	78.8	11,999	57.3
2019	81.2	147	70.3	9,642	48.8
>\$1,000,000					
2018	6.5	51	21.3	8,927	42.7
2019	5.7	62	29.7	10,134	51.2
Revenue Not Available					
2018	14.3	0	0.0	0	0.0
2019	13.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2018</b>	<b>100.0</b>	<b>240</b>	<b>100.0</b>	<b>20,926</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>209</b>	<b>100.0</b>	<b>19,775</b>	<b>100.0</b>
<i>Source: 2018 &amp; 2019 D&amp;B Data; Bank Data; "-" data not available. Due to rounding, totals may not equal 100.0%</i>					

## **COMMUNITY DEVELOPMENT TEST**

PSB’s responsiveness to community development needs in the VT assessment area is excellent. The following sections address the bank’s performance under each criterion.

### **Community Development Loans**

PSB originated 134 CDLs totaling approximately \$10.9 million in the VT assessment area. This total includes 15 CDLs for approximately \$2.7 million and 119 SBA PPP loans totaling approximately \$8.2 million. Although the bank’s community development lending activity, excluding PPP loans, declined from the previous evaluation when the bank made 26 CDLs totaling approximately \$7.0 million, the bank focused their lending activity in servicing the assessment area’s immediate needs by originating PPP loans to small businesses during the pandemic. Of the 134 new CDLs, 132 CDLs totaling approximately \$10.5 million helped revitalize or stabilize the VT assessment area, which includes 8 moderate-income and 11 underserved middle-income geographies. The relatively large number of moderate-income and underserved middle-income census tracts in the assessment area enabled many PPP loans to qualify for community development credit. Based on loan application data, PPP loans originated to businesses located in moderate- and unserved nonmetropolitan middle-income areas in VT helped retain approximately 1,100 jobs in those areas. This level of lending demonstrates excellent responsiveness to community development needs.

The following table illustrates the bank’s community development lending activity by year and purpose in the VT assessment area.

Community Development Lending Vermont Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	1	250	1	200	0	0	4	883	6	1,333
2019	0	0	0	0	0	0	6	1,124	6	1,124
2020	0	0	0	0	0	0	122	8,480	122	8,480
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>250</b>	<b>1</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>132</b>	<b>10,487</b>	<b>134</b>	<b>10,937</b>
<i>Source: Bank Data</i>										

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

- In 2018, the bank renewed a \$200,000 working capital line of credit to a community action organization in the Northeast Kingdom. The organization provides critical community services to low- and moderate-income people by partnering with organizations providing food assistance, housing, healthcare, and counseling services.
- In 2018, PSB was the lead lender extending \$250,000 of a \$500,000 working capital line of credit to Rural Edge. Rural Edge is a non-profit organization that provides affordable housing to low- and moderate-income families, seniors, and special needs individuals residing in the Northeast Kingdom.
- In 2019, the bank renewed a \$500,000 working capital line of credit to a Federally Qualified Health Center (FQHC) in St. Johnsbury, VT. FQHCs provide healthcare services in underserved areas and to low- and moderate-income individuals and families, including the homeless, agricultural workers, residents of public housing, and veterans.

### **Qualified Investments**

During the evaluation period, PSB made 8 new qualified equity investments totaling approximately \$2.1 million and retained 2 prior period investments with an approximate book value of \$241,000. PSB also made 89 qualified donations during the evaluation period totaling approximately \$393,000 that benefitted the VT assessment area. New equity investments declined by approximately \$1 million compared to the prior evaluation period; however, donations increased by number and dollar from the prior evaluation, when the bank made 84 donations totaling \$231,000.

The majority of new equity investments targeted affordable housing for low- and moderate-income individuals. This focus demonstrates the bank's responsiveness to identified community development needs.

The following table illustrates the bank's community development investments by year and purpose.

Community Development Qualified Investments Vermont Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	241	0	0	0	0	0	0	2	241
2018	0	0	0	0	0	0	0	0	0	0
2019	1	1,085	0	0	0	0	2	211	3	1,296
2020	1	500	0	0	1	47	3	275	5	822
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>4</b>	<b>1,826</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>47</b>	<b>5</b>	<b>486</b>	<b>10</b>	<b>2,359</b>
Qualified Grants & Donations	3	15	76	348	8	27	2	3	89	393
<b>Total</b>	<b>7</b>	<b>1,841</b>	<b>76</b>	<b>348</b>	<b>9</b>	<b>74</b>	<b>7</b>	<b>489</b>	<b>99</b>	<b>2,752</b>
<i>Source: Bank Data</i>										

The following are notable examples of the bank’s qualified investments.

Prior Period Investments

- The bank previously invested approximately \$1.3 million in a housing limited partnership to build 29 housing units, 26 were affordable to low- and moderate-income families. The investment has a current book value of \$63,182.
- The bank previously invested in a two building, 12-unit affordable housing project with buildings located in Chester and North Westminster, VT. All units are affordable to families earning 60 percent or less of the area median income, with three units offered to those earning 50 percent or less. The current book value is \$177,750.

Current Period Investments

- In 2019, the bank purchased \$1,085,000 in Vermont Housing Finance Agency (VHFA) affordable housing tax credits. The investment assists the VHFA in making loans or grants for owner-occupied housing and/or the VHFA down payment assistance program. This tax credit benefits the VT assessment area.
- In 2020, the bank purchased a \$135,000 tax credit from a development company rehabilitating a property in downtown St. Johnsbury, VT, a moderate-income area.

The following are notable examples of donations.

- *Faith in Action:* The bank donated \$5,000 to this organization that provides food and services for needy families and individuals. The organization also works to identify and remediate underlying causes of poverty. This donation benefits low- and moderate-income residents.

- *Northeast Kingdom Community Action Program:* The bank annually donates \$5,000 to a fuel assistance program benefitting low- and moderate-income families and individuals.
- *Vermont Northeast Kingdom Rural Edge Homebuyer Education Workshop Program:* The bank donated \$15,000 to Rural Edge Community Development Corporation, which provides affordable housing, homebuyer education, and financial empowerment classes to Northeast Kingdom residents.

**Community Development Services**

During the evaluation period, PSB’s Board members, officers, and staff provided 105 instances of financial expertise or technical assistance to 4 different community development-related organizations in the VT assessment area. This is a substantial increase from the prior evaluation period, during which the bank provided 52 instances of qualified services. The current activity level demonstrates PSB’s leadership role within the community.

The following table illustrates the bank’s community development services by year and purpose.

<b>Community Development Services Vermont Assessment Area</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2018	4	0	10	13	<b>27</b>
2019	4	6	11	18	<b>39</b>
2020	4	6	11	18	<b>39</b>
YTD 2021	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>12</b>	<b>12</b>	<b>32</b>	<b>49</b>	<b>105</b>
<i>Source: Bank Data</i>					

The following are notable examples of the bank’s community development services:

- *Saint Johnsbury Development Fund, Inc.:* Established in 1956, this non-profit organization encourages industrial, recreational, agricultural, and other enterprises to locate or remain in St. Johnsbury and neighboring towns. It provides financial and other aid or assistance to promote revitalization and stabilization. An executive officer serves as President. Other officers served on the Executive Committee.

## STATE OF NEW HAMPSHIRE – Full-Scope Review

**CRA RATING FOR THE STATE OF NEW HAMPSHIRE: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Outstanding**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEW HAMPSHIRE**

PSB operates four of its eleven branch offices and one loan production office in the NH assessment area. The assessment area consists of seven census tracts located along the northeastern border of the Connecticut River in parts of Coos (4 of 11 census tracts) and Grafton Counties (3 of 9 census tracts). The following sections discuss economic and demographic for the NH assessment area

#### **Economic and Demographic Data**

The NH assessment area’s seven census tracts reflect the following income classifications:

- 3 moderate-income census tracts
- 4 middle-income census tracts

One moderate-income tracts is in Littleton, and the other two moderate-income tracts encompass the municipalities of Stratford, Odell, Northumberland, Stark, Whitefield, and Dalton. Community development activities directed to these areas likely benefit low- and moderate-income individuals and qualify for CRA credit.

The following table illustrates select demographic characteristics of the NH assessment area.

<b>Demographic Information New Hampshire Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	7	0.0	42.9	57.1	0.0	0.0
Population by Geography	27,325	0.0	45.9	54.1	0.0	0.0
Housing Units by Geography	16,237	0.0	44.1	55.9	0.0	0.0
Owner-Occupied Units by Geography	8,223	0.0	41.7	58.3	0.0	0.0
Occupied Rental Units by Geography	3,577	0.0	59.0	41.0	0.0	0.0
Vacant Units by Geography	4,437	0.0	36.4	63.6	0.0	0.0
Businesses by Geography	2,400	0.0	50.2	49.8	0.0	0.0
Farms by Geography	99	0.0	29.3	70.7	0.0	0.0
Family Distribution by Income Level	7,551	25.0	23.1	22.5	29.3	0.0
Household Distribution by Income Level	11,800	29.2	20.3	19.7	30.7	0.0
Median Family Income Non-MSAs - NH		\$71,699	Median Housing Value			\$166,395
			Median Gross Rent			\$721
			Families Below Poverty Level			7.4%
<i>Source: 2015 ACS and 2019 D&amp;B Data Due to rounding, totals may not equal 100.0% (* ) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the 2018 and 2019 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper &lt;120%</b>
<b>NH NA Median Family Income (99999)</b>				
2018 (\$80,600)	<\$40,300	\$40,300 to <\$64,480	\$64,480 to <\$96,720	<\$96,720
2019 (\$81,600)	<\$40,800	\$40,800 to <\$65,280	\$65,280 to <\$97,920	<\$97,920
<i>Source: FFIEC</i>				

The small business loan analysis under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2019 D&B data, there were 2,400 non-farm businesses in the NH assessment area. GARs for these businesses are below.

- 80.8 percent have \$1 million or less
- 5.3 percent have more than \$1 million
- 13.9 percent have unknown revenues

Service industries represent the largest portion of non-farm businesses at 41.7 percent, followed by retail trade (14.3 percent); construction (7.5 percent); and finance, insurance, and real estate (6.6 percent). 77.3 percent of area businesses have GARs of less than \$0.5 million. In addition, 68.1



percent of area businesses have four or fewer employees, and 85.1 percent of businesses operate from a single location.

According to the U.S. Department of Labor Bureau of Labor Statistics, the 2018 and 2019 NH average unemployment rates were 2.5 percent and 2.6 percent, respectively. The U.S. average unemployment rate in 2019 was 3.5 percent. In 2020, the NH unemployment rate increased to 4.0 percent remaining below the 2020 U.S. average unemployment rate of 6.7 percent, which increased due to the COVID-19 pandemic.

### **Competition**

According to FDIC Deposit Market Share data as of June 30, 2020, 14 FDIC insured financial institutions operated 64 branch offices throughout Coos and Grafton Counties. PSB ranked 8<sup>th</sup> with a 4.9 percent deposit market share. Ranked ahead of PSB were Mascoma Bank (22.9 percent), Bank of America, N.A. (11.1 percent), Woodsville Guaranty Savings Bank (10.7 percent), and Citizens Bank, N.A. (10.4 percent). The top 7 FDIC insured financial institutions held 78.3 percent of the total deposit market share reflecting a high level of competition in the NH assessment area.

Residential mortgage lending is also competitive in the NH assessment area. In 2018, according to aggregate lending data, 106 residential mortgage lenders originated or purchased 499 loans in the assessment area. NEHL ranked 2<sup>nd</sup> with 33 loans for a 6.6 percent market share. Quicken Loans, Inc. ranked 1<sup>st</sup> with 41 loans and an 8.2 percent market share. The top four lenders captured 26.8 percent of the market.

In 2019, 120 residential mortgage lenders reported 547 loans. NEHL ranked 3<sup>rd</sup> with 30 loans for 5.5 percent market share. National lender, Quicken Loans, Inc. ranked 1<sup>st</sup> with 50 loans and a 9.1 percent market share, and regional lender Union Bank ranked 2<sup>nd</sup> with 47 loans and an 8.6 percent market share.

As stated previously, examiners did not compare the bank's small business lending to aggregate data. However, examiner's review of aggregate data assists in determining the competition level. In 2018, 62 lenders originated 2,362 small business loans in the NH assessment area. In 2019, 69 lenders originated 2,994 small business loans. This illustrates a moderate competition level.

### **Community Contact**

As part of the evaluation process, examiners contact third parties in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to community needs. The information also helps to indicate what credit and community development opportunities are available.

Examiners contacted a representative of a community action organization in the northern portion of the NH assessment area. The contact indicated the COVID-19 pandemic increased the need for basic services, such as, food, childcare, and healthcare for families and individuals in need. In addition, the contact noted the lack of long-term affordable housing remains a high priority. Temporary transitional housing needs have also increased for the homeless.

Overall, the contact indicated local financial institutions have responded to assessment area needs with donations and grants for community services. In addition, local financial institutions have demonstrated their willingness to work with residential homeowners that have fallen on hard times due to pandemic related issues, such as unemployment.

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

Considering information from bank management, demographic and economic data, and feedback from the community contact, examiners determined the NH assessment area credit and community development needs are affordable housing, revitalization and stabilization, and community services.

## **SCOPE OF EVALUATION—NEW HAMPSHIRE**

The scope is similar to the overall scope discussed previously, except this portion only considers the bank's CRA performance within the NH assessment area. Additionally, examiners do not evaluate the assessment area concentration separately for the NH assessment area evaluation. Please refer to the overall discussion for more information on products reviewed and review timeframe.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW HAMPSHIRE**

### **LENDING TEST**

PSB's Lending Test performance in the NH assessment area is reasonable. Geographic Distribution and Borrower Profile performance supports this conclusion.

### **Geographic Distribution**

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. NEHL's excellent home mortgage lending performance and the bank's reasonable small business lending support this conclusion. Examiners focused on the percentage of loans, by number, in moderate-income census tracts. As stated previously, there are no low-income census tracts in the NH assessment area. Examiners weighted home mortgage lending more than small business lending given the bank's residential lending focus.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the NH assessment area. In 2018 and 2019, NEHL's performance in moderate-income census tracts exceeded aggregate performance and demographics. NEHL originated multiple loans in each census tract, including all three moderate-income census tracts.

Geographic Distribution of Home Mortgage Loans New Hampshire Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	0.0	0	0.0	0	0.0
Moderate						
2018	41.7	40.7	17	51.5	2,842	47.1
2019	41.7	41.3	14	46.7	1,937	43.0
Middle						
2018	58.3	59.3	16	48.5	3,193	52.9
2019	58.3	58.7	16	53.3	2,570	57.0
Upper						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	0.0	0	0.0	0	0.0
Not Available						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>6,034</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>4,507</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2018 &amp; 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion throughout the NH assessment area. In 2018 and 2019, lending activity was less than the percentage of businesses operating in the moderate-income geographies. However, in both years, PSB made multiple small business loans in all three moderate-income census tracts. In addition, in 2019, PSB's lending in the moderate-income tracts increased slightly.

Geographic Distribution of Small Business Loans New Hampshire Assessment Area						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2018	0.0	0	0.0	0	0.0
	2019	0.0	0	0.0	0	0.0
Moderate						
	2018	50.4	32	40.5	3,486	45.9
	2019	50.2	34	43.6	3,644	33.5
Middle						
	2018	49.6	47	59.5	4,109	54.1
	2019	49.8	44	56.4	7,228	66.5
Upper						
	2018	0.0	0	0.0	0	0.0
	2019	0.0	0	0.0	0	0.0
Not Available						
	2018	0.0	0	0.0	0	0.0
	2019	0.0	0	0.0	0	0.0
<b>Totals</b>						
	<b>2018</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>7,595</b>	<b>100.0</b>
	<b>2019</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>10,872</b>	<b>100.0</b>
<i>Source: 2018 &amp; 2019 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

## **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the NH assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. In addition, examiners focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data, demographics, and trends.

In 2018 and 2019, lending to low-income borrowers was below aggregate and demographics. However, certain factors make lending to low-income individuals in the assessment area difficult. For example, the median home price in the assessment area is \$166,395, and a low-income family with an income of \$40,300 or less would not likely qualify for a mortgage under conventional

underwriting standards. Furthermore, 7.4 percent of the families in the assessment area live below poverty level. In 2018 and 2019, lending to moderate-income borrowers exceeded aggregate and demographics.

<b>Distribution of Home Mortgage Loans by Borrower Income Level New Hampshire Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2018	25.0	11.0	2	6.1	160	2.6
2019	25.0	7.1	1	3.3	212	4.7
<b>Moderate</b>						
2018	23.1	19.6	11	33.3	1,262	20.9
2019	23.1	23.4	9	30.0	1,202	26.7
<b>Middle</b>						
2018	22.5	21.0	9	27.3	1,576	26.1
2019	22.5	21.0	8	26.7	1,284	28.5
<b>Upper</b>						
2018	29.3	36.3	11	33.3	3,037	50.3
2019	29.3	38.4	12	40.0	1,810	40.1
<b>Not Available</b>						
2018	0.0	12.0	0	0.0	0	0.0
2019	0.0	10.1	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>6,034</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>4,507</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2018 &amp; 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. In 2018, lending was slightly below demographics. In 2019, the number of originations declined slightly while demographics remained relatively consistent. However, in both years, the bank originated a majority of its small business loans to businesses with GARs of \$1 million or less.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category New Hampshire Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2018	79.2	59	74.7	4,548	59.9
2019	80.8	54	69.2	5,364	49.3
<b>&gt;\$1,000,000</b>					
2018	5.7	20	25.3	3,047	40.1
2019	5.3	24	30.8	5,508	50.7
<b>Revenue Not Available</b>					
2018	15.1	0	0.0	0	0.0
2019	14.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2018</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>7,595</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>10,872</b>	<b>100.0</b>
<i>Source: 2018 &amp; 2019 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

## **COMMUNITY DEVELOPMENT TEST**

The bank’s responsiveness to community development needs in the NH assessment area is excellent. The following sections address the bank’s performance under each criterion.

### **Community Development Loans**

PSB originated 101 CDLs totaling approximately \$15.1 million in the NH assessment area. This total includes 3 CDLs totaling approximately \$2 million, and 98 SBA PPP loans totaling approximately \$13 million. The bank’s community development lending activity, excluding PPP loans, declined from the previous evaluation when the bank made 11 CDLs totaling approximately \$4.3 million. Of the 3 CDLs originated during the current evaluation period, 2 CDLs totaling approximately \$1 million addressed affordable housing, a primary need in the NH assessment area. In addition, all PPP loans helped to revitalize and stabilize the three moderate-income census tracts. Based on loan application data, PPP loans originated to businesses located in moderate-income census tracts in the NH assessment area helped retain approximately 700 jobs in those areas.

The following table illustrates the bank’s community development lending activity by year and purpose in the NH assessment area.

<b>Community Development Lending New Hampshire Assessment Area</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2018	0	0	0	0	0	0	0	0	0	0
2019	1	500	1	500	0	0	0	0	2	1,000
2020	1	750	0	0	0	0	98	13,429	99	14,179
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>1,250</b>	<b>1</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>98</b>	<b>13,429</b>	<b>101</b>	<b>15,179</b>
<i>Source: Bank Records</i>										

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

- In 2019, the bank extended a \$500,000 line of credit to a Littleton, NH organization dedicated to creating safe and affordable housing. The monies will be used to support its operations. Programs focus on home ownership, financial success, matched savings accounts, and foreclosure counseling.
- In 2019, the bank extended a \$500,000 line of credit to an organization dedicated to improving the overall health of the northern NH region, including improved access to health services for the underserved and uninsured North County residents.
- In 2020, the bank renewed a \$500,000 line of credit and provided a \$250,000 increase in financing for an affordable housing, education, and development organization in Littleton, NH. The organization develops, acquires, and rehabilitates affordable housing, offers home counseling and education for home ownership, owns and operates low- and moderate-income rental properties, and offers counseling to avoid homeownership foreclosure.

### **Qualified Investments**

PSB made six qualified investments totaling approximately \$287,000; one was a prior period investment with a current book value of \$91,000. Additionally, PSB made 54 donations totaling approximately \$73,000 benefitting the NH assessment area. At the prior evaluation, PSB had 7 investments for \$256,000, and 41 qualified donations for approximately \$139,000. Despite the small decline in the combined dollar amount of investments and donations compared to the prior evaluation, PSB's performance illustrates the bank's continued support of investments promoting a broad range of community development activities. The vast majority of grants and donations supported community services benefitting low- and moderate-income individuals. These donations demonstrate the bank's responsiveness to current, pandemic-related community needs.

The following table illustrates the bank's community development investments by purpose.

Community Development Qualified Investments New Hampshire Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	91	0	0	0	0	0	0	1	91
2018	0	0	0	0	0	0	0	0	0	0
2019	1	80	0	0	0	0	2	16	3	96
2020	0	0	0	0	1	60	1	40	2	100
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>2</b>	<b>171</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>60</b>	<b>3</b>	<b>56</b>	<b>6</b>	<b>287</b>
Qualified Grants & Donations	1	1	53	74	0	0	0	0	54	75
<b>Total</b>	<b>3</b>	<b>172</b>	<b>53</b>	<b>74</b>	<b>1</b>	<b>60</b>	<b>3</b>	<b>56</b>	<b>60</b>	<b>362</b>
<i>Source: Bank Records</i>										

### Prior Period Investments

- In 2011, PSB and the Connecticut River Bank formed a limited partnership with the Upper Grafton Housing Corporation as the general partner. This partnership developed, constructed, owns, and operates a 35-unit residential housing project occupied by low- and moderate-income individuals. The property is in Lancaster, NH. PSB's initial \$428,877 investment is currently valued at \$90,973.

### Current Period Investments

- In 2019, the bank purchased \$80,000 of Community Development Finance Authority (CDFA) tax credits. The recipient organization and project supported low- and moderate-income housing in Bethlehem, NH.
- In 2020, the bank purchased \$40,000 of CDFFA tax credits. The tax credits will be used to create an economic development and recreation project. The project will expand downtown public parking, create a rail trail connection, establish a Welcome Center, and provide a permanent home for a farmers' market that supports 45 small businesses. The project will provide strong community economic, cultural, and recreation benefits to residents and businesses in the region through the continued revitalization of downtown Littleton, NH, a moderate-income area.
- In 2018, 2019, and 2020, the bank donated a total of \$10,500 to a community action program that supports a homeless shelter and a dental center and provides fuel assistance to low- and moderate-income individuals in Northern NH.



**Community Development Services**

During the evaluation period, PSB employees provided 36 instances of financial expertise or technical assistance to 3 different economic and community development-related organizations in the NH assessment area. The level of qualified services provided during this evaluation increased from 29 instances since the prior evaluation. The following table illustrates the bank’s instances of economic and community service by year and purpose.

<b>Community Development Services New Hampshire Assessment Area</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2018	0	3	6	3	<b>12</b>
2019	0	3	6	3	<b>12</b>
2020	0	3	6	3	<b>12</b>
YTD 2021	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>9</b>	<b>18</b>	<b>9</b>	<b>36</b>
<i>Source: Bank Data</i>					

The following are examples of qualified community development services within the NH assessment area.

- A bank officer is a Board member of a Plymouth, NH-based organization whose mission is to strengthen local businesses, grow the economy, and foster community support networks that create jobs for low-and moderate-income individuals and build wealth within Grafton County by providing loans and advice to small businesses.
- A bank officer is a Loan Committee member of the Coos County regional development corporation. The mission is to promote economic growth that fosters a strong and diverse workforce, sustainable employment and a thriving business environment- achieved by maintaining a small business loan program, providing technical business assistance and community education and supporting other regional planning and investment organizations.

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

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

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

#### **Community Development Test**

The Community Development Test considers the following criteria:

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

## SUMMARY OF RATINGS FOR RATED AREAS

<b>Rated Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>	<b>Rating</b>
Combined Assessment Area	Outstanding	Outstanding	Outstanding
Vermont Assessment Area	Outstanding	Outstanding	Outstanding
New Hampshire Assessment Area	Satisfactory	Outstanding	Satisfactory

## 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.

**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.