

PUBLIC DISCLOSURE

December 18, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sutton Bank
Certificate Number: 5962

1 South Main Street
Attica, Ohio 44807

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	1
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION	3
CONCLUSIONS ON PERFORMANCE CRITERIA.....	4
OHIO NON-METROPOLITAN STATISTICAL AREA ASSESSMENT AREA – Full-Scope Review	8
MANSFIELD, OHIO METROPOLITAN STATISTICAL AREA ASSESSMENT AREA – Full- Scope Review.....	16
APPENDICES	23
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA	23
GLOSSARY	24

INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, AA credit needs, and business model.
- The institution made a majority of its small business and home mortgage loans outside the AAs.
- The geographic distribution of loans reflects poor dispersion throughout the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, reasonable, penetration among businesses of different sizes and individuals of different income levels, including LMI.
- 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's community development (CD) performance demonstrates adequate responsiveness to the CD needs in its AAs through CD loans, qualified investments, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AAs.

DESCRIPTION OF INSTITUTION

Sutton Bank (Sutton), headquartered in Attica, Ohio, is a wholly owned subsidiary of Sutton Bancshares, Inc., a one-bank holding company also headquartered in Attica, Ohio. Examiners assigned a "Satisfactory" rating at the previous FDIC Performance Evaluation, dated July 15, 2022, based on the Interagency Intermediate Small Institution Examination Procedures.

Operations

The institution operates seven full-service offices, one drive-thru only location, and one stand-alone deposit-taking automated teller machine. Sutton did not open or close any branches and was not involved in merger or acquisition activities since the prior evaluation.

Sutton continues to offer traditional loan products such as commercial, home mortgage, agricultural, and consumer loans, as well as traditional deposit products such as checking, savings, and money market accounts. The bank also offers internet and mobile banking, electronic bill pay, and remote wallet. However, Sutton's primary business model focuses on its alternative banking services

which facilitate the issuance of consumer- and business-purpose gift, payroll, and general purpose prepaid cards, debit cards, and other payments-related services for a variety of third parties.

Ability and Capacity

As of September 30, 2024, Sutton’s assets totaled approximately \$1.5 billion and included total loans of \$399.3 million, total securities of \$332.9 million, and total deposits of \$1.3 billion. Total assets increased by 10.6 percent since the prior evaluation, which is primarily attributed to growth and activity within Sutton’s Payments Division. While the institution has grown during the review period, Sutton’s asset size can change significantly throughout the year due to activities within the Payments Division, which can camouflage both the actual amount and rate of asset growth. When considering average quarter-over-quarter growth since the prior evaluation, growth at the institution is more realistically measured at 2.2 percent.

The net loan portfolio increased by 27.5 percent since the prior evaluation. Again, a more accurate picture of the institution’s capacity to lend is reflected by comparing the asset and loan growth as an average of quarter-over-quarter changes. Average loan growth during the review period was 2.4 percent, reflecting Sutton’s willingness to meet the credit needs of its community at pace with capacity created by asset growth.

The following table summarizes the institution’s loan portfolio distribution using data from the most recent Consolidated Report of Condition and Income (Call Report).

Loan Portfolio Distribution as of 09/30/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	19,196	4.8
Secured by Farmland	33,488	8.4
Secured by 1-4 Family Residential Properties	34,352	8.6
Secured by Multifamily (5 or more) Residential Properties	23,813	6.0
Secured by Nonfarm Nonresidential Properties	171,068	42.8
Total Real Estate Loans	281,917	70.6
Commercial and Industrial Loans	102,789	25.7
Agricultural Production and Other Loans to Farmers	11,632	2.9
Consumer Loans	2,829	0.7
Obligations of State and Political Subdivisions in the U.S.	312	0.1
Other Loans	96	<0.1
Lease Financing Receivable (net of unearned income)	46	<0.1
Less: Unearned Income	(291)	<(0.1)
Total Loans	399,330	100.0
<i>Source: Call Report</i>		

Examiners did not identify financial, legal, or other impediments that affect the institution's ability to meet AA credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its lending performance. Sutton delineates two separate AAs, which do not arbitrarily exclude LMI census tracts, do not reflect illegal discrimination, and otherwise meet the requirements of the CRA. The Ohio (OH) Non-Metropolitan Statistical Area (MSA) AA consists of the entirety of Ashland, Huron, and Seneca counties. The Mansfield, OH MSA AA consists of the entirety of Richland County. Examiners conducted a full-scope review of both AAs. The majority of Sutton's branches, loans, and deposits are within the OH Non-MSA AA; therefore, examiners placed greater weight on the performance in this AA when forming conclusions and ratings.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated July 15, 2022, to the current evaluation, dated December 18, 2024. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Sutton's CRA performance. These procedures include the Lending Test and CD Test. Information on the criteria used for each test is included in the Appendix. Institutions must achieve at least a satisfactory rating under the Lending Test and CD Test to obtain an overall "Satisfactory" rating.

Activities Reviewed

Based on Sutton's business strategy, loan portfolio composition, and number and dollar volume of loans originated during the review period, examiners determined Sutton's primary lending products are small business and home mortgage loans. No other loan types, such as small farm or consumer loans, represent a major product line; therefore, examiners did not analyze these products, as they would not provide material support for conclusions or ratings. Examiners weighed small business lending more heavily, as Sutton originated more small business loans than home mortgage loans during the evaluation period.

Examiners used Sutton's records to analyze the universe of small business loans originated in 2022 and 2023. In 2022, Sutton originated 234 small business loans totaling \$46.0 million. In 2023, Sutton originated 93 small business loans totaling \$24.4 million. D&B data for the corresponding years provided a standard of demographic comparison for small business lending.

Examiners also considered all home mortgage loans reported on Sutton's 2022 and 2023 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. In 2022, Sutton originated 52 home mortgage loans totaling \$8.9 million, and 27 home mortgage loans in 2023 totaling \$6.1 million. Aggregate data and 2020 U.S. Census data served as standards of comparison in analyzing home mortgage lending. Examiners focused on the comparison to aggregate data, as it is a better indicator of market demand and lending opportunities.

For the Lending Test, examiners analyzed and presented both the number and dollar volume of small business and home mortgage loans. However, examiners emphasized performance relative to the number of loans, as this is a better indicator of the number of small businesses and individuals served. In evaluating the Geographic Distribution and Borrower Profile criteria, examiners only evaluated loans within the AAs.

For the CD Test, examiners considered all CD loans, qualified investments and donations, and CD services since the previous CRA evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Sutton demonstrated reasonable performance under the Lending Test. The LTD ratio and reasonable performance under the Borrower Profile criterion primarily support this conclusion.

Loan-to-Deposit Ratio

Sutton's LTD ratio is reasonable given the institution's size, financial condition, AA credit needs, and business model. The average net LTD ratio, calculated from Call Report data, averaged 21.7 percent over the previous 9 calendar quarters from September 30, 2022, to September 30, 2024. The LTD ratio ranged from a low of 19.1 percent as of December 31, 2023, to a high of 29.8 percent as of September 30, 2024. This average represents a decline over the previous two evaluations when the average ratio was 37.2 percent over 11 calendar quarters (July 15, 2022 evaluation) and 64.5 percent over ten calendar quarters (July 8, 2019 evaluation).

The Payments Division has significantly outgrown its traditional community banking services, which has resulted in the dramatic changes to the LTD ratio over the previous two CRA Performance Evaluations. Sutton must maintain significant deposits to support the processing of alternative banking services offered by the Payments Division. Therefore, while the Payments Division has grown, so too has the total deposits that are used in the LTD ratio calculation. In September 2024, the monthly average of deposits held strictly for the Payments Division totaled \$1.2 billion. Examiners also note the increased deposits Sutton holds for its Payments Division are derived from customers of its third-party relationships, who live outside the bank's AA. Due to the volatility and nature of those deposits, they are not available for lending. As previously discussed, Sutton's average loan growth has kept pace with asset growth, which is more indicative of the institution's capacity and willingness to meet credit needs than the LTD ratio, given the unique business model of the institution.

Examiners identified five similarly-situated institutions (SSIs) based on asset size, geography, and loan portfolio distribution. Although Sutton's average net LTD ratio is significantly lower than the five SSIs, the LTD is consistent with Sutton's business model which is unique for the area and to the SSIs. To provide additional context, examiners calculated the average gross LTD ratio after netting out the deposits generated from the Payments Division. This adjusted ratio over the same period is 83.5 percent, which is consistent with the average net LTD ratios of the SSIs noted in the following table.

LTD Ratio Comparison		
Bank	Total Assets as of 9/30/2024 (\$000s)	Average Net LTD Ratio (%)
Sutton Bank	1,527,789	21.7
Similarly-Situated Institution #1	1,043,699	105.2
Similarly-Situated Institution #2	1,259,299	74.3
Similarly-Situated Institution #3	1,147,853	76.9
Similarly-Situated Institution #4	1,206,802	83.8
Similarly-Situated Institution #5	1,765,005	84.7
<i>Source: Reports of Condition and Income 9/30/2022 – 9/30/2024</i>		

Assessment Area Concentration

As shown in the following table, the institution originated a majority of its loans outside the AA by number and dollar volume. Sutton originated a majority of its small business loans, by number and dollar volume, outside its AAs during the evaluation period. However, Sutton originated a majority of its home mortgage loans, by number and dollar volume, inside its AAs. During the evaluation period, examiners noted that Sutton’s small business lending in 2022 resulted in a majority of total loans originated outside the AAs. The volume of small business originations in 2022 was significantly higher than Sutton’s typical volume, and was an anomaly attributed to a large volume of loans purchased outside the AAs as a management strategy to offset low demand in the AA caused by the COVID pandemic.

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		
	#	%	#	%		\$ (000s)	%	\$(000s)	%	
Small Business										
2022	66	28.2	168	71.8	234	12,942	28.1	33,083	71.9	46,025
2023	51	54.8	42	45.2	93	11,852	48.6	12,517	51.4	24,369
Subtotal	117	35.8	210	64.2	327	24,794	35.2	45,600	64.8	70,394
Home Mortgage										
2022	35	67.3	17	32.7	52	5,215	58.4	3,715	41.6	8,930
2023	22	81.5	5	18.5	27	4,579	75.3	1,503	24.7	6,082
Subtotal	57	72.2	22	27.8	79	9,794	65.2	5,218	34.8	15,012
Total	174	42.9	232	57.1	406	34,588	40.5	50,818	59.5	85,406
Source: Bank Data, due to rounding, totals may not equal 100.0%.										

Geographic Distribution

Overall, the geographic distribution of loans reflects poor dispersion throughout the AAs. Sutton’s poor lending performance for small business in both AAs and home mortgage loans in the OH Non-MSA AA supports this conclusion. Examiners focused on the percentage by number of loans in LMI areas. Refer to subsequent sections for conclusions in each AA.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes and individuals of different income levels, including LMI. The institution's small business and home mortgage lending performance in its OH Non-MSA AA, as well as small business lending performance in the Mansfield, OH MSA, support this conclusion. Examiners focused on the number of small business loans with gross annual revenues (GARs) of \$1.0 million or less, and the number of home mortgage loans to LMI borrowers. Refer to subsequent sections for conclusions in each AA.

Response to Complaints

Sutton did not receive CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Sutton demonstrated adequate responsiveness to the CD needs of its AAs through CD loans, qualified investments and donations, and CD services. Examiners considered the institution's capacity and the need and availability of such opportunities. In addition, examiners analyzed performance of three SSIs for comparison purposes. Examiners selected SSIs for CD comparison based on asset size and geographic location. Refer to subsequent sections of this evaluation for conclusions in each AA.

Community Development Loans

Sutton originated three CD loans within its AAs totaling approximately \$4.1 million. This level of activity represents 0.3 percent of total assets and 1.0 percent of total loans. This performance is a slight decrease from Sutton's CD lending at its previous evaluation when, excluding Paycheck Protection Program (PPP) loans, Sutton originated 6 CD loans totaling \$5.6 million, representing 0.4 percent of total assets and 1.8 percent total loans. This performance compares reasonably to SSIs that ranged from 0.2 percent to 1.3 percent of total assets and 0.3 percent to 2.5 percent of total loans. Examiners also note the previous evaluation period was approximately 7 months longer than the current evaluation period. As such, Sutton demonstrated reasonable responsiveness to opportunities to originate CD loans throughout its AAs even though there was a slight decrease in CD lending since the previous evaluation. The following table illustrates CD lending activities by AA and purpose.

Community Development Lending by Assessment Area						
Assessment Area	Community Services		Economic Development		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
OH Non-MSA	1	800	1	1,280	2	2,080
Mansfield, OH MSA	1	2,000	0	-	1	2,000
Total	2	2,800	1	1,280	3	4,080

Qualified Investments

Sutton made or retained 44 investments and donations within its AAs during the evaluation period totaling approximately \$2.3 million. This performance represents 0.2 percent of total assets and 0.7 percent to total securities. The volume of activity is comparable to Sutton's performance at the previous evaluation when it made 46 qualified donations and investments totaling \$2.2 million, representing 0.2 percent of total assets and 1.4 percent of total securities. Investments of SSIs ranged from 0.1 percent to 0.5 percent of total assets and 0.1 percent to 3.0 percent of total securities. Sutton demonstrated reasonable responsiveness to opportunities by making qualified investments and donations throughout its AAs. The following table illustrates CD investments and donations by AA and purpose.

Qualified Investments and Donations by Assessment Area								
Assessment Area	Affordable Housing		Community Services		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
OH Non-MSA	4	40	19	130	0	-	23	170
Mansfield, OH MSA	4	48	16	2,090	1	2	21	2,140
Total	8	88	35	2,220	1	2	44	2,310

Community Development Services

During the evaluation period, Sutton employees provided 18 instances of financial expertise or technical assistance to CD-related organizations within its AAs. This level of activity is consistent with the level of activity at the previous evaluation when Sutton employees also provided 18 instances of financial expertise or technical assistance. CD services of SSIs ranged from 28 to 99. Although Sutton's level of CD services was lower than SSIs, Sutton's services were particularly responsive to the needs of the AAs, many of which included providing financial education. Additionally, one of the bank's branches in the OH Non-MSA AA is located in a moderate-income census tract. The following table illustrates CD services by AA and purpose.

Community Development Services by Assessment Area				
Assessment Area	Affordable Housing	Community Services	Revitalize or Stabilize	Totals
	#	#	#	#
OH Non-MSA	1	7	1	9
Mansfield, OH MSA	1	8	-	9
Total	2	15	1	18

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

OH NON-MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE OH NON-MSA AA

The OH Non-MSA AA consists of the entirety of Ashland, Huron, and Seneca Counties. Sutton operates six branches within this AA, which represents 75.0 percent of its branches. Of the loans originated within the combined AAs, Sutton originated 61.5 percent of its small business and home mortgage loans in this AA. Further, 92.1 percent of Sutton’s deposits (after removing deposits generated from the Payments Division) are in this AA. Examiners weighted performance in this AA more heavily because the majority of branches, loans originated during the evaluation period, and deposits are in this AA.

Economic and Demographic Data

Based on 2020 census data, the OH Non-MSA AA consists of 39 census tracts with the following income designations: 0 low-income, 5 moderate-income, 33 middle-income, and 1 upper-income tracts. The AA included 38 census tracts at the previous evaluation. Census tract 9701.00 in Ashland County split since the previous evaluation, which explains the increase in total census tracts in this AA since the previous evaluation. The following table illustrates relevant demographic information about the AA during the evaluation period.

Demographic Information of the Assessment Area						
Assessment Area: OH Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	0.0	12.8	84.6	2.6	0.0
Population by Geography	166,081	0.0	11.3	86.4	2.3	0.0
Housing Units by Geography	71,832	0.0	12.8	84.9	2.4	0.0
Owner-Occupied Units by Geography	47,896	0.0	9.8	87.6	2.6	0.0
Occupied Rental Units by Geography	17,417	0.0	19.5	79.1	1.4	0.0
Vacant Units by Geography	6,519	0.0	16.8	80.1	3.1	0.0
Businesses by Geography	14,806	0.0	13.8	84.2	2.0	0.0
Farms by Geography	1,232	0.0	5.5	90.1	4.4	0.0
Family Distribution by Income Level	42,902	17.3	20.2	23.4	39.1	0.0
Household Distribution by Income Level	65,313	20.2	17.2	20.4	42.1	0.0
Median Family Income OH Non-MSA		\$66,684	Median Housing Value			\$123,441
			Median Gross Rent			\$697
			Families Below Poverty Level			8.1%
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 analysis of small business loans under the Geographic Distribution criterion compares the institution's small business lending to the distribution of businesses in the AA. Of the 14,806 businesses in the AA, approximately 87.4 percent had GARs of \$1.0 million or less, 3.4 percent had GARs over \$1.0 million, and 9.2 percent had unknown revenues. Of these businesses, 91.6 percent operate from a single location, and 64.3 percent have four or fewer employees. The services industry represents the largest portion of businesses at 31.9 percent, followed by non-classifiable establishments at 20.0 percent and retail trade at 10.5 percent. Major employers in the AA include Wilbert Plastic Services, Heidelberg University, and National Machinery.

Of the 71,832 housing units in the AA, 66.7 percent are owner-occupied, 24.3 percent are rental units, and 9.0 percent are vacant. The Geographic Distribution criterion compares the institution's home mortgage lending to the distribution of owner-occupied housing units in the AA.

Examiners used the Federal Financial Institutions Examination Council (FFIEC) median family income estimates to analyze home mortgage lending under the Borrower Profile criterion. The following table outlines the income ranges within the AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
OH NA Median Family Income (99999)				
2022 (\$74,900)	<\$37,450	\$37,450 to <\$59,920	\$59,920 to <\$89,880	≥\$89,880
2023 (\$79,500)	<\$39,750	\$39,750 to <\$63,600	\$63,600 to <\$95,400	≥\$95,400
<i>Source: FFIEC</i>				

Examiners considered unemployment data when evaluating Sutton's ability to lend within the AA. According to the Bureau of Labor Statistics, the unemployment levels in Huron and Seneca counties were higher or equal to state and national averages. The unemployment rate in Ashland County was lower than the state average in both years and lower than the nationwide average in 2023. Nonetheless, unemployment rates were still historically low. See the following table for details.

OH Non-MSA - Unemployment Rates		
Area	2022	2023
	%	%
Ashland County	3.9	3.4
Huron County	5.1	4.5
Seneca County	4.2	3.6
State of Ohio	4.0	3.5
National Average	3.6	3.6
<i>Source: Bureau of Labor Statistics</i>		

Competition

Sutton operates in a moderately competitive market for financial services. According to June 2024 FDIC Deposit Market Share data, 19 financial institutions operate 54 branches within this AA. Of these institutions, Sutton ranks first with 37.8 percent of the deposit market share.

There is a moderate level of competition for small business loans in the AA. During the evaluation period, Sutton was not required to collect or report its small business data and elected not to do so; therefore, the small business analysis does not include a comparison of the institution's small business lending to aggregate performance reported under CRA. However, this data nonetheless provides a measurement of the level of competition for these loans in the AA. In 2022, aggregate small business data revealed 66 lenders reported 2,437 originated or purchased small business loans in the AA. The top three lenders accounted for 42.7 percent of the market share. In 2023, 64 lenders reported 2,009 originated or purchased small business loans in the AA. The top three lenders accounted for 45.1 percent of the market share.

The Reserve Banks conduct an annual survey of small businesses on a nationwide and state basis. Small business loan demand captured in this survey for the state of Ohio reflects that only 46.0 percent and 59.0 percent of small businesses sought loans in 2022 and 2023, respectively. The *Fed Small Business 2023 Firms in Focus* and *2024 Firms in Focus* reports for the state of Ohio showed Ohio small businesses were more likely than their national counterparts to raise prices, use cash reserves, or cut staff hours/downsize operations rather than try to obtain new funds that must be repaid. Ohio small businesses were also less likely to have outstanding debt than national averages. Finally, these surveys reflected that those small businesses that did seek funding were less likely to use a small financial institution for their credit needs, preferring to use large institutions or credit unions for funding.

Data is difficult to pare down to the AA level as similar surveys are not conducted at the more granular level. However, aggregate data for the AA, which reflects an 18 percent decline in reportable small business loans in 2023, indicates that demand in the AA is typical for the state. Given the declining demand for traditional small business funding and customer preference for other funding options beyond small institutions, the competitive environment for small institutions is enhanced.

There is a moderate level of competition for home mortgage loans in the AA. Aggregate HMDA data provides additional insight into the competition for home mortgage loans in the AA. In 2022, 220 lenders reported 3,988 originated or purchased home mortgage loans in this AA. Sutton ranked 31st with 0.7 percent of the home mortgage lending market share. The top three lenders accounted for 20.4 percent of the market share. In 2023, 212 lenders reported 2,793 originated or purchased home mortgage loans in this AA. Sutton ranked 37th with 0.5 percent of the home mortgage lending market share. The top three lenders accounted for 20.3 percent of the market share.

Community Contact

As part of the evaluation process, examiners contact third-parties active in the AA to assist in identifying the credit and CD needs in the area. This information helps determine whether financial institutions are responsive to the needs of the areas in which they operate. It also provides support for the availability of credit and CD opportunities in the area.

Examiners interviewed a representative from a local economic development organization. The contact stated the local economy has returned to pre-pandemic conditions and that manufacturing continues to be the primary source of employment in the area. The contact noted that while affordable housing and new home construction continue to be a need, workforce housing for middle-income manufacturing workers has become the most significant housing need. The contact stated that local financial institutions have been meeting the credit needs of small businesses in the areas and community services for LMI individuals continue to be a heightened need despite the improved economy since the COVID-19 pandemic.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, Sutton management, and the demographic and economic data, examiners determined small business and home mortgage loans represent primary credit needs, and affordable housing and community services continue to be the most significant CD needs in the area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE OH NON-MSA AA

LENDING TEST

Sutton demonstrated reasonable performance under the Lending Test. Borrower Profile performance primarily supports this conclusion. Examiners placed more weight on Borrower Profile performance due to the limited number of moderate-income tracts in the AA. Only 13.8 percent of businesses and 9.8 percent of all owner-occupied housing units are in the moderate-income tracts while over 87.4 percent of small businesses in the AA have GARs below \$1.0 million, and 37.5 percent of families in the AA are classified as LMI.

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the OH Non-MSA AA. Poor small business and home mortgage performance support this conclusion. This AA does not contain low-income CTs; therefore, examiners focused on lending in moderate-income areas of the AA.

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion throughout the AA. Sutton's performance in moderate-income areas of the AA significantly trailed the percent of businesses in the AA for both years of the evaluation period. See the following table for details.

Geographic Distribution of Small Business Loans					
Assessment Area: OH Non-MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2022	13.9	2	4.4	549	6.4
2023	13.8	1	4.5	603	13.5
Middle					
2022	84.0	40	88.9	7,703	89.5
2023	84.2	21	95.5	3,853	86.5
Upper					
2022	2.0	3	6.7	358	4.2
2023	2.0	0	0.0	0	0.0
Totals					
2022	100.0	45	100.0	8,610	100.0
2023	100.0	22	100.0	4,456	100.0
Source: 2022 & 2023 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor dispersion throughout the AA. Sutton did not originate any home mortgage loans in moderate-income areas of the AA during the evaluation period despite operating a full-service branch in a moderate-income tract. That level of performance significantly trailed aggregate performance. See the following table for details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: OH Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2022	9.8	10.3	0	0.0	0	0.0
2023	9.8	10.0	0	0.0	0	0.0
Middle						
2022	87.6	88.1	26	100.0	3,490	100.0
2023	87.6	88.3	11	78.6	2,149	83.4
Upper						
2022	2.6	1.6	0	0.0	0	0.0
2023	2.6	1.8	3	21.4	429	16.6
Totals						
2022	100.0	100.0	26	100.0	3,490	100.0
2023	100.0	100.0	14	100.0	2,578	100.0
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Borrower Profile

The distribution of loans to borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels. The performance of both products supports this conclusion.

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Although Sutton's performance trailed demographic data, D&B survey results do not always reflect actual loan demand or borrowing capacity. Instead, the data serves as a reasonable indicator of prospective small business clients in the AA. As a result, examiners reviewed the performance of four similarly-situated institutions unique to this market and found Sutton's small business lending by GAR was comparable to other institutions with reasonable penetration. More specifically, the similarly-situated institutions had concentrations in the \$1 million or less revenue borrower segment that averaged 64.3 percent and ranged from 46.3 percent to 75.0 percent. The following table illustrates the distribution of small business loans by revenue level in the AA.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: OH Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	86.2	26	57.8	5,032	58.4
2023	87.4	15	68.2	2,441	54.8
>\$1,000,000					
2022	3.9	8	17.8	1,704	19.8
2023	3.4	3	13.6	1,554	34.9
Revenue Not Available					
2022	9.9	11	24.4	1,874	21.8
2023	9.2	4	18.2	461	10.3
Totals					
2022	100.0	45	100.0	8,610	100.0
2023	100.0	22	100.0	4,456	100.0
Source: 2022 & 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels, including LMI borrowers. Although Sutton's lending to low-income borrowers trailed aggregate performance in 2022, Sutton's performance exceeded aggregate performance in 2023, when aggregate performance trended downward.

Sutton's lending to moderate-income borrowers exceeded aggregate performance in 2022, but significantly declined in 2023, trailing aggregate performance. Overall, examiners consider performance during the evaluation period reasonable. The following table presents the institutions by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: OH Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	17.3	11.3	2	7.7	110	3.2
2023	17.3	10.2	2	14.3	135	5.2
Moderate						
2022	20.2	24.6	8	30.8	790	22.6
2023	20.2	26.7	1	7.1	54	2.1
Middle						
2022	23.4	25.6	4	15.4	450	12.9
2023	23.4	24.6	4	28.6	411	15.9
Upper						
2022	39.1	25.2	5	19.2	1,185	34.0
2023	39.1	25.6	5	35.7	1,011	39.2
Not Available						
2022	0.0	13.3	7	26.9	955	27.4
2023	0.0	12.9	2	14.3	967	37.5
Totals						
2022	100.0	100.0	26	100.0	3,490	100.0
2023	100.0	100.0	14	100.0	2,578	100.0
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

COMMUNITY DEVELOPMENT TEST

Sutton demonstrated adequate responsiveness to CD needs in the OH Non-MSA AA through CD loans, qualified investments, and CD services. Examiners considered Sutton's capacity and the need and availability of CD opportunities in this AA. Examiners note Sutton's CD activities in this AA were targeted to community services, which was a primary need identified by the community contact.

Community Development Loans

Sutton originated two CD loans in this AA totaling approximately \$2.1 million during the evaluation period. This dollar volume represents 51.0 percent of the total CD lending extended by the bank, which slightly trails the concentration of loans originated in the AA. In 2022, Sutton originated a loan totaling \$1,280,215 to an organization dedicated to workforce development. In 2024, Sutton originated a loan totaling \$800,000 to a community kitchen dedicated to providing food to LMI families.

Qualified Investments

Sutton made 23 donations totaling approximately \$170,000. This dollar volume represents just 7.4 percent of the total qualified investments made by the bank, significantly trailing the concentration of lending and deposits in the AA. Four donations totaling \$40,000 benefitted affordable housing, while 19 donations totaling \$130,000 benefitted community services. Notable examples of CD donations in this AA include:

- In 2022, Sutton donated \$15,000 to a homeless shelter.
- In 2022, Sutton donated \$10,000 to an organization that provides youth scholarships, so LMI students can attend science camps.

Community Development Services

During the evaluation period, Sutton employees provided nine instances of financial expertise or technical assistance in this AA. This volume of activities represents 50.0 percent of the total CD services provided by the bank during the evaluation period. Seven of those were instances of financial education for LMI individuals. The other two instances included a Sutton employee serving on a local financial planning committee dedicated to helping the city rebound from its fiscal emergency, and an employee providing technical assistance to an organization dedicated to renovating dilapidated residences to sell to LMI borrowers. Additionally, Sutton's Tiffin office is located in a moderate-income census tract, thus providing individuals in that tract access to retail banking services.

MANSFIELD, OH MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MANSFIELD, OH MSA AA

The Mansfield, OH MSA AA consists of the entirety of Richland County. Sutton operates one branch and one drive-thru only location within this AA, representing 25.0 percent of the institution's locations. Sutton also operates a deposit-taking stand-alone ATM in this AA. Of the loans originated inside the institution's combined AAs, Sutton originated 38.5 percent of its small business and home mortgage loans in this AA. Further 7.9 percent of Sutton's deposits (after netting out deposits generated from the Payments Division) are from this AA. Given the low volume of branches, loans, and deposits in this AA, examiners did not rely heavily on performance in this AA when reaching overall conclusions.

Economic and Demographic Data

Based on 2020 census data, the Mansfield, OH MSA AA consists of 30 census tracts with the following income designations: 3 low-income, 7 moderate-income, 13 middle-income, 6 upper-income tracts, and one tract with no income designation. The following table illustrates relevant demographic information about the AA during the evaluation period.

Demographic Information of the Assessment Area						
Assessment Area: Mansfield, OH MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	30	10.0	23.3	43.3	20.0	3.3
Population by Geography	124,936	8.6	14.2	47.9	25.3	4.0
Housing Units by Geography	54,149	10.2	16.7	49.0	24.0	0.1
Owner-Occupied Units by Geography	32,762	6.9	9.1	55.1	28.9	0.0
Occupied Rental Units by Geography	16,205	16.5	26.4	38.4	18.5	0.1
Vacant Units by Geography	5,182	11.5	35.1	43.9	9.3	0.2
Businesses by Geography	12,124	5.0	21.8	43.4	28.6	1.1
Farms by Geography	576	4.2	9.0	56.3	30.6	0.0
Family Distribution by Income Level	30,135	20.5	17.1	22.6	39.8	0.0
Household Distribution by Income Level	48,967	23.5	16.5	18.6	41.5	0.0
Median Family Income MSA - 31900 Mansfield, OH MSA		\$63,284	Median Housing Value			\$107,645
			Median Gross Rent			\$674
			Families Below Poverty Level			10.0%
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.						

According to 2023 D&B data, there were 12,124 businesses in the AA. Approximately 86.9 percent of businesses had GARs of \$1.0 million or less, 3.3 percent had GARs over \$1.0 million, and 9.8 percent had unknown revenues. Of these businesses, 90.5 percent operate from a single location, and 63.9 percent have four or fewer employees. The services industry represents the largest portion of businesses at 34.3 percent, followed by non-classifiable establishments at 19.7 percent and retail trade at 11.4 percent. Major employers in the AA include OhioHealth, Newman Technologies, and Startek.

Of the 54,149 housing units in the AA, 60.5 percent are owner-occupied, 29.9 percent are rental units, and 9.6 percent are vacant. According to Moody's Analytics report on Richland County, the housing market in 2022 was the most robust it's been since the 2008-2009 recession. While momentum in the housing market began in 2021, the height of that growth occurred in 2022 when more single- and multi-family housing permits were issued and median home price growth was the highest it had been in nearly fifteen years. The following table outlines the estimated median family income ranges within the AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Mansfield, OH MSA Median Family Income (31900)				
2022 (\$70,700)	<\$35,350	\$35,350 to <\$56,560	\$56,560 to <\$84,840	≥\$84,840
2023 (\$75,000)	<\$37,500	\$37,500 to <\$60,000	\$60,000 to <\$90,000	≥\$90,000
Source: FFIEC				

According to the Bureau of Labor Statistics, the AA unemployment level was higher than both the state and nationwide averages during the evaluation period. However, unemployment rates were still historically low. See the following table for details.

Mansfield, OH MSA - Unemployment Rates		
Area	2022	2023
	%	%
Richland County	4.5	4.1
State of Ohio	4.0	3.5
National Average	3.6	3.6
Source: Bureau of Labor Statistics		

Competition

Sutton operates in a moderately competitive market for financial services. According to June 2024 FDIC Deposit Market Share data, 12 financial institutions operate 38 branches within this AA. Of these institutions, Sutton ranked ninth with 2.4 percent of the deposit market share.

There is a moderate level of competition for small business loans in the AA. In 2022, according to aggregate CRA lending data, 60 lenders reported 1,931 originated or purchased small business loans in the AA. The top three lenders accounted for 46.0 percent of the market share. In 2023, 62 lenders reported 1,656 originated or purchased small business loans in the AA. The top three lenders accounted for 46.1 percent of the market share. Finally, as previously noted, The *Fed Small Business 2023 Firms in Focus* and *2024 Firms in Focus* survey results from Ohio in 2022 and 2023 reflected small businesses were less likely than small businesses in other states to seek traditional financing. Further, those that did were more likely to apply for funding from large institutions, credit unions, or non-traditional entities rather than small community financial institutions.

There is a moderate level of competition for home mortgage loans in the AA. In 2022, according to aggregate HMDA data, 194 lenders reported 3,367 originated or purchased home mortgage loans in this AA. Sutton ranked 44th with 0.3 percent of the home mortgage lending market share. The top three lenders accounted for 32.7 percent of the market share. In 2023, 184 lenders reported 2,381 originated or purchased home mortgage loans in this AA. Sutton ranked 39th with 0.4 percent of the home mortgage lending market share. The top three lenders accounted for 34.7 percent of the market share.

Community Contacts

Examiners contacted a member of a local community action organization who stated the county is amid an affordable housing crisis created by the COVID-19 pandemic, rising cost of rent, and inflation. The contact felt that the Department of Housing and Urban Development fair market rents are too high, and that landlords took advantage of the influx of money from COVID-19 pandemic relief payments by increasing rents but have not adjusted rent amounts now that most individuals have exhausted those relief payments. The contact also stated rising utility costs have been a significant burden for LMI families, and energy assistance has become a priority for community groups. The contact also stated there is a significant need for financial education for individuals and small businesses owners.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, Sutton management, and the demographic and economic data, examiners determined small business and home mortgage loans represent the most significant credit needs, and affordable housing and community services represent the primary CD needs in the AA.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE MANSFIELD, OH MSA AA

LENDING TEST

Sutton demonstrated reasonable performance under the Lending Test in this AA. The distribution of loans to businesses of different sizes primarily supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the AA which is supported by Sutton's small business and home mortgage loan performance.

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion. Sutton's performance in low-income tracts was consistent with demographic data. However, performance in moderate-income tracts, which contain many more of the area's businesses than low-income tracts, significantly trailed the concentration of businesses operating in the moderate-income areas of the AA. See the following table for details.

Geographic Distribution of Small Business Loans					
Assessment Area: Mansfield OH MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2022	4.9	1	4.8	320	7.4
2023	5.0	2	6.9	850	11.5
Moderate					
2022	22.5	1	4.8	296	6.8
2023	21.8	2	6.9	237	3.2
Middle					
2022	42.7	10	47.6	1,943	44.8
2023	43.4	13	44.8	2,284	30.9
Upper					
2022	28.7	7	33.3	973	22.5
2023	28.6	10	34.5	3,285	44.4
Not Available					
2022	1.3	2	9.5	800	18.5
2023	1.1	2	6.9	740	10.0
Totals					
2022	100.0	21	100.0	4,332	100.0
2023	100.0	29	100.0	7,396	100.0
Source: 2022 & 2023 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The geographic distribution of loans reflects reasonable dispersion. Sutton originated 9 loans in this AA in 2022 and 8 loans in 2023. Of those loans, the bank did not originate any in the low-income tracts of the AA, trailing aggregate performance, and originated one loan in each year in the moderate-income tracts of the AA, which slightly outperformed aggregate.

Borrower Profile

The distribution of loans reflects reasonable penetration. While the bank's home mortgage lending is weaker, Sutton's small business lending supports this conclusion.

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Although lending to small businesses decreased by percent from 2022 to 2023, the number of originated loans increased. As discussed previously, to better assess the opportunities for loans to small businesses, examiners reviewed the performance of similarly-situated institutions unique to this market and found Sutton's small business lending by GAR was within the range of other institutions with reasonable penetration. More specifically, two similarly-situated institutions had

concentrations in the \$1 million or less revenue borrower segment that ranged from 44.0 percent to 100.0 percent. See the following table for details on demographic data and Sutton's lending.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Mansfield OH MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	85.6	11	52.4	2,237	51.6
2023	86.9	13	44.8	2,879	38.9
>\$1,000,000					
2022	3.7	4	19.0	1,055	24.4
2023	3.3	14	48.3	4,267	57.7
Revenue Not Available					
2022	10.6	6	28.6	1,040	24.0
2023	9.8	2	6.9	250	3.4
Totals					
2022	100.0	21	100.0	4,332	100.0
2023	100.0	29	100.0	7,396	100.0
<i>Source: 2022 & 2023 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among borrowers of different income levels. Sutton originated 9 loans in this AA in 2022 and 8 in 2023. Of those loans, the bank did not originate any to low-income borrowers, originated one loan to a moderate-income borrower in 2022, and one loan to a moderate-income borrower in 2023. This performance significantly trailed aggregate performance.

COMMUNITY DEVELOPMENT TEST

Sutton demonstrated adequate responsiveness to CD needs in this AA through CD loans, qualified investments, and CD services. Examiners considered Sutton's capacity and the need and availability of such opportunities in this AA.

Community Development Loans

Sutton originated one CD loan in this AA totaling \$2,000,000 during the evaluation period. This dollar volume represents 49.0 percent of the total CD lending originated by the bank, significantly outpacing the concentration of loans and deposits in the AA. The loan was to an organization dedicated to preventing crime in senior housing facilities and safeguarding the residents of those facilities. The residents of these facilities are primarily low-income.

Qualified Investments

Sutton retained two non-grant investments during the evaluation period totaling approximately \$1.9 million. The institution also made 19 donations totaling approximately \$209,000 during the review period. Collectively, this dollar volume of qualified activity represents 92.6 percent of the bank's total CD investment activity, which significantly exceeded the concentration of loans and deposits in the AA. The following table illustrates Sutton's investments and donations by year and purpose.

Qualified Investments and Donations in the Mansfield, OH MSA AA								
Activity Year	Affordable Housing		Community Services		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	-	2	1,931	0	-	2	1,931
Qualified Donations	4	48	14	159	1	2	19	209
Total	4	48	16	2,090	1	2	21	2,140

Notable examples of CD investments and donations include:

- In 2022, Sutton donated \$30,000 to an organization dedicated to ending childhood hunger.
- In 2022, Sutton donated \$22,500 to an organization that provides short-term shelter for LMI victims of domestic abuse.

Community Development Services

During the evaluation period, Sutton employees provided 9 instances of financial expertise or technical assistance to organizations in this AA. This volume activity represents 50.0 percent of the bank's total qualified services, which again outpaces the bank's lending and deposit concentrations in the AA. Eight of the services were related to providing community services to LMI individuals, and one service was related to affordable housing. Notable examples of CD services performed in this AA include:

- In 2022, a Sutton employee provided financial services to an organization dedicated to providing essential services to LMI individuals.
- In 2024, a Sutton employee served on the finance committee of an organization that provides short-term housing to low-income individuals.

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.