

PUBLIC DISCLOSURE

May 17, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

State Bank of Southern Utah
Certificate Number: 17964

377 North Main Street
Cedar City, Utah 84721

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

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

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INSTITUTION RATING

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

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area (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, and AA credit needs.
- A substantial majority of small business, home mortgage, and small farm loans are in the institution's AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers, given the demographics of the AA, reflects reasonable penetration of loans among businesses of different revenue sizes and individuals of different income levels.
- The institution did not receive any Community Reinvestment Act (CRA)-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

The institution's community development (CD) performance demonstrates excellent responsiveness to CD needs in its AA through CD loans, qualified investments, and CD services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for CD in the institution's AA. Also, the bank's CD loans and qualified investments more than doubled since the last evaluation.

DESCRIPTION OF INSTITUTION

State Bank of Southern Utah (SBSU) is headquartered in Cedar City, Utah. SBSU is a wholly-owned subsidiary of Southern Utah Bancorporation, a one-bank holding company located in Cedar City, Utah. The institution received a satisfactory rating at its previous FDIC CRA Performance Evaluation (PE) dated April 8, 2019, based on Intermediate Small Institution Examination Procedures.

SBSU operates 16 full-service branches in its AAs in the southern and central parts of Utah. SBSU offers loan products including commercial, agricultural, home mortgage, and consumer loans. The institution provides a variety of deposit services including checking, savings, and certificates of deposit. Alternative banking services include internet and mobile banking,

electronic bill pay, and 16 automated teller machines (ATMs). Twelve ATMs accept deposits. The bank opened two branches since the previous CRA PE in Delta and Escalante, Utah. The new branch in Delta is located in an underserved nonmetropolitan middle-income tract and the new Escalante branch is located in a moderate-income tract. There have been no branches closed or any merger or acquisition activities since the previous CRA PE.

As of March 30, 2021, the Consolidated Reports of Conditions and Income (Call Report) reported assets totaling \$1.9 billion, net loans totaling \$980.2 million and deposits totaling \$1.7 billion. The bank’s loan portfolio remains consistent with the previous CRA PE, with commercial loans comprising the majority of the SBSU’s loan portfolio at 53.1 percent of the total loans. In April 2020, SBSU began originating loans as part of the Small Business Administration (SBA) Paycheck Protection Program (PPP) to help provide economic relief to small businesses that had been adversely impacted by the COVID-19 pandemic. SBSU originated approximately 1,438 PPP loans totaling \$107.9 million. The following table summarizes the bank’s loan portfolio distribution.

Loan Portfolio Distribution as of 3/30/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	178,602	18.2
Secured by Farmland	36,391	3.7
Secured by 1-4 Family Residential Properties	117,728	12.0
Secured by Multifamily (5 or more) Residential Properties	39,921	4.1
Secured by Nonfarm Nonresidential Properties	370,439	37.8
Total Real Estate Loans	743,081	75.8
Commercial and Industrial Loans	149,996	15.3
Agricultural Production and Other Loans to Farmers	34,918	3.6
Consumer Loans	34,731	3.5
Obligations of State and Political Subdivisions in the U.S.	16,607	1.7
Other Loans	886	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	(0.0)
Total Loans	980,219	100.00
<i>Source: March 30, 2021 Call Report</i>		

No financial, legal, or regulatory constraints affect the bank’s ability to meet the credit needs of its AA during the review period.

DESCRIPTION OF ASSESSMENT AREAS

The bank’s AA has not changed since the previous evaluation. SBSU has designated two AAs in Utah. The first AA is the St. George, Utah, Metropolitan Statistical Area (MSA) #41100, which constitutes all of Washington County. The second AA includes six Non-Metropolitan Statistical Area (Non-MSA) counties in Central and Southern Utah that includes Garfield, Iron, Kane, Piute, Sevier, Millard Counties, and the most southern two tracts in Sanpete County. All counties and

towns in the Non-MSA AA are contiguous. The bank’s AAs meet regulatory requirements and does not arbitrarily exclude LMI geographies.

The following table shows the AAs, along with the number of census tracts (CTs) and the number of branches in each AA.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
St. George MSA AA	Washington	21	4
Non-MSA AA	Garfield, Iron, Kane, Piute, Sevier, Millard, and part of Sanpete	23	12
<i>Source: Bank Data</i>			

Please refer to the individual descriptions of the AAs for additional economic and demographic data.

SCOPE OF EVALUATION

General Information

Examiners used the Intermediate Small Institution Examination Procedures to evaluate SBSU’s CRA performance. The evaluation covers the period from the prior evaluation dated April 8, 2019, to the current evaluation dated May 17, 2021. These procedures include two tests; the CRA Small Bank Lending Test and CD Test. SBSU’s asset size did not exceed the large bank threshold for the last two calendar years; therefore, Intermediate Small Institution Examination Procedures apply. Examiners conducted a full-scope evaluation of the Non-MSA AA and a limited-scope evaluation of the St. George MSA AA. A substantial majority of the bank’s lending activity, branches and deposits are within the Non-MSA AA; therefore, the Non-MSA AA was selected for a full-scope review and weighting. The lending performance and CD performance in the St. George MSA AA is consistent with the performance in the Non-MSA AA.

Activities Reviewed

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

The bank’s record of originating small business loans contributed more weight to the overall conclusions due to the larger loan volume compared to home mortgage lending and small farm loans. More weight was placed on home mortgages compared to small farm loans. Examiners analyzed the whole universe of small business and small farm lending activity in 2019 and 2020. The bank collects their small business and farm loan data, but it was not reported. Therefore, this evaluation presents the bank’s small business and small farm loans for 2020, the most recent calendar. To be considered a small business loan, the loan amount must be less than or equal to \$1.0 million at origination. The bank originated 2,160 small business loans totaling \$190.8 million in 2020. To be considered a small farm loan, the loan amount must be less than or equal to

\$500,000. The bank originated 271 small farm loans totaling \$27.0 million in 2020. D&B data for 2020 provided a standard of comparison for the universe of small business and small farm loans. Examiners did not identify any trends that were inconsistent in the 2019 loan data that would materially affect the conclusions in this evaluation.

Examiners analyzed the whole universe of home mortgage lending activity in 2019 and 2020. Since the bank collects and reports this data, this evaluation presents the 2019 home mortgage lending data, which is also most recent calendar year for which aggregate data is available. In 2020, the bank originated 855 home mortgage loans totaling \$191.9 million. Demographic information and 2019 aggregate data provided a standard of comparison for home mortgage loans in 2019. Examiners did not identify any trends that were inconsistent with the 2020 home mortgage loan data.

For the CD Test, examiners reviewed the extent of the bank’s CD loans, qualified investments, and CD services since the prior CRA PE dated April 8, 2019.

Examiners relied on bank records, public financial information, demographic data from the 2015 American Community Survey (ACS) Census, D&B, aggregate data, and information obtained from a community contact. The following table shows the bank’s originations and purchases over the most recent calendar year by loan type.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	249,180	38.0	720	15.4
Secured by Farmland	21,169	3.2	51	1.1
Secured by 1-4 Family Residential Properties	86,549	13.2	523	11.2
Multi-Family (5 or more) Residential Properties	6,460	1.0	7	0.2
Commercial Real Estate Loans	78,567	12.0	130	2.8
Commercial and Industrial Loans	160,949	24.5	1,893	40.6
Agricultural Loans	17,508	2.7	149	3.2
Consumer Loans	19,387	2.9	1,187	25.4
Other Loans	16,202	2.5	6	0.1
Total Loans	655,971	100.0	4,666	100.0
<i>Source: Bank Data</i>				

BANK-WIDE CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

SBSU demonstrated reasonable performance under the Lending Test. The geographic distribution and borrower profile performance are consistent with the conclusions for each rated area.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and AAs credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 70.5 percent over the past eight calendar quarters from June 30, 2019, to March 30, 2021. The ratio ranged from a low of 58.1 percent as of March 30, 2021, to a high of 76.9 percent as of June 30, 2019. Since the previous evaluation, the bank's average LTD ratio slightly declined throughout the evaluation period due to a significant increase in deposits. Total deposits were \$1.0 billion on June 30, 2019, and grew to \$1.7 billion in March 30, 2021. The deposits increased substantially during the COVID-19 pandemic. There are no similar institutions within the bank's AAs for comparison.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/30/2021 (\$000s)	Average Net LTD Ratio (%)
State Bank of Southern Utah	1,882,485	70.5

Source: Call Reports from June 30, 2019 through March 30, 2021

Assessment Area Concentration

The bank made a substantial majority of its small business, home mortgage, and small farm loans, by number and dollar volume, within the AAs. Specifically, the bank originated 88.1 percent of total loans by number within the AAs. Refer to the following table for more details.

Lending Inside and Outside of the AA										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	397	93.0	30	7.0	427	93,326	94.1	5,888	5.9	99,214
2020	807	94.4	48	5.6	855	180,977	94.3	10,953	5.7	191,930
Subtotal	1,204	93.9	78	6.1	1,282	274,303	94.2	16,841	5.8	291,144
Small Business										
2019	586	90.0	65	10.0	651	80,606	90.9	8,072	9.1	88,679
2020	1,891	87.5	269	12.5	2,160	165,088	86.5	25,755	13.5	190,843
Subtotal	2,477	88.1	334	11.9	2,811	245,694	87.9	33,827	12.1	279,521
Small Farm										
2019	207	75.8	66	24.2	273	17,812	71.0	7,282	29.0	25,095
2020	196	72.3	75	27.7	271	17,377	64.4	9,617	35.6	26,994
Subtotal	403	74.1	141	25.9	544	35,189	67.6	16,899	32.4	52,089
Total	4,084	88.1	553	11.9	4,637	555,186	89.2	67,567	10.8	622,753
<i>Source: Bank Data Due to rounding, totals may not equal 100.0 percent.</i>										

Geographic Distribution

SBSU's geographic distribution of loans reflects reasonable dispersion throughout the AAs. The bank's reasonable performance of small business and small farm lending supports this conclusion. The home mortgage performance is excellent. Examiners focused on the percentage by number of loans in moderate-income CTs, with more emphasis on the small business lending performance. No low-income tracts reside within the bank's AAs. See the individual AA geographic distribution sections for the analysis of the bank's performance.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes in the AAs. The bank's reasonable performance of small business and home mortgage lending supports this conclusion. The small farm performance is excellent. Examiners focused on the percentage by number of home mortgage loans to LMI borrowers and of small business and farm loans to businesses and farms with gross annual revenues (GARs) of \$1.0 million or less; with more emphasis placed on the small business lending in determining the overall conclusion. See the individual AA borrower profile sections for the analysis of the bank's performance.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

SBSU’s CD performance demonstrates excellent responsiveness to CD needs in its AA 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 AA. Examiners reviewed the banks records of CD loans, qualified investments, and CD services to arrive at this conclusion. The bank met the CD needs within its AAs; therefore, statewide and regional activities were included in this evaluation. SBSU’s CD loans and qualified investments more than doubled since the last evaluation; therefore, this strong CD performance influenced the overall CRA Rating.

Community Development Loans

SBSU originated 21 CD loans totaling \$52.9 million. This level of activity represents 3.8 percent of average total assets and 6.1 percent of average total loans since the previous CRA PE. The CD lending performance has significantly improved since the previous evaluation. The bank originated a total of \$26.2 million of CD loans at the previous CRA PE.

A majority of the CD loans by dollar volume in this AA were for economic development, which was identified as a credit need in the bank’s AA by both bank management and the community contact. The bank was also responsive to the businesses needs during the COVID-19 pandemic by providing economic development loans through SBA PPP lending. The majority of qualified CD lending activities were SBA 504 loans with a loan amount greater than \$1.0 million. Three SBA PPP loans were qualified CD loans.

The following table presents the bank’s CD lending activity by year and CD purpose. The second table presents the bank’s CD lending activity by AA and CD purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (Partial)	1	3,250	-	-	3	7,230	-	-	4	10,480
2020	-	-	-	-	16	42,060	-	-	16	42,060
YTD 2021	1	356	-	-	-	-	-	-	1	356
Total	2	3,606	-	-	19	49,290	-	-	21	52,896

Source: Bank Data. Year-to-date (YTD).

Community Development Lending by AA										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA AA	1	356	-	-	6	19,763	-	-	7	20,119
St. George MSA AA	1	3,250	-	-	11	24,097	-	-	12	27,347
Statewide Activities	-	-	-	-	1	4,255	-	-	1	4,255
Regional Activities	-	-	-	-	1	1,175	-	-	1	1,175
Total	2	3,606	-	-	19	49,290	-	-	21	52,896

Source: Bank Data

Qualified Investments

SBSU made 54 new qualified investments and 37 donations totaling \$24.3 million since the previous evaluation. The bank also holds 43 qualified investments totaling \$11.9 million from the prior period that remain on the bank's balance sheet. The new qualified investments equate to 1.8 percent of average total assets and 8.6 percent of average securities since the last evaluation. The prior period and new qualified investments of \$36.2 million equates to 2.6 percent of average total assets and 12.8 percent of average securities since the last evaluation. The bank's performance has improved since the previous evaluation. SBSU made \$4.5 million new investments at the prior evaluation.

The qualified investments, including donations, in the bank's AA support community services to LMI individuals, economic development, and revitalize and stabilize underserved and LMI geographies.

The following table illustrates the bank's qualified investments by year and purpose. The second table presents the qualified investment activity by AA and CD purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	6	1,070	4	5,364	33	5,446	43	11,880
2019 (Partial)	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	22	7,496	22	7,496
YTD 2021	-	-	-	-	-	-	32	16,774	32	16,774
Subtotal	-	-	6	1,070	4	5,364	87	29,716	97	36,150
Qualified Grants & Donations	-	-	37	61	-	-	-	-	37	61
Total	-	-	43	1,131	4	5,364	87	29,716	134	36,211

Source: Bank Data

Qualified Investments by AA										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA AA	-	-	32	1,104	3	4,731	48	11,528	83	17,363
St. George AA	-	-	11	27	-	-	-	-	11	27
Statewide Activities	-	-	-	-	1	633	38	17,750	39	18,383
Regional Activities	-	-	-	-	-	-	1	438	1	438
Total	-	-	43	1,131	4	5,364	87	29,716	134	36,211

Source: Bank Data

The following is an example of the bank’s qualified investment and donation activity:

- In 2021, SBSU purchased 18 bonds totaling \$13.5 million in rural South East Utah, which only serves moderate-income geographies to maintain a waste landfill. In addition, this investment created a new local waste and recycling company to help keep moderate-income geographies clean and serves a crucial community need. This investment was counted as a statewide investment.

Community Development Services

SBSU management and staff provided 577 hours of qualified CD services through 16 organizations and programs that serve the needs of LMI residents and small businesses. The number of CD service hours is less than the previous evaluation. This is attributed to COVID-19 impacting opportunities to provide CD service hours in 2020 and early 2021. The qualified hours are targeted to community services to LMI individuals.

The following table illustrates the bank’s CD services by year and purpose. The second table presents the bank’s CD service hours by AA.

Community Development Services by Year and Purpose					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	# of hours	# of hours	# of hours	# of hours	# of hours
2019 (Partial)	-	273	-	-	273
2020	-	188	-	-	188
YTD 2021	-	116	-	-	116
Total	-	577	-	-	577

Source: Bank Data

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Non-MSA AA	-	323	-	-	323
St. George AA	-	254	-	-	254
Total	-	577	-	-	577
<i>Source: Bank Data</i>					

In addition to services provided, SBSU operates four branches and four ATMs in moderate-income CTs in the AAs. SBSU also operates three branches and ATMs in middle-income CTs that are designated as underserved areas. These branches and ATMs demonstrate the availability of banking services to LMI individuals.

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.

NON-MSA AA – FULL-SCOPE EVALUATION

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-MSA AA

SBSU operates 12 full-service branches, including the main office, in the Non-MSA AA. These branches are located in southern and central Utah. While only considering loans originated within the bank’s two AAs, SBSU originated 68.4 percent of its small business, 78.1 percent of its home mortgage, and 95.3 percent of its small farm loans within the non-MSA AA. The bank retains 66.7 percent of its total deposits in the Non-MSA AA. In addition, 75.0 percent of its branches are located in this AA. The following sections provide details regarding economic and demographic conditions for the AA, and information obtained from community contacts.

Economic and Demographic Data

The AA includes all tracts in Iron, Kane, Garfield, Piute, Sevier, and Millard Counties including Gunnison, Utah, which consist of two tracts in Sanpete County. These tracts reflect the following income designations according to the 2015 ACS U.S. Census:

- No low-income tracts,
- 6 moderate-income tracts,
- 17 middle-income tracts, and
- No upper-income tracts.

In addition, Sevier County has four underserved nonmetropolitan middle-income CTs and Millard County has three underserved nonmetropolitan middle-income CTs. The table below illustrates select demographic characteristics of the Non-MSA AA.

Demographic Information of the AA						
AA: Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	23	0.0	26.1	73.9	0.0	0.0
Population by Geography	104,359	0.0	26.9	73.1	0.0	0.0
Housing Units by Geography	46,804	0.0	28.2	71.8	0.0	0.0
Owner-Occupied Units by Geography	24,311	0.0	23.9	76.1	0.0	0.0
Occupied Rental Units by Geography	9,506	0.0	36.8	63.2	0.0	0.0
Vacant Units by Geography	12,987	0.0	29.7	70.3	0.0	0.0
Businesses by Geography	8,954	0.0	29.2	70.8	0.0	0.0
Farms by Geography	520	0.0	21.2	78.8	0.0	0.0
Family Distribution by Income Level	24,518	25.3	19.9	24.3	30.5	0.0
Household Distribution by Income Level	33,817	29.9	18.1	19.5	32.5	0.0
Median Family Income Non-MSAs - UT		\$64,772	Median Housing Value			\$160,623
			Median Gross Rent			\$676
			Families Below Poverty Level			12.5%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0 percent.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Major employers in the Non-MSA AA include Southern State University, Iron County School District, and Intermountain Healthcare.

According to the 2020 D&B data, there were 8,954 businesses. GARs for these businesses are below:

- 84.8 percent have \$1.0 million or less
- 3.3 percent have more than \$1.0 million
- 11.9 percent have unknown revenues

According to the 2020 D&B data, there were 520 farms in the Non-MSA AA. GARs for these farms are below:

- 97.7 percent have \$1.0 million or less
- 1.9 percent have more than \$1.0 million
- 0.4 percent have unknown revenues.

The Federal Financial Institutions Examination Council (FFIEC) median family income level is used to analyze home mortgage loans under the borrower profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Non-MSA AA Median Family Income (99999)				
2019 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
2020 (\$74,100)	<\$37,050	\$37,050 to <\$59,280	\$59,280 to <\$88,920	≥\$88,920
<i>Source: FFIEC</i>				

The following table shows unemployment trends in the AA in comparison with the state and national unemployment levels. The unemployment rate peaked throughout the AA in April 2020, as a result of the global COVID-19 pandemic. Garfield County posted the highest unemployment rate of 26.3 percent, while Iron County posted an unemployment rate of 8.9 percent in April 2020. All the counties in the Non-MSA AA were affected by COVID-19.

Unemployment Rates			
Area	January 2019	January 2020	January 2021
	%	%	%
Garfield County	16.8	12.9	13.7
Iron County	3.4	2.9	3.6
Kane County	4.7	3.6	4.8
Millard County	3.6	2.7	3.1
Piute County	6.1	5.5	6.6
Sanpete County	3.6	3.4	3.6
Sevier County	4.4	3.6	4.2
State of Utah	3.1	2.7	3.5
National Average	4.4	4.0	6.3
<i>Source: Bureau of Labor Statistics</i>			

Competition

The Non-MSA AA is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 2020, there were 7 financial institutions that operated 32 full-service branches within the Non-MSA AA. SBSU ranked 1st out of this group of institutions, with a 46.3 percent deposit market share.

The bank is not required to collect or report its small business loan data; however, the bank decided to collect that information. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. In 2019, large institutions reported aggregate data showing 46 institutions originated 1,803 small business loans and 139 small farm loans in the

Non-MSA AA, indicating a moderate degree of competition for small business and small farm loans.

Community Contact(s)

As part of the evaluation process examiners reviewed a recent community contact with a third party non-profit organization active in the AA. The community contact represents an independent agency of the federal government that provides services to small businesses throughout Utah. The contact stated that there has been a great deal of opportunity for local financial institutions to participate in the SBA PPP and Economic Injury Disaster Loan programs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that economic development and small business loans represent a primary credit need for the Non-MSA AA. Additionally, underserved nonmetropolitan areas within Sevier and Millard Counties have credit and CD needs.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA AA

LENDING TEST

Geographic Distribution

SBSU's overall geographic distribution of loans reflects reasonable dispersion throughout the Non-MSA AA. The bank's record of small business and small farm lending is reasonable and support this conclusion. SBSU's home mortgage lending performance is excellent. To evaluate geographic distribution, examiners focused on the percentage by number of loans in moderate-income CTs compared to demographic information. Demographic information provides additional context regarding loan demand.

Small Business Loans

The geographic distribution of small business loans in the Non-MSA AA reflects reasonable dispersion. The following table shows the bank's geographic distribution of small business loans by CT income level for 2020.

Geographic Distribution of Small Business Loans					
Assessment Area: Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	0.0	0	0.0	0	0.0
Moderate					
2020	29.2	428	33.6	37,884	36.4
Middle					
2020	70.8	846	66.4	66,081	63.6
Upper					
2020	0.0	0	0.0	0	0.0
Not Available					
2020	0.0	0	0.0	0	0.0
Totals					
2020	100.0	1,274	100.0	103,965	100.0
<i>Source: 2020 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

The bank’s penetration rate in moderate-income CTs at 33.6 percent slightly exceeds the D&B’s percentage of businesses at 29.2 percent and reflects reasonable performance. The bank’s 2019 geographic distribution performance is comparable. In 2019, SBSU originated 31.1 percent of its small business loans in moderate-income CTs.

Home Mortgage Loans

The geographic distribution of home mortgage loans in the Non-MSA AA reflects excellent dispersion. The following table shows the bank’s geographic distribution of home mortgage loans by CT income level for 2019.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Non-MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
Moderate						
2019	23.9	22.8	89	28.0	22,335	30.7
Middle						
2019	76.1	77.2	229	72.0	50,372	69.3
Upper						
2019	0.0	0.0	0	0.0	0	0.0
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
Totals						
2019	100.0	100.0	318	100.0	72,708	100.0
<i>Source: 2015 ACS, Bank Data, and 2019 Home Mortgage Disclosure Act (HMDA) Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

The bank’s 2019 penetration rate in moderate-income CTs at 28.0 percent exceeds the percentage of owner-occupied housing units at 23.9 percent and aggregate data at 22.8 percent. The bank’s 2020 penetration rate in moderate-income tracts of 23.0 percent slightly declined, but remained comparable to demographic data. Overall, the 2019 performance received the most weight where the bank outperformed aggregate data to support an excellent performance.

Small Farm Loans

The geographic distribution of small farm loans in the Non-MSA AA reflects reasonable dispersion. The following table shows the bank’s geographic distribution of small farm loans by CT income level for 2020.

Geographic Distribution of Small Farm Loans					
Assessment Area: Non-MSA AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low					
2020	0.0	0	0.0	0	0.0
Moderate					
2020	21.2	46	24.3	2,858	16.9
Middle					
2020	78.8	143	75.7	14,049	83.1
Upper					
2020	0.0	0	0.0	0	0.0
Not Available					
2020	0.0	0	0.0	0	0.0
Totals					
2020	100.0	189	100.0	16,907	100.0
<i>Source: 2019 & 2020 D&B Data; and Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

The bank’s penetration rate in moderate-income CTs at 24.3 percent is slightly above D&B’s percentage of businesses at 21.2 percent and reflects reasonable performance. The bank’s 2019 performance was slightly better showing 29.7 percent of loans were originated in moderate-income tracts and exceeds demographic data. More weight is placed on 2020 where the performance is reasonable.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different revenue sizes and individuals of different income levels in the Non-MSA AA. The bank’s reasonable performance of small business and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small business loans to businesses and small farm loans to farms with GARs of \$1.0 million or less. Examiners also focused on the percentage by number of home mortgage loans to LMI borrowers.

Small Business Loans

The distribution of small business loans within the Non-MSA AA reflects reasonable penetration of loans to businesses of different revenue sizes. The following table shows the bank’s distribution of small business loans by GARs for 2020.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	84.8	1,026	80.5	67,639	65.1
>\$1,000,000					
2020	3.3	248	19.5	36,326	34.9
Revenue Not Available					
2020	11.9	0	0.0	0	0.0
Totals					
2020	100.0	1,274	100.0	103,965	100.0
<i>Source: 2020 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

SBSU originated 80.5 percent of small business loans to businesses with GARs of \$1.0 million or less. This number is comparable to the percent of businesses in this revenue category. In 2019, the bank's performance is similar with an 81.0 penetration rate to businesses with GARS of \$1.0 million or less. This level of lending reflects reasonable performance.

Home Mortgage Loans

The distribution of home mortgage loans in the Non-MSA AA reflects reasonable dispersion to LMI borrowers. Examiners focused on the comparison to aggregate data. The following table shows the distribution of home mortgage loans by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	25.3	7.0	14	4.4	1,559	2.1
Moderate						
2019	19.9	20.4	69	21.7	11,176	15.4
Middle						
2019	24.3	23.2	75	23.6	15,189	20.9
Upper						
2019	30.5	32.3	136	42.8	35,074	48.2
Not Available						
2019	0.0	17.1	24	7.5	9,709	13.4
Totals						
2019	100.0	100.0	318	100.0	72,707	100.0
<i>Source: 2015 ACS, Bank Data, and 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

In 2019, SBSU originated 4.4 percent of its home mortgage loans to low-income borrowers. The bank’s performance lags the aggregate data of 7.0 percent. Demographics show that 12.5 percent of families are below the poverty level, which makes it difficult for low-income borrowers to purchase a home. SBSU originated 21.7 percent of its home mortgage loans to moderate-income borrowers. The penetration rate to moderate-income borrowers is comparable to aggregate data of 20.4 percent. In 2020, the penetration rate to low-income borrowers slightly improved and the penetration rate to moderate-income borrowers is comparable to the 2019 performance. Overall, the performance is reasonable.

Small Farm Loans

The distribution of small farm loans within the Non-MSA AA reflects excellent penetration of loans to farms of different revenue sizes. The following table shows the bank’s distribution of small farm loans by GARs for 2020.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Non MSA AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2020	97.7	186	98.4	16,314	96.5
>\$1,000,000					
2020	1.9	3	1.6	593	3.5
Revenue Not Available					
2020	0.4	0	0.0	0	0.0
Totals					
2020	100.0	189	100.0	16,907	100.0
<i>Source: 2020 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

SBSU originated 98.4 percent of its small farm loans to farms with GARs of \$1.0 million or less. This number is comparable to the percent of farms in this revenue category. The bank’s performance in 2019 is similar with a 96.4 penetration rate to farms with GARs of \$1.0 million or less. This level of lending reflects excellent performance due to the high penetration rate to farms with GARs of \$1.0 million or less.

COMMUNITY DEVELOPMENT TEST

SBSU’s demonstrated excellent responsiveness to CD needs in the Non-MSA AA through CD loans, qualified investments, and CD services, considering the institution’s capacity and the need and availability of such opportunities for CD in the Non-MSA AA.

Community Development Loans

SBSU made 7 CD loans totaling approximately \$20.1 million in the Non-MSA AA. See the bank-wide tables for additional details. The following are notable examples of CD loans originated by the bank.

- The bank originated a \$10.0 million CD loan in an underserved nonmetropolitan middle-income tracts to construct a manufacturing facility in the Non-MSA AA. The manufacturing facility created many LMI jobs in an underserved community. This loan was counted as an economic development activity due to the loan purpose, but it also helped to stabilize an underserved area.
- The bank originated 3 SBA 504 loans during the evaluation period with loan amounts greater than \$1.0 million totaling \$4.3 million in the AA. One CD loan was used to purchase an assisted living facility, one CD loan developed a new RV park and camping grounds in a moderate-income tract, and the last CD loan purchased a commercial building

in an underserved nonmetropolitan tract. All of the SBA 504 loans helped create jobs in the local community for LMI individuals.

- The bank originated 2 PPP loans totaling \$5.5 million in an underserved nonmetropolitan middle-income tract to help retain jobs in a designated underserved community. These two CD loans helped retain transportation jobs for truckers and engineering jobs in the local community. The companies that received these PPP loans are crucial to the underserved area.

Qualified Investments

SBSU purchased or donated 61 new qualified investments and donations totaling \$8.3 million in the Non-MSA AA. SBSU holds prior period investments totaling \$9.1 million on the bank's balance sheet. See the bank-wide tables for additional details. The following are notable examples of CD investments and donations made by the bank.

- The bank purchased 21 bonds totaling \$4.9 million to develop storm water infrastructure and replace an aging water pipe infrastructure in 2 moderate-income tracts in Iron County. This new sewer and water line replacement helped moderate-income geographies and LMI families.
- The bank purchased 14 bonds totaling \$3.3 million in an underserved nonmetropolitan middle-income tracts to develop a new sewer line in Sevier County.
- The bank donated \$34,653 to a variety of qualified non-profit organizations during the evaluation period. One of the more notable donations total \$5,000 for a nonprofit to help stabilize local communities by providing educational services to LMI families and affordable housing options to those in need.

Community Development Services

SBSU management and staff provided 323 hours of qualified CD services in the Non-MSA AA. The qualified hours are targeted to community services to LMI individuals. See the bank-wide tables for additional details. The following are notable examples of CD service hours provided by the bank.

- An employee provided 148 hours to a non-profit organization that runs a homeless shelter and food pantry in the Non-MSA AA located in Iron County. This employee serves on the Board for this organization that provides a significant amount of resources to low-income individuals.
- An employee provided 60 hours serving on the Board of a non-profit organization. This organization helps LMI young adults gain financial knowledge and become self-sufficient as they start having more financial responsibilities.
- Several employees partnered with a Utah agency to teach courses on banking and financial matters to troubled LMI children. These employees provided 18 hours to this organization.

ST. GEORGE MSA AA – LIMITED-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ST. GEORGE MSA AA

SBSU operates four full-service branches in the St. George MSA AA. While only considering loans originated within the bank’s two AAs, SBSU originated 31.6 percent of small business, 21.9 percent of home mortgage, and 4.7 percent of small farm loans within the St. George MSA AA. The bank retains 33.3 percent of its total deposits in the St. George MSA AA. In addition, 25.0 percent of branches are located in this AA.

The table below illustrates select demographic characteristics of the St. George MSA AA.

Demographic Information of the Assessment Area						
Assessment Area: St George AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	21	0.0	14.3	76.2	9.5	0.0
Population by Geography	148,244	0.0	7.6	81.0	11.3	0.0
Housing Units by Geography	61,026	0.0	7.5	83.4	9.1	0.0
Owner-Occupied Units by Geography	33,647	0.0	5.5	82.1	12.4	0.0
Occupied Rental Units by Geography	15,273	0.0	12.3	82.9	4.9	0.0
Vacant Units by Geography	12,106	0.0	7.3	87.6	5.2	0.0
Businesses by Geography	19,013	0.0	6.6	81.8	11.6	0.0
Farms by Geography	461	0.0	9.5	77.2	13.2	0.0
Family Distribution by Income Level	37,180	17.7	19.6	23.3	39.3	0.0
Household Distribution by Income Level	48,920	20.9	18.0	20.7	40.5	0.0
Median Family Income MSA - 41100 St. George, UT MSA		\$58,145	Median Housing Value			\$211,048
			Median Gross Rent			\$978
			Families Below Poverty Level			10.3%
<i>Source: 2015 ACS and 2020 D&B Data. Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Major employers in the St. George MSA AA include Intermountain Healthcare, Walmart, and Dixie State University. There are a limited number of farms located in the St. George MSA AA in comparison to the Non-MSA AA.

The AA includes all 21 CTs in Washington County. These tracts reflect the following income designations according to the 2015 ACS U.S. Census:

- No low-income tracts,
- 3 moderate-income tracts,
- 16 middle-income tracts, and
- 2 upper-income tracts.

The following table shows unemployment trends in the St. George AA. The unemployment rate peaked at 12.1 percent in April 2020 as a result of COVID-19. The AA recuperated most of these jobs lost during the pandemic.

Unemployment Rates			
Area	January 2019	January 2020	January 2021
	%	%	%
Washington County	3.7	3.3	3.9
<i>Source: Bureau of Labor Statistics</i>			

CONCLUSIONS ON PERFORMANCE CRITERIA IN ST. GEORGE AA

LENDING TEST

In 2019, SBSU originated 79 home mortgage loans totaling \$20.6 million. In 2020, the bank originated 617 small business loans totaling \$61.1 million, and 7 small farm loans totaling \$470,000. Overall, the bank’s lending performance in the St. George AA is consistent with the institution’s lending performance within the Non-MSA AA that was reviewed using full-scope examination procedures. The bank’s performance in the St. George MSA AA is comparable to D&B data, demographics, and aggregate data, and it supports the bank-wide rating. Refer to the following tables for more details.

Geographic Distribution of Small Business Loans						
Assessment Area: St George AA						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2020	0.0	0	0.0	0	0.0
Moderate						
	2020	6.6	40	6.5	3,514	5.7
Middle						
	2020	81.8	521	84.4	54,426	89.0
Upper						
	2020	11.6	56	9.1	3,182	5.2
Not Available						
	2020	0.0	0	0.0	0	0.0
Totals						
	2020	100.0	617	100.0	61,122	100.0
<i>Source: 2020 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Geographic Distribution of Home Mortgage Loans							
Assessment Area: St George AA							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2019	0.0	0.0	0	0.0	0	0.0
Moderate							
	2019	5.5	4.2	6	7.6	1,441	7.0
Middle							
	2019	82.1	85.0	64	81.0	17,229	83.6
Upper							
	2019	12.4	10.8	9	11.4	1,949	9.5
Not Available							
	2019	0.0	0.0	0	0.0	0	0.0
Totals							
	2019	100.0	100.0	79	100.0	20,619	100.0
<i>Source: 2015 ACS, Bank Data, and 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>							

Geographic Distribution of Small Farm Loans					
Assessment Area: St George AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low					
2020	0.0	0	0.0	0	0.0
Moderate					
2020	9.5	0	0.0	0	0.0
Middle					
2020	77.2	7	100.0	470	100.0
Upper					
2020	13.2	0	0.0	0	0.0
Not Available					
2020	0.0	0	0.0	0	0.0
Totals					
2020	100.0	7	100.0	470	100.0
<i>Source: 2020 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: St George AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	89.9	493	79.9	37,427	61.2
>\$1,000,000					
2020	2.6	124	20.1	23,696	38.8
Revenue Not Available					
2020	7.5	0	0.0	0	0.0
Totals					
2020	100.0	617	100.0	61,123	100.0
<i>Source: 2020 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: St George AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	17.7	4.0	2	2.5	265	1.3
Moderate						
2019	19.6	14.3	15	19.0	2,560	12.4
Middle						
2019	23.3	22.5	12	15.2	2,567	12.5
Upper						
2019	39.3	42.9	40	50.6	12,542	60.8
Not Available						
2019	0.0	16.4	10	12.7	2,685	13.0
Totals						
2019	100.0	100.0	79	100.0	20,619	100.0

*Source: 2015 ACS, Bank Data, and 2019 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Geographic Distribution of Small Farm Loans						
Assessment Area: St George AA						
Tract Income Level	% of Farms	#	%	\$(000s)	%	
Low						
2020	0.0	0	0.0	0	0.0	
Moderate						
2020	9.5	0	0.0	0	0.0	
Middle						
2020	77.2	7	100.0	470	100.0	
Upper						
2020	13.2	0	0.0	0	0.0	
Not Available						
2020	0.0	0	0.0	0	0.0	
Totals						
2020	100.0	7	100.0	470	100.0	

*Source: 2020 D&B Data and Bank Data.
Due to rounding, totals may not equal 100.0 percent.*

COMMUNITY DEVELOPMENT TEST

During the review period the bank originated 12 CD Loans totaling \$27.3 million, 11 qualified donations totaling \$27,000 in qualified donations, and provided 254 in CD service hours. The institution's CD performance in the St. George MSA AA is consistent with the institution's CD performance in the Non-MSA AA, which was reviewed using full-scope examination procedures. Refer to the CD tables in the bank-wide analysis for additional details.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
NON-MSA AA	Satisfactory	Outstanding	Outstanding
ST. GEORGE MSA AA	Satisfactory	Outstanding	Outstanding

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.