

PUBLIC DISCLOSURE

June 24, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Commerce Bank
Certificate Number: 23772

5800 San Dario
Laredo, Texas 78041

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

600 North Pearl Street, Suite 700
Dallas, Texas 75201

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

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

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio (LTD) is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of loans and other lending-related activities are in the institution's assessment area.
- The geographic distribution of loans reflects poor dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

The institution's community development (CD) performance demonstrates adequate responsiveness to CD needs in its assessment area through CD loans, qualified investments (QIs), and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's assessment area.

DESCRIPTION OF INSTITUTION

Commerce Bank is headquartered in Laredo, Texas and operates three full-service offices in Webb County. The institution received a Satisfactory rating at its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated March 11, 2021, based on the Federal Financial Institutions Examination Council's (FFIEC) Intermediate Small Institution CRA Examination Procedures.

International Bancshares Corporation (IBC), Laredo, Texas, wholly owns IBC Subsidiary Corporation, Laredo, Texas. In turn, IBC Subsidiary Corporation wholly owns Commerce Bank as well as International Bank of Commerce, Laredo, Texas; International Bank of Commerce, Zapata, Texas; International Bank of Commerce, Brownsville, Texas; and International Bank of Commerce, Oklahoma City, Oklahoma. Commerce Bank closed the South Laredo Branch on December 30, 2021. The bank has not participated in any merger or acquisition activity since the previous evaluation.

With a primary business focus on commercial loans, Commerce Bank's loan products include commercial, residential, construction and land development, and consumer loans. The bank also offers a variety of deposit services including consumer and commercial checking and savings accounts, debit and gift cards, and merchant processing for commercial customers.

Assets totaled \$679.9 million as of March 30, 2024, and included total loans of \$164.4 million, total securities of \$393.9 million, and total deposits of \$599.9 million.

Loan Portfolio Distribution as of 03/31/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	29,349	17.9
Secured by Farmland	95	0.1
Secured by 1-4 Family Residential Properties	54,653	33.2
Secured by Multifamily (5 or more) Residential Properties	4,766	2.9
Secured by Nonfarm Nonresidential Properties	40,016	24.4
Total Real Estate Loans	128,879	78.5
Commercial and Industrial Loans	27,321	16.6
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	7,809	4.7
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	343	0.2
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	164,352	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

Commerce Bank designated one assessment area, the Laredo Metropolitan Statistical Area (MSA) Assessment Area (AA), consisting of Webb County in its entirety. This area encompasses 69 census tracts consisting of 3 low-, 31 moderate-, 13 middle-, and 20 upper-income tracts, with 2 undesignated income tracts, based on the 2020 U.S. Census data. The assessment area conforms to technical CRA regulatory requirements. Examiners utilized full-scope procedures when analyzing this area.

Economic and Demographic Data

The following table provides select demographic and economic data for the assessment area.

Demographic Information of the Laredo MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	69	4.3	44.9	18.8	29.0	2.9
Population by Geography	267,114	3.3	39.4	17.0	40.0	0.3
Housing Units by Geography	84,553	4.1	40.0	17.0	38.9	0.0
Owner-Occupied Units by Geography	48,093	2.9	32.7	16.1	48.4	0.0
Occupied Rental Units by Geography	28,289	5.1	50.6	19.1	25.2	0.0
Vacant Units by Geography	8,171	7.6	46.5	15.5	30.4	0.0
Businesses by Geography	29,196	4.8	24.3	14.6	55.9	0.4
Farms by Geography	381	3.7	26.8	11.0	58.3	0.3
Family Distribution by Income Level	61,334	25.8	14.7	17.6	41.9	0.0
Household Distribution by Income Level	76,382	27.5	14.6	16.4	41.5	0.0
Median Family Income MSA - 29700 Laredo, TX MSA		\$54,078	Median Housing Value Median Gross Rent Families Below Poverty Level			\$135,994 \$854 22.2%
Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

The largest industries in the assessment area, by percentage of businesses, consist of non-classifiable establishments at 23.7, services at 23.6 percent, and transportation and communication at 20.3 percent. Major employers in the area include United Independent School District, City of Laredo, Walmart, H-E-B Grocery, Cocentrix, Laredo Medical Center, Doctor's Hospital, and the Border Patrol. The Texas Workforce Commission reported an April 2024 unemployment rate of 3.7 percent for Webb County compared to 3.5 percent for the State of Texas and 3.5 percent for the United States.

International trade with Mexico serves as a primary driver of Laredo's economy. The city of Laredo operates as the largest inland port in the United States and serves as the principal port of entry into Mexico. This top-ranked, cross-border distribution hub attracts an influx of foreign deposits. Laredo's economy also benefits from commercial and industrial warehousing, education, and health care.

Competition

According to the FDIC Deposit Market Share report as of June 30, 2023, 10 financial institutions operated 58 offices within the bank's assessment area, reflecting a moderate level of competition for financial services. Of these institutions, Commerce Bank ranked 5th in deposit market share by capturing 7.1 percent of the area's deposits. Additionally, credit unions, mortgage companies, and finance companies also operate in the area, heightening the competition level. Overall, the competition level allows for lending opportunities.

Community Contact

As part of the evaluation process, examiners obtain information from third parties knowledgeable of the assessment area to assist in identifying the credit and CD needs of the area. This information not only helps in identifying credit and CD needs and opportunities, but also assists in determining whether local financial institutions are responsive to those needs.

Examiners contacted a community member that focuses on small business development. The contact noted the area's economic conditions have slightly improved; however, retail services have slightly diminished due to the minimal amount of qualified applicants. Other industries such as health care, transportation, trucking, import and export, along with trade between the U.S. and Mexico, appear to remain stable, according to the contact. The contact stated that the Paycheck Protection Program assisted a number of small businesses, but that commercial warehouse/small business needs are still in demand along with affordable housing. Overall, the contact indicated that local financial institutions have been very responsive to the credit and CD needs of the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that the area's primary credit needs include commercial, residential lending. The area's economy also supports credit growth and opportunities for various loan types.

With respect to the area's CD needs, nearly one-fourth of the area's families reported incomes below the poverty level and 40.5 percent of the area's families report either low or moderate incomes, suggesting a need for activities that aid in providing community services targeted to low- and moderate-income individuals. Other CD needs include activities that revitalize or stabilize qualifying geographies, as suggested by the 49.2 percent of the area's census tracts receiving low- or moderate-income designations, and affordable housing for low- and moderate-income individuals.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from March 11, 2021, to June 24, 2024, the date of the previous evaluation to this evaluation's date. To assess performance, examiners applied the FFIEC Intermediate Small Institution CRA Examination Procedures, which include the Lending Test and Community Development Test. The appendix lists the applicable tests' criteria. This evaluation does not consider any affiliate lending activity.

Activities Reviewed

Intermediate Small Institution procedures require examiners to determine the bank's major product lines for review. As an initial matter, examiners may select from among the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows lending activity for 2023, which reflects a generally consistent pattern with the bank's lending emphasis since the last evaluation.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	72,147	54.4	17	3.4
Secured by Farmland	20	< 0.1	1	0.2
Secured by 1-4 Family Residential Properties	1,249	0.9	6	1.2
Multi-Family (5 or more) Residential Properties	65	< 0.1	2	0.4
Commercial Real Estate Loans	21,685	16.3	25	5.0
Commercial and Industrial Loans	29,429	22.2	109	21.7
Agricultural Loans	0	0.0	0	0.0
Consumer Loans	8,103	6.1	342	68.1
Other Loans	0	0.0	0	0.0
Total Loans	132,698	100.0	502	100.0
<i>Source: Bank Data (2023)</i>				

Considering the number and dollar volume of loans originated, as well as management's stated business strategy, examiners determined that the bank's major product line consists of commercial loans at 38.5 percent by dollar volume during 2023. Since none of the other loan categories typically considered, including consumer loans at 6.1 percent by dollar volume, residential loans at 0.9 percent, and farm lending at less than 0.1 percent, represent a major product line and would not materially affect any conclusions or ratings, this evaluation does not discuss them.

Consequently, this evaluation considers the universe of 245 small business loans totaling approximately \$21.1 million originated in 2021, the universe of 120 small business loans totaling approximately \$13.6 million originated in 2022, and the universe of 126 small business loans totaling approximately \$15.3 million originated in 2023 when reviewing the bank's assessment area concentration performance. The evaluation presents only the 2023 data regarding the bank's geographic and borrower profile distribution performances since no trends exist between the

different years' data that materially affect applicable conclusions or ratings. D&B data for 2023 provides a standard of comparison for the small business loans evaluated.

For the Community Development Test, bank management provided data on CD loans, QIs, and CD services since the prior CRA evaluation dated March 11, 2021. The evaluation discusses and presents information on the bank's CD activities within the designated assessment area, as well as the broader regional, statewide, and nationwide area, consistent with the Intermediate Small Institution CRA Examination Procedures.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Commerce Bank demonstrated a satisfactory record regarding the Lending Test. Reasonable borrower profile performance lifted poor geographic distribution performance to support this conclusion. Additionally, the bank demonstrated a reasonable LTD ratio and originated a substantial majority of loans in the bank's assessment area.

Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio averaged 29.9 percent over the past 13 calendar quarters from March 31, 2021, to March 31, 2024, lower than the 42.5 percent average ratio reported at the previous evaluation. The ratio ranged from a low of 26.3 percent as of September 30, 2022, to a high of 38.7 percent as of March 31, 2021, and demonstrated a downward trend. Although still reflective of reasonable performance, examiners noted that Commerce Bank's average, net LTD ratio was somewhat affected by the bank's larger volume of foreign deposits and public funds.

Examiners identified and listed in the following table three comparable banks based on asset size, geographic location, and lending focus. The table shows that Commerce Bank displayed the lowest ratio; however, its ratio lands only 4.5 percentage points below the next lowest listed ratio and falls 26.5 percentage points below the highest listed ratio.

LTD Ratio Comparison		
Bank	Total Assets as of 03/31/2024 (\$000s)	Average Net LTD Ratio (%)
Commerce Bank, Laredo, TX	679,929	29.9
Texas Community Bank, Laredo, TX	1,949,331	56.4
The First National Bank of Hebbronville, Hebbronville, TX	85,937	34.4
Zapata National Bank, Zapata, TX	87,983	44.4
<i>Source: Reports of Condition and Income (03/31/2021 – 03/31/2024)</i>		

Assessment Area Concentration

A substantial majority of loans and other lending-related activities are in the institution's assessment area. As reflected in the below table, the bank originated a substantial majority of its small business loans, by number and dollar volume, inside its assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2021	229	93.5	16	6.5	245	19,691	93.3	1,422	6.7	21,113
2022	110	91.7	10	8.3	120	12,411	91.4	1,172	8.6	13,583
2023	114	90.5	12	9.5	126	12,906	84.4	2,394	15.6	15,300
Total	453	92.3	38	7.7	491	45,008	90.0	4,988	10.0	49,996
Source: Bank Data										

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the assessment area. Poor performance regarding small business loans in the bank's sole assessment area supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects poor performance. Poor performance in moderate-income census tracts outweighs reasonable performance in low-income census tracts to support this conclusion. Examiners focused on the bank's percentage of loans, by number, granted in low- and moderate-income geographies relative to the percent of businesses. As shown in the following table, the bank's performance in low-income census tracts falls 3.9 percentage points below D&B data, reflecting reasonable performance. In moderate-income census tracts, the bank's performance falls 12.0 percentage points below D&B data, reflecting poor performance. Examiners placed more weight on performance in moderate-income census tracts where demographic data indicated more lending opportunities.

Geographic Distribution of Small Business Loans Laredo MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	4.8	1	0.9	193	1.5
Moderate	24.3	14	12.3	2,182	16.9
Middle	14.6	17	14.9	1,099	8.5
Upper	55.9	82	71.9	9,432	73.1
Not Available	0.4	0	0.0	0	0.0
Totals	100.0	114	100.0	12,906	100.0
<i>Source: 2023 D&B Data, Bank Data (2023)</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. Reasonable performance regarding small business loans in the bank's sole assessment area supports this conclusion.

Small Business Loans

The distribution of small business loans based on the borrowers' profiles reflects reasonable performance. A reasonable record of lending to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion. Examiners focused on the bank's overall level of lending to businesses with gross annual revenues of \$1 million or less relative to D&B data when arriving at conclusions. The companies' gross annual revenues define the borrowers' profiles for this review. The following table shows that in the Laredo MSA AA, the bank originated approximately eight out of every ten loans to businesses with gross annual revenues of \$1 million or less, reflecting a reasonable level when compared to D&B data.

Distribution of Small Business Loans by Gross Annual Revenue Category Laredo MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	89.6	94	82.5	9,175	71.1
> \$1,000,000	3.3	20	17.5	3,731	28.9
Revenue Not Available	7.2	0	0.0	0	0.0
Total	100.0	114	100.0	12,906	100.0
<i>Source: 2023 D&B Data, Bank Data (2023)</i>					

Response to Complaints

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

Commerce Bank demonstrated a satisfactory record regarding the Community Development Test. The institution's CD performance demonstrates adequate responsiveness to CD needs in its assessment area through CD loans, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's assessment area.

Community Development Loans

Commerce Bank originated three CD loans totaling approximately \$11.2 million during the evaluation period. This level of activity represents 1.7 percent of average total assets of \$645.7 million and 6.7 percent of average net loans of \$165.5 million since the prior CRA evaluation. These levels significantly decreased from the 9.5 percent of average total assets and 27.7 percent of average net loans reported at the previous evaluation.

The CD loans proved responsive to the area’s needs given they primarily promote economic development. As seen in the following table, 49.3 percent by dollar volume address activities that promote economic development by financing a small business, demonstrating the bank’s responsiveness to an identified CD need. The following table illustrates the bank’s CD lending activity by year and purpose, which benefitted the Laredo MSA AA.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021	0	0	0	0	1	5,500	2	5,655	3	11,155
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
YTD 2024	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	1	5,500	2	5,655	3	11,155
<i>Source: Bank Data</i>										

The following point an example of CD lending in the Laredo MSA AA.

- ***Revitalize or Stabilize*** – The bank granted a \$3.6 million loan to finance the purchase of a warehouse located in a moderate-income census tract within Laredo, Texas. The loan revitalizes a moderate-income area by attracting and retaining businesses and residents to the area.

Qualified Investments

The bank made use of 100 QIs totaling approximately \$36.9 million. The total dollar volume equates to 5.7 percent of average total assets and 9.1 percent of average securities since the prior evaluation. These levels significantly increased from the 112 QIs totaling approximately \$3.5 million, equating to 0.6 percent of average total assets and 1.2 percent of average securities, recorded at the prior evaluation.

The following table indicates that by dollar volume, 98.8 percent of the QIs supported activities promoting affordable housing. These efforts demonstrate the bank’s responsiveness to an identified CD need. The following table illustrates the bank’s QIs and donations by area and purpose.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Laredo MSA AA	1	3,000	84	418	8	21	1	2	94	3,441
Statewide/Regional	6	33,418	0	0	0	0	0	0	6	33,418
Total	7	36,418	84	418	8	21	1	2	100	36,859
<i>Source: Bank Data</i>										

The following provides an example of a QI in the Laredo MSA AA.

- ***Affordable Housing*** – The bank invested \$3 million into a CRA investment fund during the evaluation period. The fund’s investment advisor identifies, purchases, and earmarks CRA-qualified securities in the fund related to the bank’s assessment area to support affordable housing for low- and moderate-income individuals in the Laredo MSA AA.

Community Development Services

The table below shows that the bank provided 24 CD services since the prior evaluation. This number equates to an average of 2.29 CD services, per office, per year, since the prior evaluation. This level significantly decreased from the 233 CD services averaging 14.6 CD services, per office, per year, recorded at the prior evaluation, largely due to the COVID-19 pandemic. The services all involve bank personnel’s use of their technical expertise to benefit organizations or projects with a primary purpose of CD, as defined by the CRA regulation.

The table also shows that 54.2 percent of the services benefited community service organizations that serve low- and moderate-income individuals, which demonstrates the bank’s responsiveness to an identified CD need. Additionally, certain activities reflect a leadership role and a heightened level of effort by Commerce Bank along with its affiliated institutions in initiating or developing those activities. As noted below, these activities include the development of the We Do More Rx Card that provides discounts on prescription drugs and involved coordinating with the nationally recognized Pharmacy Benefit Manager that has over 54,000 participating pharmacies. The following table illustrates the bank’s CD services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (Partial)	1	2	2	0	5
2022	0	4	3	0	7
2023	1	4	2	0	7
YTD 2024	1	3	1	0	5
Total	3	13	8	0	24
<i>Source: Bank Data</i>					

The following provides examples of CD services in the Laredo MSA AA.

- ***Community Services*** – In a leadership role, Commerce Bank and its affiliated institutions developed the We Do More Rx Card. The card, targeted to low- and moderate-income bank customers, provides discounts on all Food and Drug Administration-approved prescription drugs that amount to savings on average of 15.0 percent of the cash price for brand name drugs and 40.0 percent off generic drugs. The activity provides community services by addressing health matters targeted to low- and moderate-income individuals.
- ***Community Services*** – A bank representative conducted financial literacy programs targeted to low- and moderate-income individuals at local schools within the bank's assessment area. The instruction used the Money Smart program to teach the basics of handling money and finances, including how to create positive relationships with financial institutions.
- ***Economic Development*** – A bank representative served as a board member for an economic development organization which promotes economic development through the financing of small businesses and supports permanent job creation, retention, or improvement, either for currently low- or moderate-income persons or in low- or moderate-income geographies.

The bank operates two full-service branches in middle-income census tract and one branch in an upper-income census tract. While the bank did not operate any branches or ATMs in low- or moderate-income census tracts, the bank provides alternative delivery systems that help avail its services to low- and moderate-income individuals or geographies. Due to Commerce Bank's affiliation with its holding company, its customers also receive free access to all branch locations and ATMs that make up the International Bancshares Corporation network. As of December 31, 2023, this network includes 166 branch locations and 256 ATMs.

In addition to its ATMs, the bank provides other alternative delivery systems consisting of online banking and bill pay, IBC mobile, a mobile banking product that provides many of these same services from any mobile device, and IBC Voice, which provides free 24-hour customer access to accounts via a local telephone number. Additionally, the bank offers IBC Link, which is a delivery system that addresses various needs of commercial customers, including small businesses, such as transferring funds between accounts, reconciling account balances, and performing wire transfers.

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.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.