Bank of Anytown

Anytown **Any County** **Any State**

Region: Regional Office Name Certificate Number: 12345

Examiner in Charge: Robin J. Cummings

Examination Date: Month XX, 20XX

Examiner's Comments and Conclusions	12345

The Bank of Anytown Examination Template provides guidance on the format and content of the Report of Examination (ROE). Examiners use their professional judgment and discretion when writing the ROE. The ROE informs the Board of Directors about the examination findings. Additionally, the tone matches the Compliance Management System element descriptors (strong, adequate, and weak). Examination staff prepare the ROE according to the Plain Writing Act, which requires federal agencies to use clear government communication that the public can understand and use. Finally, all formal recommendations that require follow-up by the bank are limited to the "Matters Requiring Board Attention" section of the ROE.

SCOPE OF EXAMINATION

This section must include, at a minimum, the following information.

- *Date of examination and name of the Examiner-in-Charge.*
- *Review period (discuss CRA evaluation period, if applicable).*
- *Type (Compliance, CRA, both, or Visitation) and purpose of the examination.*
- *Description of the role or impact, if any, of other examination findings, ratings, or pre-examination materials on establishing the scope.*
- *Description of the process or procedures used to review the CMS, fair lending, and CRA.*

Example:

Examiner-in-Charge Robin J. Cummings conducted a compliance examination and a Community Reinvestment Act (CRA) evaluation of Bank of Anytown as of [month, day, year].

The examination included a risk-focused review of the bank's compliance management system (CMS), with an emphasis on areas exhibiting potential risk of consumer harm, since the [month, day, year] FDIC compliance examination. FDIC data, bank documentation, and publicly available information influenced the examination scope. Based on the compliance risk profile of the institution, examiners focused transaction testing in areas such as residential lending activities and third-party relationships. In addition, examiners conducted a fair lending review using the Federal Financial Institutions Examination Council's Fair Lending Examination Procedures focusing on consumer loan pricing. Examiners evaluated the bank's CRA performance using Intermediate Small Institution Examination Procedures, focusing on activities since the previous evaluation dated [month, day, year].

CONSUMER COMPLIANCE RATING

This section must include, at a minimum, the following information.

- *Disclosure of, and support for, the Consumer Compliance Rating.*
- *Discussion of the primary factors contributing to the rating.*
- *Trend of the institution's compliance posture since the prior examination.*
- *Reference to the Matters Requiring Board Attention page, if appropriate.*

Examiner's Comments and Conclusions (Continued)	12345

Example:

The FDIC assigned Bank of Anytown a Consumer Compliance Rating of "2." An institution in this category represents a financial institution that maintains a CMS that is satisfactory at managing consumer compliance risk in the institution's products and services and at substantially limiting violations of law and consumer harm. The rating is supported by adequate Board of Directors (Board) and management oversight and an adequate compliance program. Although a Level 3/High Severity violation is cited, the violation was self-identified and management implemented corrective action during the examination. As a result, the duration of consumer harm was limited. The compliance posture remains unchanged since the prior examination. The Matters Requiring Board Attention, which follow the Examiner's Comments and Conclusions, detail recommendations that require follow-up by the Board and additional supervisory oversight.

COMPLIANCE MANAGEMENT SYSTEM

Board and Management Oversight

This section must include, at a minimum, the following information:

- *Summary statement about the quality of Board and Management Oversight based upon the institution's size, complexity, and risk profile. Use one of the following descriptors: strong, adequate, or weak.*
- *Comments addressing each of the following components of Board and Management Oversight, as outlined below under the optional sub-headings:*
  - *Oversight and Commitment –*
    - *Commitment to and oversight of the institution's CMS.*
    - *Level of resources dedicated toward compliance functions.*
    - *Due diligence and oversight of third parties to ensure compliance with consumer protection laws and regulations, and appropriate oversight of third parties' compliance responsibilities.*
  - *Change Management –*
    - *Anticipation and responsiveness to changes in applicable laws and regulations, market conditions, and products and services offered.*
    - *Due diligence reviews performed in advance of product changes, considering the entire lifecyle of the product or service, and after implementation of changes.*
  - *Comprehension, Identification, and Management of Risk –*
    - *Comprehension and identification of compliance risks, including emerging risks, in the institution's financial products, services, and other activities.*
    - *Management of identified risk, including self-assessments.*
  - *Corrective Action and Self-Identification –*
    - *Identification of and responsiveness to compliance risk management deficiencies and violations of law or regulations, including remediation.*

Example:

Board and management oversight is adequate. Examiners considered oversight and commitment; change management; comprehension, identification, and management of risk; and corrective action and self-identification.

Examiner's Comments and Conclusions (Continued)	**12345**

Oversight and Commitment

Board and management provide adequate oversight to the compliance function. The Board demonstrates its commitment to maintaining an effective CMS in several key ways. First, the Board allocates sufficient resources to compliance functions. Vice President and Compliance Officer (CO) Taylor Cook has the independence and authority needed to effect corrective actions and is knowledgeable of consumer protection laws and regulations. Second, minutes from the Board, Compliance, and Audit Committees revealed regular discussion and ample knowledge of compliance matters. Third, the Board reviews and approves compliance policies annually, or more frequently as necessitated by changes in consumer protection regulations. Finally, all examination recommendations and violations from the prior examination were fully addressed and in a timely manner.

One weakness was identified in Board and management's due diligence and oversight of its new relationship with third-party service provider, Error Resolution Services, Inc. (ERS). The bank contracted with ERS at year-end [year], but did not adequately review the contract or understand processes related to handling error resolutions, resulting in a Level 2/Medium Severity Violation of the Electronic Funds Transfer Act (EFTA). See Level 2/Medium Severity Violations Pages.

Change Management

Management has demonstrated the ability to respond timely and adequately to regulatory changes. Management proactively developed procedures and provided training in anticipation of the Truth in Lending Act (TILA)-Real Estate Settlement Procedures Act (RESPA) Integrated Disclosure Rule (TRID). Management was also aware of changes to flood insurance regulations in response to the Biggert-Waters Act and updated policies and procedures accordingly. However, changes were not fully communicated to personnel, which contributed to a Level 2/Medium Severity Violation of Flood Insurance. See Level 2/Medium Severity Violations Pages.

Comprehension, Identification, and Management of Risk

Management adequately identifies and manages compliance risks throughout the institution, including risks involved with new products and services. For example, management identified the new overdraft program as a high-risk area. As a result, CO Cook implemented a comprehensive oversight program to ensure compliance with applicable regulations and internal policies on an ongoing basis.

In addition to discussions held at periodic Compliance Committee meetings, CO Cook presents emerging issues to the Audit Committee, as well as the results of monitoring efforts and compliance audits. The Board is sufficiently informed through reviews of Compliance and Audit Committee minutes. This structure enhances Board and management's ability to identify, prevent, and correct deficiencies.

Corrective Action and Self-Identification

Management adequately identifies deficiencies through ongoing monitoring and auditing programs; however, more attention needs to be devoted to corrective action. A Level 3/High Severity Violation was cited involving an exception in the audit report in which management failed to provide corrective action. Specifically, eight consumers were harmed but were not provided remediation. Management should ensure that full corrective action, including any applicable remediation, is made when violations are identified.

Examiner's Comments and Conclusions (Continued)	**12345**

Compliance Program

This section must include, at a minimum, the following information.

- *Summary statement about the quality of the overall Compliance Program using one of the following descriptors: strong, adequate, or weak.*
- *Subsequent information, as applicable, under the designated sub-headings: Policies and Procedures, Training, Monitoring and/or Audit, and Consumer Complaint Response.*
- *Separate summary statement about policies and procedures, training, monitoring and/or audit, and consumer complaint response using one of the following descriptors: strong, adequate, or weak.*
- *Scope and adequacy of policies and procedures, training, monitoring and/or audit, and consumer complaint response. Focus on strengths and weaknesses, particularly in identifying, addressing, and preventing consumer harm.*
- *Deficiencies in policies and procedures, training, and monitoring and/or audit; and violations that resulted, or could pose a risk of consumer harm.*
- *Volume of consumer complaints received by the bank, or complaints pertaining to the bank, received by third-party service provider(s) since the prior compliance examination. State number and impact, if known. State whether the institution responded timely and effectively.*

Example:

The Compliance Program is adequate. Examiners considered strengths and weaknesses in policies and procedures, training, monitoring and audit, and consumer complaint response.

Policies and Procedures

Policies and procedures are adequate. The bank has written policies for all applicable consumer protection regulations and formal procedures for most compliance-related regulations. Fair lending procedures document underwriting criteria, exceptions to policy, and loan processing centralization. However, there is no guidance on pricing consumer loans. Instead, individual loan officers have pricing discretion. The lack of formalized guidance combined with a lack of internal controls over pricing increases fair lending risks. In addition, a weakness in policies and procedures contributed to the Level 3/High Severity Violation of TILA, resulting in customer restitution totaling $18,000. See Level 3/High Severity Violations Pages.

Examiners recommend that management develop formal guidance on pricing consumer loans and include monitoring and/or auditing of areas where discretion is allowed.

Training

Compliance training is adequate. CO Cook is responsible for compliance training and establishes an annual training schedule for Directors, management, and staff. Compliance training is multifaceted, employing in-person meetings, online programs, and external workshops and seminars. Training appropriately focuses on new and revised consumer protection regulations and areas exhibiting greater risk of consumer harm. CO Cook periodically assesses employees' knowledge and updates training with current information. Despite these efforts, a lack of training on new Flood Insurance requirements contributed to the Level 2/Medium Severity Violation resulting in customer restitution totaling $326. See Level 2/Medium Severity Violation Pages.

Monitoring and/or Audit

Examiner's Comments and Conclusions (Continued)	**12345**

Monitoring practices and the audit program are adequate. The institution employs various methods of monitoring for compliance with consumer protection regulations in the loan administration, deposit operations, and other areas. In addition to regularly scheduled reviews, monitoring is used to follow-up on audit and examination findings, regulation changes, and new product or service implementation. Since the last examination, management implemented an effective pre-closing review of all residential real estate loan transactions.

Monitoring practices are supplemented by a formalized, external audit program. External audit firm Anytown Risk Advisors conducts periodic risk-based compliance audits, including deposit and loan compliance audits semi-annually and fair lending audits annually. Written audit reports are comprehensive, addressing the scope, sample size, identified deficiencies, corrective action recommendations, management's responses, and timeframes for correction. Responses to audit findings are prompt. The Audit Committee develops an annual compliance risk assessment, which considers exceptions noted in monitoring and assists in prioritizing the audit schedule and scope based on risk. While audit is generally effective, the scope of the [year] lending audit did not review compliance with force-placed flood insurance requirements. Examiners identified a Level 2/Medium Severity Violation of Flood Insurance, specifically relating to force-placed policies. See Level 2/Medium Severity Violations Pages.

Examiners recommend that management enhance the scope of Flood Insurance audits by including a review of compliance with force-placement requirements.

<u>Consumer Complaint Response</u>
Consumer complaint response procedures are adequate and address complaints received by the bank and third-party service providers. These complaints include feedback received from consumers, whether it is verbal, written, or electronic. Under the Board-approved complaint policy, CO Cook is charged with investigating and responding to consumer complaints. In addition, CO Cook monitors complaints to identify any issues that may have a widespread impact on consumers or business practices and takes action when warranted. Since the last examination, the bank received one written complaint, which management responded to in a timely and appropriate manner.

<u>VIOLATIONS OF LAW AND CONSUMER HARM</u>

This section should briefly summarize the the impact of the violation(s) identified on the evaluation of the institution's CMS and resulting consumer compliance rating, as well as following information, <u>as applicable</u>:

- *Summary statement of the primary weaknesses or deficiencies that contributed to the violations.*
- *Assessment of severity and duration of consumer harm.*
- *Pervasiveness or number of consumers impacted.*

If violations are limited to Level 1 or there are no violations cited, examiners should draft language specific to the institution indicating that no violations were cited/ identified and how this influenced the evaluation of the institution's CMS and resulting compliance rating.

Example:

The violations identified during this examination did not evidence a deficient CMS or warrant an adverse consumer compliance rating. The violations were the result of minor weaknesses in policies, procedures,

Examiner's Comments and Conclusions (Continued)	12345

training, and third party oversight. One violation resulted in $18,000 of restitution to eight customers. Because the violation was self-identified and partially corrected prior to the examination, the duration of consumer harm was limited. Bank management has committed to full corrective action.

COMMUNITY REINVESTMENT ACT

This section must include, at a minimum, the following information.

- *The CRA rating, including the interagency definition of the rating*
- *A brief statement explaining the basis for the rating*
- *A statement referring the reader to the CRA Performance Evaluation*

Example:

The FDIC assigned a CRA Rating of Satisfactory. The bank has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods. Satisfactory ratings under the Lending Test and Community Development Test support the overall rating. Please refer to the Performance Evaluation for further details.

MEETING WITH MANAGEMENT

This section must include, at a minimum, the following information.

- *The date of the meeting.*
- *The names and titles of the attendees representing the FDIC, state regulators, and the bank.*
- *Brief comment on items discussed at the meeting, including but not limited to the compliance examination findings and proposed rating, fair lending review, and the CRA performance evaluation findings and proposed rating. Include a statement that ratings are subject to additional review.*
- *Management's response to the findings, proposed ratings, and recommendations; CRA performance evaluation and proposed ratings; and any proposed enforcement action(s), if applicable.*
- *Management's willingness to make restitution, if applicable.*

Example:

On [month, day, year], Examiner-in-Charge Cummings, Supervisory Examiner Kenneth Randall, and Financial Institution Specialist Joseph Barr met with management to discuss the results of the examination and the CRA evaluation. President James Crowley, Senior Vice President Stephen Gidney, Vice President Matthew Wolcott, Vice President Edward Harl, and CO Cook represented the bank.

Examiner-in-Charge Cummings discussed the scope of the examination and the strengths and weaknesses of the CMS. She also discussed the importance of maintaining a CMS that prioritizes areas where harm to consumers may occur, particularly in third-party oversight. Finally, Examiner-in-Charge Cummings addressed the fair lending portion of the examination, the violations cited, and the bank's CRA performance.

Examiners discussed all recommendations and Matters Requiring Board Attention in the Report and disclosed the proposed compliance and CRA ratings. Examiner-in-Charge Cummings informed management that the ratings are subject to additional review. Management was receptive to the findings of the compliance examination and

Examiner's Comments and Conclusions (Continued)	**12345**

CRA evaluation. They concurred with the proposed ratings, agreed to implement all recommendations, and confirmed that voluntary restitution was provided to customers impacted by the TILA and Flood Insurance violations on [month, day, year].

Examiner-in-Charge Robin J. Cummings (Signature)	Reviewer Sheila K. Barnett (Signature)

*This section is **only** included in the ROE for significant matters that require action by the Board and additional supervisory oversight. Matters Requiring Board Attention should be presented on a separate page, and must include, at a minimum, the following information.*

Matters Requiring Board Attention	**12345**

- *An introductory statement explaining the significance of the matters.*
- *Specific matters (CMS deficiencies or violations) that require action by the Board and follow-up by the regulators. Each Matter Requiring Board Attention must include the following components:*
  - *Specific issue warranting attention*
  - *Measurable action to be taken*
  - *Benefit of prompt corrective action <u>or</u> potential consequence of inaction*
- *Board or management's response to the Matters Requiring Board Attention, and the timeframe(s) for implementation. Examiners may use their judgment in determining whether one response to the Matters Requiring Board Attention is sufficient, or if an individual response to each item is necessary. Include the name(s) of the individual(s) who committed to the corrective action(s) whether there is one response to all matters or individual responses to each. Also include a conclusion reminding the Board of their responsibility to respond.*

Example:

The following matters identified during the compliance examination represent areas where Board action is necessary to ensure the CMS continues to provide a framework to successfully manage its compliance responsibilities and risks. These matters will receive supervisory follow-up prior to the next examination.

- Third Party Oversight - The Board and management did not conduct sufficient due diligence when entering into contracts with third parties. This resulted in violations of the EFTA and harm to customers. Management must develop and implement procedures that incorporate the guidance outlined in Financial Institution Letter 44-2008, *Guidance for Managing Third-Party Risk* (June 6, 2008), to ensure that appropriate due diligence is performed prior to entering into contracts with third parties. Implementing robust due diligence procedures will ensure that the Board and management are aware of compliance and other risks prior to entering into third-party contracts.

- Truth in Lending - Current bank procedures do not include all fees required in the annual percentage rate calculation causing a systemic violation that resulted in a severe level of harm to the bank's customers. Management must develop and implement procedures to ensure that applicable personnel include all required fees into the prepaid finance charge. Implementing these procedures should help ensure the accurate calculation of annual percentage rates and prevent the recurrence of TILA violations.

President Crowley agreed to implement corrective action in each of the above areas within 30 days after receiving the Report. It is the Board's responsibility to ensure that these matters are addressed and provide responses, as requested.

Level 3/High Severity Violations	**12345**
Level 3 violations are those violations that have resulted in significant harm to consumers or members of a community and/or may pose legal, or reputational risks, or financial harm to the bank.	

Level 3/High Severity and Level 2/Medium Severity Violations, listed in order of severity, must include the following elements, as applicable.

- *Summary of regulatory section and six digit violation code*
- *Description of how the institution's practices differed from regulatory requirements*
- *Sample size reviewed, and universe of applicable transactions*
- *Number of violations identified and 2-3 examples. (Examples are not required if the violation is systemic.)*
- *Description of the root cause(s) of the violation*
- *Description of any corrective action taken by the institution before or during the examination*
- *Information about whether the violation was previously identified but remained unchanged since the previous examination*
- *Corrective action(s) recommended*
- *Management's response to the violation and recommendations (noting the individual responding)*

Example:

TRUTH IN LENDING VIOLATIONS SUBJECT TO RESTITUTION

Section 1026.18(e) of Regulation Z requires that the annual percentage rate be accurately disclosed, as defined in Section 1026.22(a). [083502]

Loan processors failed to include the loan guarantee fee as a prepaid finance charge when calculating the "amount financed" on Anytown Housing Finance Agency (AHFA) loans. Consequently, the Truth in Lending (TIL) disclosures understated the annual percentage rate for each loan. In the second and third quarter [year] quality control reports, Anytown Risk Advisors identified this error in all eight AHFA loans the bank originated. At that time, management did not perform a file review or determine if restitution was applicable. Although CO Cook provided TIL training in [month, year], she did not update the bank's written procedures to reflect how employees should consider the loan guarantee fee in the "amount financed" calculation. This omission is the root cause of the violation. While on-site, CO Cook and examiners confirmed that the eight loans identified by Anytown Risk Advisors represented the total universe of loans originated since the last examination.

Examiners recommended that management revise the Loan Processing Policy and Procedures Manual to specify how different loan fees should be treated in the "amount financed" calculation.

Management's Response: *Management provided restitution totaling $18,000 on [month, day, year]. CO Cook also committed to updating the Loan Processing Policy and related procedures.*

Level 2/Medium Severity Violations	12345

Level 2 violations include systemic, recurring or repetitive errors that represent a failure of the bank to meet a key purpose of the underlying regulation or statute but do not rise to a Level 3 violation.

Refer to the Level 3/High Severity Violations page for required elements.

Example:

FLOOD INSURANCE

Section 102(e) of the Flood Disaster Protection Act, as amended by Section 100244 of the Biggert-Waters Flood Insurance Reform Act of 2012 requires the lender or servicer, within 30 days of receiving a confirmation of a borrower's existing flood insurance coverage, to terminate any force-placed insurance and refund to the borrower all force-placed insurance premiums and any related fees paid for by the borrower during any period of overlap between the borrower's policy and the force-placed policy. [150000]

Examiners reviewed all five flood insurance policies that management force-placed since the last examination. In two instances, borrowers confirmed that they had purchased private flood insurance policies. Loan personnel terminated the force-placed policies. However, the bank did not refund the premium for the force-placed policy for the timeframe the borrower's policy was also in effect. CO Cook is aware of the recent Biggert-Waters Act changes and updated the bank's Flood Insurance Policy and procedures. The root cause of this violation is that CO Cook did not train loan personnel on the new requirements.

Examiners recommended training for loan personnel on the recent flood insurance changes. They also reminded management that continued flood insurance violations may result in future civil money penalties.

Borrower	Loan Number	Loan Date	Premium Due Customer
Last Name	XXXXX	MM/DD/YYYY	$150
Last Name	XXXXX	MM/DD/YYYY	$176

Management's Response: CO Cook reviewed the Biggert-Waters Act requirements with loan personnel during the examination. She also scheduled formal flood insurance training for the third quarter of [year]. President Crowley notified the affected customers and voluntarily provided restitution for the premium amounts on [month, day, year].

ELECTRONIC FUND TRANSFERS

Section 1005.11(c) of Regulation E requires a financial institution to promptly investigate and determine whether an error occurred and transmit the results of the investigation and determination to the consumer within the prescribed timeframe after receiving oral notice of an error. (Alternatively, provided the financial institution has complied with the conditions specified therein regarding the provisional recrediting of the amount of the alleged error, it may investigate and determine within the prescribed

Level 2/Medium Severity Violations (Continued)	12345

timeframe whether an error occurred and transmit the results of the investigation and determination to the consumer.) [288601]

Bank personnel did not process all Electronic Fund Transfer (EFT) error disputes according to Section 1005.11(c) of Regulation E. CO Cook explained that management relies solely on ERS to manage the EFT dispute process. ERS is a new third-party service provider contracted since the last examination. Examiners reviewed the log showing all 20 disputes that ERS received relating to the Bank of Anytown. The log notes the timeframes for processing each dispute. There were three disputes under $20 that ERS did not process. During the examination, deposit personnel reviewed the three disputes and determined that no EFT errors occurred that required adjustments to customer accounts. The root cause of this violation is that CO Cook was unaware that the ERS contract stated that claims under $20 would not be processed.

Examiners recommended that management thoroughly review the bank's procedures and the ERS contract to ensure that all EFT disputes are processed according to regulatory requirements.

<u>Management's Response</u>: *President Crowley agreed that it is management's responsibility to ensure that third-party contracts and procedures comply with regulations. He stated that the bank will properly investigate all claims going forward.*

Level 1/Low Severity Violations	**12345**

Level 1 violations are isolated or sporadic in nature or systemic violations that are unlikely to impact consumers or the underlying purposes of the regulation or statute.

Level 1/Low Severity Violations must include, at a minimum, the following information.

- *Regulatory section and six- digit violation code*
- *Description of how the institution's practices differed from regulatory requirements*
- *Blanket statement indicating management's (specific name) actions or intentions to address the noted violation(s)*
- *The Level 1/Low Severity Violations should be provided to management and a copy retained in the examination workpapers. They should not be included in the ROE.*

Example:

Identification of Regulation	**Description of Provision Violated**
REAL ESTATE SETTLEMENT PROCEDURES	
Section 1024.7(f)(1) [131303]	In one instance, loan processing personnel did not deliver a revised good faith estimate form within the required time period.
TRUTH IN LENDING	
Section 1026.23(b)(1) [089301]	A loan officer did not provide the right of rescission notice to one customer.
EQUAL CREDIT OPPORTUNITY	
Section 1002.13(a) [339750]	A loan officer did not collect government monitoring information on two home refinance applications.

Management's Response: CO Cook stated that she will meet individually with applicable personnel to review the violations cited above.

PUBLIC DISCLOSURE

Month XX, 20XX

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Bank of Anytown
Certificate Number: 12345

1234 Anytown Street
Anytown, Anystate 22222

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

3333 Fifth Avenue
City One, State 44444

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

This section must include, at a minimum, the following information.

- *The institution's CRA rating, including the corresponding rating definition*
- *Rating for each test*
- *Description of performance under each factor*

Example:

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory.** An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Bank of Anytown's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.

- The bank made a majority of its small business and home mortgage loans in the assessment area.

- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

- The distribution of borrowers reflects reasonable penetration of loans among businesses of different sizes and individuals of different income levels.

- 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 Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

SCOPE OF EVALUATION

This section must include, at a minimum, the following information.

- *Identification of procedures used*
- *Brief description of tests used*
- *Brief discussion of assessment areas reviewed. Indicate whether a full-scope or limited-scope review is used and why.*
- *Description of product lines reviewed, considering number and dollar volume during the evaluation period, as applicable*
- *Products and timeframes selected for review and why. Briefly explain why any of the main three products were not reviewed, as applicable (home mortgage lending, small business loans, small farm loans).*
- *Number and dollar volume of loan product universe and/or sample size reviewed*
- *Comments about the review of community development activities*
- *Description of affiliate lending activities considered, as applicable*

Example:

General Information

This evaluation covers the period from the prior evaluation dated Month Day, 20XX, to the current evaluation dated Month Day, 20XX. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Bank of Anytown's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The Lending Test considered the institution's performance according to the following criteria.

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors.

- Number and dollar amount of community development loans, qualified investments and community development services
- The responsiveness of such activities to the community development needs of the assessment area

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating small business loans contributed more weight to overall conclusions due to the larger loan volume when compared to home mortgage lending during the most recent calendar year. Also, no other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented. The following table shows the bank's originations and purchases over the most recent calendar year by loan type.

Loans Originated or Purchased (20XX)				
Loan Category	**$(000s)**	**%**	**#**	**%**
Construction and Land Development	18,982	8.0	58	2.8
Secured by Farmland	0	0.0	0	0.0
1-4 Family Residential	78,886	33.3	500	24.1
Multi-Family Residential	10,354	4.4	17	0.8
Commercial Real Estate	33,279	14.0	140	6.7
Agricultural Production	9,121	3.9	178	8.5
Commercial and Industrial	81,844	34.5	954	45.9
Consumer Purpose	3,278	1.4	205	9.9
Other Loans	1,232	0.5	27	1.3
Gross Loans	**236,976**	**100.0**	**2,079**	**100.0**

Source: Bank records

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Examiners selected a sample of small business loans originated in the period January 1, 20XX, through December 31, 20XX. This sample was considered representative of the bank's performance during the entire evaluation period. The bank originated 1,094 small business loans totaling $115.1 million in 20XX, of which 43 totaling $5.1 million were sampled. D&B data for 20XX provided a standard of comparison for the sampled small business loans.

In addition, this evaluation considered all home mortgage loans reported on the bank's 20XX and 20XX Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 20XX the bank reported 451 loans totaling $59.9 million, and for 20XX the bank reported 468 loans totaling $77.4 million. Examiners did not identify any trends between 20XX and 20XX that materially affect conclusions. Therefore, this evaluation presents information for 20XX, the most recent year for which aggregate data is available.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated [Month Day, 20XX].

DESCRIPTION OF INSTITUTION

This section should include, at a minimum, the following information.

- *Holding company and any affiliates or subsidiaries*
- *Previous CRA rating, date, procedures, and regulator*
- *Bank's primary business focus*
- *Participation in any merger or acquisition activity since the last examination*
- *Number of offices and general location*
- *Number of offices opened or closed. Note impact to low- or moderate-income areas as applicable.*
- *Brief description of loan products and deposit services offered*
- *Other delivery systems (for example, ATMs, telephone banking, online banking, and mobile banking)*
- *Description of the loan distribution from Call Report data*
- *Statement whether there are any financial, legal, or other impediments that would limit the bank's ability to meet the credit needs of its assessment area(s)*

Example:

Background
Bank of Anytown is headquartered in Anytown, Anystate, and operates in the eastern part of the Anystate, in Counties One, Two, Three, Four, and Five. Bank of Anytown is owned by Bank Holding Co, Inc., a one-bank holding company also in Anytown. Bank of Anytown operates one wholly-owned subsidiary, Any Title Company in Anytown. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, dated [Month Day, 20XX], based on Interagency Intermediate Small Institution Examination Procedures.

Operations
Bank of Anytown operates nine full-service branches in its assessment area in the eastern part of Anystate. Bank of Anytown offers loan products including commercial, agricultural, home mortgage, and consumer loans, primarily focusing on commercial lending. The institution provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. The bank also offers investment advisory and trust services. Alternative banking services include internet and mobile banking, electronic bill pay, and ten bank-owned automated teller machines (ATMs). The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

Ability and Capacity
Assets totaled approximately $903 million as of [Month XX, 20XX], and included total loans of $418 million and securities totaling $400 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of XX/XX/20XX		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	19,782	4.7
Secured by Farmland	10,718	2.6
Secured by 1-4 Family Residential Properties	66,049	15.8
Secured by Multi-Family (5 or more) Residential Properties	23,469	5.6
Secured by Non-farm Non-residential Properties	114,561	27.4
Agricultural Production and Other Loans to Farmers	27,654	6.6
Commercial and Industrial Loans	119,413	28.5
Consumer	26,155	6.3
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	10,586	2.5
Lease Financing Receivables (net of unearned income)	0	0.0
Gross Loans	***418,387***	***100.0***
Less: Unearned Income	(0)	(0.0)
Total Loans and Leases	**418,387**	**100.0**

Source: XX/XX/20XX Call Report

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 AREA

For assessment areas reviewed using full-scope procedures, this section must address, at a minimum, the following information.

- *Number of individuals and census tracts in each income level*
- *Population*
- *Median income*
- *Employment conditions, including major employers*
- *Number and type of community contacts. Include relevant information obtained.*
- *Community credit and community development needs and business opportunities*

Example:

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Bank of Anytown designated a single assessment area in the Number One Metropolitan Statistical Area (MSA). The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data
The assessment area includes all 63 census tracts in Counties One, Two, Three, Four and Five. These tracts reflect the following income designations according to the 20XX U.S. Census:

- 10 low-income tracts,
- 11 moderate-income tracts,
- 23 middle-income tracts,
- 18 upper-income tracts, and
- 1 census tract with no income designation.

In addition, City One encompasses three low-, and three moderate-income census tracts designated by the state government as an Enterprise Zone. This area is targeted for economic development to attract new and retain existing businesses. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information for the Assessment Area

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	63	15.9	17.4	36.5	28.6	1.6
Population by Geography	245,000	9.9	19.2	45.4	25.4	0.1
Owner-Occupied Housing Units by Geography	100,000	7.6	15.7	39.3	37.4	0.0
Businesses by Geography	25,000	17.5	17.1	36.5	27.3	1.6
Distribution of Families by Income Level	65,000	22.7	16.8	20.0	40.5	0.0
Median Family Income (20XX U.S. Census)		$58,128	**Median Housing Value**		$150,000	
20XX FFIEC-Estimated Median Family Income		$59,500	**Unemployment Rate**		5.0%	
Families Below Poverty Level		8.0%				

Sources: 20XX U.S. Census data, 20XX D&B data, 20XX FFIEC-Estimated Median Family Income

According to 20XX D&B data, there were 25,000 businesses. Gross annual revenues (GARs) for these businesses are below.

- 76.0 percent have $1 million or less.
- 4.0 percent have more than $1 million.
- 20.0 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 40.0 percent; followed by retail trade (15.0 percent); construction (12.0 percent); and finance, insurance, and real estate (8.0 percent). In addition, 77.0 percent of area businesses have four or fewer employees, and 82.0 percent operate from a single location.

The 20XX FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table. These categories are based on the 20XX FFIEC-updated median family income of $59,500.

Median Family Income Ranges				
Median Family Income	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥$120%**
$59,500	<$29,750	$29,750 to <$47,600	$47,600 to <$71,400	≥$71,400

Source: 20XX FFIEC-Estimated Median Family Income data

There are 150,000 housing units. Of these, 66.7 percent are owner-occupied, 20.0 percent are occupied rental units, and 13.3 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are no owner-occupied housing units in the census tract without an income designation.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the 20XX year-end unemployment rate was 6.0 percent statewide. However, the rate varied from 4.8 percent for

County One to 5.2 percent for County Four. Unemployment rates remained constant throughout the evaluation period.

Competition

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of Month 20XX, there were 25 financial institutions that operated 75 full-service branches within the bank's assessment area. Of these institutions, Bank of Anytown ranked 8th with an 8.5 percent deposit market share.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is therefore included. Aggregate data for 20XX shows that 58 institutions reported 18,324 small business loans in the assessment area, indicating a moderate degree of competition for this product.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 20XX, 123 lenders reported a total of 11,777 residential mortgage loans originated or purchased. Bank of Anytown ranked 16th out of this group of lenders, with a market share of 3.1 percent. The three most prominent home mortgage lenders accounted for 45.2 percent of total market share.

Community Contact

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

Examiners contacted a representative of an economic development organization in the assessment area. The contact identified a significant level of opportunity for small business lending, especially to start-up businesses, within County One. The contact noted a particular need to attract new businesses within the Enterprise Zone of City One. In addition, the contact cited a lack of affordable housing and opportunities for local financial institutions to provide financing to develop affordable units. Overall, the contact indicated that financial institutions have been responsive to the credit and community development needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business loans represent a primary credit need for the assessment area. Small business loans, particularly those for start-up businesses, are in high demand. Opportunity exists for originating such loans, particularly in the City One Enterprise Zone. The significant percentage of businesses with GARs of $1 million or less and the large number of businesses with four or fewer employees support this conclusion.
Small business lending opportunity and demand are significant throughout the assessment area. Furthermore, as indicated by community contact information and demographic and economic

data, the assessment area has community development needs including affordable housing and revitalization and stabilization.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

This section must include, at a minimum, the following information.

- *Support for overall Lending Test rating*
- *Description of facts, data, and analysis used to form conclusions for all applicable performance factors. Include the bank's performance compared to available data while considering the bank's performance context.*
- *Description of safe, affordable, and feasible small dollar loan programs (Small Dollar Loan Programs) under applicable performance factor(s), (if offered)*

Example:

Bank of Anytown demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 89.6 percent over the past 11 calendar quarters from September 30, 20XX, to March 31, 20XX. The ratio ranged from a low of 86.2 percent as of March 31, 20XX, to a high of 93.7 percent as of September 30, 20XX. The ratio remained generally stable during the evaluation period. Bank of Anytown maintained a ratio similar to those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Institution	**Total Assets $(000s)**	**Average LTD Ratio (%)**
Bank of Anytown	903,123	89.6
Institution A	1,040,456	72.5
Institution B	730,789	93.7
Institution C	1,253,321	68.2
Institution D	960,654	76.8

Source: Call Report data

Assessment Area Concentration

The bank made a majority of small business and home mortgage loans, by number and dollar volume, within its assessment area. See the following table.

Lending Inside and Outside the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans $(000s)				
	Inside Assessment Area		Outside Assessment Area		Total #	Inside Assessment Area		Outside Assessment Area		Total $(000s)
	#	%	#	%		$(000s)	%	$(000s)	%	
Small Business	33	76.7	10	23.3	43	3,945	77.7	1,129	22.3	5,074
20XX HMDA	367	81.4	84	18.6	451	48,050	80.2	11,876	19.8	59,926

Sources: Bank records, 20XX HMDA data

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance of small business and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Small Business Loans

The geographic distribution of sampled small business loans reflects reasonable dispersion. The following table shows that the bank's performance in low-income census tracts exceeds business demographics by 3.7 percentage points. This difference, also considering competition and the bank's capacity, reflects reasonable performance. The bank's level of lending in moderate-income areas is similar to business demographics, falling just 1.9 percentage points lower. This relatively similar level of lending again reflects reasonable performance.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	Bank Data (20XX)			
		#	%	$(000s)	%
Low	17.5	7	21.2	750	19.0
Moderate	17.1	5	15.2	651	16.5
Middle	36.5	13	39.4	1,535	38.9
Upper	27.3	8	24.2	1,009	25.6
N/A	1.6	0	0.0	0	0.0
Total	**100.0**	**33**	**100.0**	**3,945**	**100.0**

Sources: 20XX D&B data, Bank records

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. The following table shows that the bank's performance in low-income census tracts compares reasonably to the aggregate level, at 0.5 percentage points lower. This minor difference reflects reasonable performance. In moderate-income areas, the bank is similar to aggregate, at 1.1 percentage points lower. This comparison again reflects reasonable performance.

Market share data further supported the bank's reasonable performance. In 20XX, the bank ranked 14th in lending in low-income census tracts with a 4.5 percent market share. The bank ranked 18th in lending in moderate-income census tracts with a 3.8 percent market share. These market rankings are relatively consistent with the bank's overall market rank of 16th in the assessment area in 20XX.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance (% of #)**	**Bank Data (20XX)**			
			#	**%**	**$(000s)**	**%**
Low	7.6	2.4	7	1.9	480	1.0
Moderate	15.7	7.9	25	6.8	2,499	5.2
Middle	39.3	36.2	132	36.0	15,664	32.6
Upper	37.4	53.5	203	55.3	29,407	61.2
N/A	0.0	0.0	0	0.0	0	0.0
Total	**100.0**	**100.0**	**367**	**100.0**	**48,050**	**100.0**

Sources: 20XX U.S. Census, 20XX HMDA data

Borrower Profile

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

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of $1 million or less. The following table shows that 72.7 percent of the sampled loans were originated to businesses with GARs of $1 million or less. This number compares reasonably the percent of businesses in this revenue category. This level of lending reflects reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Annual Revenues	**% of Businesses**	**Bank Data (20XX)**			
		#	**%**	**$(000s)**	**%**
≤$1,000,000	76.0	24	72.7	2,919	76.0
>$1,000,000	4.0	9	27.3	1,026	24.0
Revenues Not Reported	20.0	0	0.0	0	0.0
Total	**100.0**	**33**	**100.0**	**3,945**	**100.0**

Sources: 20XX D&B data, Bank records

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.

Home mortgage lending to low-income borrowers, at 3.8 percent, is reasonable when compared to the aggregate data of 3.3 percent. A low-income family in the assessment area, with an income of $29,750, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of $150,000. Therefore, the demand and opportunity for lending to low-income families are relatively limited. This helps explain the difference between bank performance of lending to low-income borrowers and the 22.7 percent of families of this income level. The bank's performance of lending to moderate-income borrowers, at 14.7 percent, is also similar to aggregate at 14.5 percent.

Market share data further supported the bank's reasonable performance under this criterion. In 20XX, the bank ranked 16th in lending to low-income borrowers with a 4.8 percent market share. It ranked 20th in lending to moderate-income borrowers with a 3.5 percent market share. These market rankings are relatively consistent with the bank's overall market rank of 16th in the assessment area in 20XX.

Distribution of Home Mortgage Loans by Borrower Income Level

Borrower Income Level	% of Families	Aggregate Performance (% of #)	Bank Data (20XX)			
			#	%	$(000s)	%
Low	22.7	3.3	14	3.8	1,153	2.4
Moderate	16.8	14.5	54	14.7	5,814	12.1
Middle	20.0	16.6	45	12.3	7,448	15.5
Upper	40.5	40.2	199	54.2	28,061	58.4
N/A	0.0	25.4	55	15.0	5,574	11.6
Total	**100.0**	**100.0**	**367**	**100.0**	**48,050**	**100.0**

Sources: 20XX U.S. Census, 20XX HMDA data

<u>Response to Complaints</u>

This section must include, at a minimum, the following information.

- *If no CRA-related complaints have been received, state that fact and that this criterion did not affect the rating.*
- *If a CRA-related complaint has been received, include a brief statement generally describing*
    - *A summary of the adequacy of the bank's response;*
    - *The source of the complaint, not necessarily specifying a source by name;*
    - *The nature of the complaint;*
    - *Any bank response to the complaint.*

Example:

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

COMMUNITY DEVELOPMENT TEST

The narrative related to community development activities must include, at a minimum, the following information.

- *Overall conclusion regarding responsiveness of community development activities to the needs and opportunities in the broader statewide or regional area including the institution's assessment area(s)*
- *Total number and dollar amount of community development loans and qualified investments made during the evaluation period by year and purpose. (You may list all activities, or summarize activities by category and highlight notable examples.)*
- *Community development services provided during the evaluation period by year and purpose. (You may list all activities, or summarize activities by category and highlight notable examples.)*
- *Discussion of community development services that increase access to financial services for low- or moderate-income individuals (such as Small Dollar Loans or safe, low-cost transaction and basic savings accounts like Safe Accounts)*
- *Quantitative measures such as community development loans to average loans and qualified investments to average securities and average assets during the evaluation period*

Example:

Bank of Anytown demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

Community Development Loans

Bank of Anytown originated 51 community development loans totaling approximately $21.5 million during the evaluation period. This level of activity represents 2.6 percent of average total assets and 5.6 percent of average total loans since the prior CRA evaluation. Of the 51 community development loans, 8 totaling $3.3 million were used to create affordable housing in the assessment area. These loans demonstrate the bank’s responsiveness to this community development need identified by a community contact.

The bank's community development lending includes two loans totaling $550,000 outside the assessment area to entities that serve a broader statewide area that includes the assessment area. However, these loans will not directly benefit the assessment area. As the bank has been responsive to the community development needs of its assessment area, examiners considered these two loans under the Community Development Test. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Loans												
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize Or Stabilize**		**Neighborhood Stabilization Projects**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$ (000s)**
MM/DD/20XX-MM/DD/20XX	1	250	0	0	4	1,400	1	150	2	850	8	2,650
20XX	1	800	3	1,200	4	1,550	2	1,200	3	900	13	5,650
20XX	2	1,000	3	2,700	4	700	4	1,200	1	600	14	6,200
YTD 20XX	4	1,200	4	2,100	3	600	1	1,500	4	1,550	16	6,950
Totals	**8**	**3,250**	**10**	**6,000**	**15**	**4,250**	**8**	**4,050**	**10**	**3,900**	**51**	**21,450**

Source: Bank records

Below are notable examples of the bank's community development loans:

- In 20XX, the bank made two residential mortgage loans totaling $1.0 million. These loans were secured by an 11-unit property in City Two and a 6-unit property in City Four. All 17 apartment units are designated as affordable housing for families at or below 80 percent of the median family income for the MSA.

- In 20XX, the bank made a loan for $1.5 million to develop a supermarket in a low-income census tract of City One. The state government designated the neighborhood, including this tract, as an Enterprise Zone. According to a community contact, the supermarket is estimated to draw an additional employment base of approximately 150 individuals to the area.

Qualified Investments

Bank of Anytown made 139 qualified investments totaling approximately $8.9 million. This total includes qualified equity investments of approximately $8.5 million and donations of $422,000. This dollar amount of equity investments equates to 1.1 percent of average total assets and 2.8 percent of average securities since the last evaluation.

Of the total dollar amount, 89.8 percent benefited efforts to revitalize or stabilize low- or moderate-income geographies in the bank's assessment area. These investments demonstrate the bank's responsiveness to the revitalization or stabilization of certain geographies, which is an identified community development need. The following table illustrates the bank's community development investments by year and purpose.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Neighborhood Stabilization Projects		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Prior Period	2	519	0	0	0	0	0	0	0	0	**2**	**519**
MM/DD/20XX-MM/DD/20XX	3	3	9	45	3	25	6	20	0	0	**21**	**93**
20XX	2	3	11	56	3	24	9	776	0	0	**25**	**859**
20XX	2	2	14	77	5	51	23	3,002	0	0	**44**	**3,132**
YTD 20XX	6	17	13	59	4	27	24	4,216	0	0	**47**	**4,319**
Totals	**15**	**544**	**47**	**237**	**15**	**127**	**62**	**8,014**	**0**	**0**	**139**	**8,922**

Source: Bank records

Below are notable examples of the bank's qualified investment activities:

- In 20XX, the bank purchased a $2.5 million revenue bond associated with the Anytown Downtown Revitalization Project. The project addresses specific infrastructure needs such as roads, parking, and building renovations in the moderate-income census tract designated for the revitalization project. The project will help to attract new, or retain existing, businesses.

- In 20XX, the bank purchased a $1.0 million investment benefitting an organization that provides services to senior living centers that primarily house low- and moderate-income individuals. The yield from this investment provides funds totaling $18,750 per year to this organization. Due to decreasing investment yields, the bank increased the amount of the underlying security in December, 20XX, to $1.875 million. The additional amount will ensure funding continues at $18,750 per year. This annual donation of $18,750 provides community services targeted toward low- and moderate-income senior citizens in the assessment area.

Community Development Services

During the evaluation period, bank employees provided 58 instances of financial expertise or technical assistance to 24 different community development-related organizations in the assessment area. The following table illustrates the bank's community development services by year and purpose.

Community Development Services						
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Neighborhood Stabilization Projects**	**Totals**
	#	**#**	**#**	**#**	**#**	**#**
MM/DD/20XX-MM/DD/20XX	3	3	2	1	3	12
20XX	5	6	0	2	1	14
20XX	0	10	4	4	1	19
YTD 20XX	3	6	2	2	0	13
Total	**11**	**25**	**8**	**9**	**5**	**58**

Source: Bank records

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

- An employee serves as the Chairman of the Board of the Bank-On program. The program, still in its infancy stage, will reach the area's unbanked and under-banked. Bank-On requires consumers to take three financial education classes before they can open a checking account at a participating financial institution. Bank of Anytown trained 12 employees to teach these financial education classes.

- An employee serves as Director of a non-profit organization. The organization provides services for low- and moderate-income individuals including shelter, training, and jobs in a designated distressed area. This individual lends their financial expertise to this organization.

In addition, Bank of Anytown operates two branches and ATMs in moderate-income census tracts of the assessment area, which also border the area's low-income tracts. These branches and ATMs demonstrate the availability of banking services to low- and moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

This section must include, at a minimum, the following information.

- *State whether examiners identified evidence of discriminatory or other illegal practices.*
- *When evidence of discrimination or other illegal credit practices in any geography by the institution, or in any assessment area by an affiliate whose loans were considered as part of the institution's lending performance, is identified, state the following.*
    - *Effect on the CRA rating*
    - *Law or regulation violated*
    - *Extent of the violation (for example, wide-spread)*
    - *Management's responsiveness*
    - *Policies, procedures, training, and corrective actions*

Example:

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

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.