

# **PUBLIC DISCLOSURE**

February 22, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

CalPrivate Bank  
Certificate Number: 58291

9404 Genesee Avenue, Suite 100  
La Jolla, California 92037

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

25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105

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

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## **INSTITUTION RATING**

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (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 more than reasonable given the institution's size, financial condition, and AA credit needs.
- A majority of small business loans are in the institution's AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

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

The institution's community development (CD) performance demonstrates adequate 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.

## DESCRIPTION OF INSTITUTION

CalPrivate Bank (CPB) is a state-chartered commercial bank headquartered in La Jolla, California. CPB is a wholly-owned subsidiary of Private Bancorp of America, Inc., a one-bank holding company based in La Jolla, California. Effective March 16, 2018, the bank's name was changed from San Diego Private Bank to CPB. The institution received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated February 26, 2018, based on Interagency Intermediate Small Institution Examination Procedures.

CPB continues to be primarily a commercial lender serving high-net worth individuals and businesses with complex financial needs. CPB operates six full-service branches in the cities of La Jolla, Coronado, San Diego, Newport Beach, El Segundo, and Beverly Hills, California. The Newport Beach branch relocated within the same building on January 17, 2019 and the Beverly Hills branch relocated within the same building on March 16, 2018. The El Segundo branch opened on January 4, 2019. There was no impact to LMI areas.

CPB offers commercial loan products, including commercial real estate loans, construction and development loans, equipment loans, and commercial lines and letters of credit. The bank established a Small Business Administration (SBA) division and is a Preferred Lender offering loans in the SBA's 7(a), 504, and Paycheck Protection Program (PPP) loan programs. CPB offers various deposit products for both businesses and consumers, including checking accounts, savings accounts, money market accounts, and time deposit accounts. Other banking products include debit cards, credit cards, individual retirement accounts, treasury management, merchant services, and safe deposit boxes. Alternate delivery systems offered include internet banking on the website [www.calprivate.bank](http://www.calprivate.bank), online bill pay, a mobile application, remote deposit capture, and night depositories.

Assets totaled \$1.3 billion according to the December 31, 2020 Reports of Condition and Income (Call Report), including total loans of \$1.0 billion and total deposits of \$1.1 billion. The distribution of the loan portfolio by loan type is illustrated in the following table.

<b>Loan Portfolio Distribution as of 12/31/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	29,377	2.9
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	67,522	6.7
Secured by Multifamily (5 or more) Residential Properties	69,187	6.9
Secured by Nonfarm Nonresidential Properties	514,754	51.0
<b>Total Real Estate Loans</b>	<b>680,840</b>	<b>67.5</b>
Commercial and Industrial Loans	320,920	31.8
Agricultural Loans	0	0.0
Consumer Loans	2,225	0.2
Other Loans	4,572	0.5
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>1,008,557</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income Due to rounding, totals may not equal 100.0%</i>		

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

## **DESCRIPTION OF ASSESSMENT AREAS**

CPB designated two AAs comprising of three whole counties in Southern California:

- San Diego AA – comprised of San Diego County, which is fully contained in the San Diego-Carlsbad-San Marcos, California, Metropolitan Statistical Area (MSA).
- Los Angeles AA – comprised of the contiguous counties of Los Angeles and Orange, which are part of the Los Angeles-Long Beach, California, Combined Statistical Area. Los Angeles County constitutes the Los Angeles-Long Beach-Glendale, California, Metropolitan Division; Orange County constitutes the Santa Ana-Anaheim-Irvine, California Metropolitan Division.

The designated AAs comply with the technical requirements of the CRA regulations and do not arbitrarily exclude any LMI areas. Refer to the individual AA sections for specific demographics and additional information.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated February 26, 2018 to the current evaluation dated February 22, 2021. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate CPB's CRA performance. Examiners relied on records provided by the institution, public financial and loan information, demographic data, community contacts, and reported loan information.

Examiners evaluated the performance in the San Diego AA using full-scope examination procedures. This AA represents the bank's largest AA based on footprint and operations and examiners placed more weight on the bank's performance in the San Diego AA. Examiners evaluated performance in the Los Angeles AA using limited-scope examination procedures.

### **Activities Reviewed**

Examiners determined that CPB's major product line is small business loans based on the bank's business strategy, loan portfolio composition, and the lending activity during the evaluation period. The bank only makes home mortgage loans on an accommodation basis, does not offer small farm loans, and consumer lending is nominal. These loan categories do not represent major product lines. Therefore, they provided no material support for conclusions or ratings and are not analyzed or presented.

Examiners analyzed the universe of small business loans originated or purchased from January 1, 2018 through December 31, 2020. CPB originated or purchased 103 loans totaling \$53.4 million in 2018, 138 loans totaling \$77.3 million in 2019, and 762 loans totaling \$193.4 million in 2020. Of the total loans originated in 2020, 594 small business loans totaling \$105.5 million were originated under the SBA's PPP.

Examiners reviewed the number and dollar volume of small business loans under the Lending Test. While both number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses served. Examiners compared the institution's lending performance with 2018, 2019, and 2020 D&B data; 2015 American Community Survey (ACS) Census data; and the bank's previous Performance Evaluation.

The evaluation of CD activities includes all qualified activities between January 1, 2018 and February 22, 2021. The evaluation of CD activities is limited to those loans, investments, and services for which management could demonstrate the activity met the primary purpose of CD. CD loans, investments, and services were evaluated quantitatively based on the financial capacity of the bank, as well as qualitatively based upon the impact to the AAs. Examiners also compared the institution's CD performance with the bank's previous performance as well as to the performance of two similarly-situated institutions (SSIs).

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

The Lending Test is rated Satisfactory. Geographic Distribution and Borrower Profile performance primarily support this conclusion. Refer to each AA for more information.

### Loan-to-Deposit Ratio

CPB's net LTD ratio is more than reasonable given the institution's size, financial condition, and AA credit needs. The net LTD ratio averaged 98.4 percent over the past 12 calendar quarters from March 31, 2018, to December 31, 2020. The ratio ranged from a low of 89.0 percent as of December 31, 2020, to a high of 106.9 percent as of June 30, 2019. The net LTD ratio remained generally stable during the evaluation period and is similar to the previous evaluation's average ratio of 101.9 percent. CPB's ratio is between two SSIs and is more than reasonable. Examiners selected these institutions based on asset size, loan portfolio composition, and geographic location. The following table compares the bank's net LTD ratio to the SSIs.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2020 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>CalPrivate Bank</b>	<b>1,329,235</b>	<b>98.4</b>
Similarly-situated bank #1	1,952,638	73.9
Similarly-situated bank #2	706,055	102.5

*Source: Reports of Condition and Income 3/31/2018 – 12/31/2020*

### Assessment Area Concentration

CPB originated a majority of its small business loans inside its AAs. The following table shows the distribution of the bank's small business lending inside and outside of its AAs.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Business										
2018	81	78.6	22	21.4	103	43,802	82.0	9,617	18.0	53,419
2019	96	69.6	42	30.4	138	53,000	68.6	24,289	31.4	77,289
2020	628	82.4	134	17.6	762	160,531	83.0	32,885	17.0	193,416
<b>Total</b>	<b>805</b>	<b>80.3</b>	<b>198</b>	<b>19.7</b>	<b>1,003</b>	<b>257,333</b>	<b>79.4</b>	<b>66,791</b>	<b>20.6</b>	<b>324,124</b>

*Source: Bank Data  
Due to rounding, totals may not equal 100.0%*

## **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. The bank's performance in both AAs is consistent with this conclusion. **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes. The bank's performance in both AAs is consistent with this conclusion.

## **Response to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

CPB demonstrated adequate responsiveness to the CD needs of its AAs through CD loans, qualified investments, and CD services. Examiners considered the bank's capacity and the need and availability of such opportunities.

### **Community Development Loans**

CPB made 65 CD loans totaling \$147.3 million during the evaluation period. This level of activity represents 14.9 percent of average total assets and 18.6 percent of average total loans since the previous evaluation. This lending level represents a considerable increase from the previous evaluation where the bank made 11 CD loans totaling \$20.2 million, which represented 3.5 percent of average total assets and 4.5 percent of average total loans. The bank's CD lending was below that of the SSIs. The following table shows the number and dollar volume of CD loans by year and purpose. Refer to the full-scope AA for notable examples.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2018	5	7,745	3	5,688	10	24,801	5	15,584	<b>23</b>	<b>53,818</b>
2019	1	1,225	0	0	13	25,916	3	17,716	<b>17</b>	<b>44,857</b>
2020	0	0	0	0	23	41,957	2	6,717	<b>25</b>	<b>48,674</b>
YTD 2021	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Total</b>	<b>6</b>	<b>8,970</b>	<b>3</b>	<b>5,688</b>	<b>46</b>	<b>92,674</b>	<b>10</b>	<b>40,017</b>	<b>65</b>	<b>147,349</b>

*Source: Bank Data*

### **Qualified Investments**

CPB made or continued to hold 7 qualified investments totaling \$6.4 million and 68 donations totaling \$280,000. The total dollar amount equates to 0.7 percent of average total assets and 9.7



percent of average total securities since the previous evaluation. This level of performance is slightly above the previous evaluation, where total qualified investments and grants represented 0.5 percent and 8.1 percent of average total assets and average total securities, respectively. The bank’s level of qualified investments is slightly above that of the SSIs. The following table illustrates CPB’s qualified investments by year and purpose. Refer to the full-scope AA section for specific details of qualified investment activities during the evaluation period.

<b>Qualified Investments</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	0	0	1	249	0	0	0	0	<b>1</b>	<b>249</b>
2018	1	2,485	1	249	0	0	0	0	<b>2</b>	<b>2,734</b>
2019	0	0	1	249	1	250	0	0	<b>2</b>	<b>499</b>
2020	1	2,688	1	259	0	0	0	0	<b>2</b>	<b>2,947</b>
YTD 2021	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Subtotal</b>	<b>2</b>	<b>5,173</b>	<b>4</b>	<b>1,006</b>	<b>1</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>6,429</b>
Qualified Grants & Donations	4	29	62	240	2	11	0	0	<b>68</b>	<b>280</b>
<b>Total</b>	<b>6</b>	<b>5,202</b>	<b>66</b>	<b>1,246</b>	<b>3</b>	<b>261</b>	<b>0</b>	<b>0</b>	<b>75</b>	<b>6,709</b>

*Source: Bank Data*

### **Community Development Services**

During the evaluation period, 32 CPB directors and employees provided 5,037 hours of financial expertise or technical assistance to 46 CD-related organizations in the AA. The CD service hours for the review period, illustrated in the following table, are significantly higher than the 1,083 hours of CD services provided during the previous evaluation. CPB’s CD service hours were significantly higher than one SSI and were consistent with the other. The following table shows the bank’s CD services by hours and purpose. Refer to the full-scope AA section for examples.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	#	#	#	#	#
2018	18	1,684	150	19	<b>1,871</b>
2019	19	1,623	155	20	<b>1,817</b>
2020	12	1,251	74	12	<b>1,349</b>
YTD 2021	0	0	0	0	<b>0</b>
<b>Total</b>	<b>49</b>	<b>4,558</b>	<b>379</b>	<b>51</b>	<b>5,037</b>
<i>Source: Bank Data</i>					

## **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 Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

## **SAN DIEGO ASSESSMENT AREA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN SAN DIEGO ASSESSMENT AREA**

The AA consists of the entirety of San Diego County. CPB is headquartered and operates three full-service branches in the San Diego AA. This AA accounted for 51.4 percent by number and 39.7 percent by dollar volume of small business loans, 58.7 percent of total deposits, and 50.0 percent of the bank’s branches.

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

Based on 2015 ACS Census data, the AA consists of 628 census tracts (CTs) with the following income designations:

- 61 low-income CTs
- 142 moderate-income CTs
- 204 middle-income CTs
- 214 upper-income CTs
- 7 CTs with no income designation

The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Assessment Area: San Diego						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	628	9.7	22.6	32.5	34.1	1.1
Population by Geography	3,223,096	8.9	23.6	32.5	34.7	0.3
Housing Units by Geography	1,180,806	7.7	21.7	34.2	36.5	0.0
Owner-Occupied Units by Geography	579,079	2.8	15.1	35.5	46.6	0.0
Occupied Rental Units by Geography	515,078	13.1	28.8	32.8	25.2	0.0
Vacant Units by Geography	86,649	7.6	22.8	33.8	35.8	0.0
Businesses by Geography	302,002	5.5	14.9	34.8	44.6	0.2
Farms by Geography	5,749	4.2	17.6	37.8	40.4	0.0
Family Distribution by Income Level	731,328	23.6	16.9	17.8	41.7	0.0
Household Distribution by Income Level	1,094,157	24.8	15.7	17.1	42.4	0.0
Median Family Income MSA - 41740 San Diego-Chula Vista-Carlsbad, CA MSA		\$75,179	Median Housing Value			\$458,248
			Median Gross Rent			\$1,404
			Families Below Poverty Level			10.6%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The service industry accounts for 40.9 percent of businesses; followed by retail trade at 10.9 percent, and finance, insurance, and real estate businesses at 9.9 percent. In addition, 64.0 percent of area businesses have 4 or fewer employees, with 92.5 percent operating from a single location.

### ***San Diego County***

According to the November 2020 Moody’s Analytics report, San Diego County’s economy is recovering from a recession induced by COVID-19. Recovery is a little below the average rate. The unemployment rate at 8.0 percent has declined at a slower rate than the national average. The major strengths of the area include high technology-related businesses and defense-related businesses, dynamic professional services, and the beneficiary of the buildup of Pacific naval forces and unmanned aerial vehicles. Weaknesses include a projected long-term decrease in tourism and business travel, high costs, border-crossing bottlenecks, and weak migration trends. The top three employers include Marine Corps Base Camp Pendleton, University of California San Diego, and the Naval Base San Diego.

## **Competition**

The AA is a highly competitive market for financial services. Competing institutions range from small community banks to larger national financial institutions. According to the June 30, 2020 FDIC Deposit Market Share Report, 47 other financial institutions operate 561 offices in the AA. The top 4 institutions in San Diego County account for 55.1 percent of the branches and 62.6 percent of the deposits. CPB is ranked 20<sup>th</sup>, with a deposit market share of less than 1 percent.

## **Community Contact**

Examiners reviewed an existing community contact with an SBA-certified development company that serves Southern California. The contact indicated the need for additional lending under the SBA's PPP. The contact mentioned that while additional PPP lending would be beneficial, many business owners are concerned about acquiring additional debt, without seeing an end to shutdowns and other COVID-19 impacts. The contact also stated that during the recent economic downturn, many individuals are attempting to move into entrepreneurship; however, very few financial institutions are offering loans to start-up businesses. Consequently, there is considerable need for loans to new businesses. Lastly, the contact indicated that in addition to PPP loan forgiveness, existing businesses would benefit from loan programs with more flexible payment terms. Aside from PPP loans, the contact stated that banks are not offering any loan products that help address the impact of COVID-19.

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

Based on economic information, local demographics, and the community contact, examiners determined that there is a need for small business loans in the AA. Additionally, there is CD need to provide technical assistance to LMI individuals.

# **CONCLUSIONS ON PERFORMANCE CRITERIA IN SAN DIEGO ASSESSMENT AREA**

## **LENDING TEST**

The Lending Test is rated Satisfactory. Reasonable performance under the Geographic Distribution and Borrower Profile criteria primarily support this conclusion.

## **Geographic Distribution**

CPB's geographic distribution of small business loans reflects reasonable dispersion throughout the bank's AA. The bank's lending in low-income CTs in 2018 and 2019 was both significantly above D&B data and reflected an increasing trend. However, lending in low-income CTs decreased in 2020, yet remained above D&B data. It is noted that the increase in small business loan originations in 2020 was driven by the PPP loans.

In 2018, the bank's lending in moderate-income CTs was below the percentage of businesses located in moderate-income CTs; however, performance increased in 2019 and was above D&B

data. In 2020, the bank had a significant increase in the number of small business loans within moderate-income CTs; however, the percentage of loans was significantly below the percentage of businesses located in these CTs.

Overall, CPB's geographic distribution is considered reasonable. The following table illustrates the bank's geographic distribution of small business loans by CT income level.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: San Diego</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2018	5.5	5	10.9	3,563	15.2
2019	5.5	8	21.6	4,036	21.0
2020	5.5	30	9.1	7,168	9.7
<b>Moderate</b>					
2018	15.2	5	10.9	2,613	11.1
2019	14.9	6	16.2	2,645	13.7
2020	14.9	26	7.9	3,973	5.4
<b>Middle</b>					
2018	35.1	14	30.4	7,320	31.2
2019	34.9	10	27.0	6,705	34.8
2020	34.8	102	30.8	25,246	34.3
<b>Upper</b>					
2018	44.0	22	47.8	9,991	42.5
2019	44.5	13	35.1	5,871	30.5
2020	44.6	173	52.3	37,152	50.5
<b>Not Available</b>					
2018	0.2	0	0.0	0	0.0
2019	0.2	0	0.0	0	0.0
2020	0.2	0	0.0	0	0.0
<b>Totals</b>					
<b>2018</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>23,487</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>19,257</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>331</b>	<b>100.0</b>	<b>73,539</b>	<b>100.0</b>
<i>Source: 2018, 2019 &amp; 2020 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

## **Borrower Profile**

CPB's distribution of borrowers reflects reasonable penetration among businesses of different sizes in the AA. In 2018 and 2019, the bank's lending performance to businesses with GARs of \$1.0 million or less is significantly below D&B data and trended downward. The bank's lending performance for 2020 increased significantly, but remained below D&B data. It is noted that not all businesses captured in D&B data may have credit needs or be creditworthy.

Although not used as a direct comparison, aggregate data is used to determine the demand for small business credit. CPB's lending performance for 2018 exceeded aggregate data of 45.5 percent and was consistent with aggregate in 2019 at 49.2 percent. Overall, CPB's lending to small businesses is considered reasonable. The following table illustrates the bank's distribution of small business loans by GAR level.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: San Diego</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2018	87.4	28	60.9	12,691	54.0
2019	88.8	18	48.6	7,768	40.3
2020	89.1	259	78.2	46,673	63.5
<b>&gt;1,000,000</b>					
2018	5.2	18	39.1	10,796	46.0
2019	4.5	19	51.4	11,489	59.7
2020	4.2	70	21.1	25,716	35.0
<b>Revenue Not Available</b>					
2018	7.4	0	0.0	0	0.0
2019	6.7	0	0.0	0	0.0
2020	6.7	2	0.6	1,150	1.6
<b>Totals</b>					
<b>2018</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>23,487</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>19,257</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>331</b>	<b>100.0</b>	<b>73,539</b>	<b>100.0</b>
<i>Source: 2018, 2019 &amp; 2020 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

## COMMUNITY DEVELOPMENT TEST

CPB demonstrated adequate responsiveness to the CD needs of its AA through CD loans, qualified investments, and CD services. Examiners considered the bank’s capacity and the need and availability for such opportunities.

### Community Development Loans

CPB originated 14 CD loans totaling \$36.8 million during the evaluation period in the San Diego AA. The level of CD lending has increased significantly since the prior evaluation, when the bank originated or purchased 6 CD loans totaling \$11.2 million. The following table shows the number and dollar volume of CD loans by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	2	10,085	3	11,749	5	21,834
2019	1	1,225	0	0	2	2,347	0	0	3	3,572
2020	0	0	0	0	5	7,484	1	3,917	6	11,401
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>1,225</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>19,916</b>	<b>4</b>	<b>15,666</b>	<b>14</b>	<b>36,807</b>
<i>Source: Bank Data</i>										

The bank’s CD activities addressed affordable housing, community services, and loans to small businesses, which are primary needs of the AA. Below are examples of the bank’s CD lending:

- In 2018, the bank originated a \$2.1 million SBA 504 loan to purchase and improve an owner-occupied commercial building. The business will provide additional jobs for LMI individuals.
- In 2018, CPB originated a \$2.4 million SBA 504 loan for the purchase a new building, which will assist in expanding distribution capacity, production, and increasing support staff. The facility is located in a low-income CT and will create jobs for LMI individuals.

### Qualified Investments

CPB made or continued to hold 6 qualified investments totaling \$3.1 million and 43 donations totaling \$175,000. During the prior evaluation, the bank made 21 qualified investments and donations totaling \$920,000. The following table illustrates qualified investments by year and purpose.



Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	1	249	0	0	0	0	1	249
2018	1	1,148	1	249	0	0	0	0	1	249
2019	0	0	1	249	0		0	0	1	249
2020	1	993	1	259	0	0	0	0	1	259
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>2</b>	<b>2,141</b>	<b>4</b>	<b>1,006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>3,147</b>
Qualified Grants & Donations	4	29	37	135	2	11	0	0	43	175
<b>Total</b>	<b>6</b>	<b>2,170</b>	<b>41</b>	<b>1,141</b>	<b>2</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>49</b>	<b>3,322</b>

Source: Bank Data

The bank's CD activities addressed affordable housing and community services, which are primary needs of the AA. Below are examples of the bank's qualified investments:

- Two mortgage-backed securities with allocations in the AA totaling \$2.1 million and consisting of home mortgages in LMI areas and/or to LMI borrowers.
- A prior period investment of a \$249,000 in a certificate of deposit with a community development financial institution. The certificate of deposit was renewed annually, and in 2020, accrued interest of \$9,938 was added to the balance.

### **Community Development Services**

During the evaluation period, 31 employees or Directors provided 2,757 hours of financial expertise or technical assistance to 31 CD-related organizations in the San Diego AA. This represents a significant increase from the prior evaluation, when the bank provided 1,417 hours. The following table shows the bank's CD services by hours and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
sam2018	18	928	132	19	1,097
2019	19	771	105	20	915
2020	12	654	67	12	745
YTD 2021	0	0	0	0	0
<b>Total</b>	<b>49</b>	<b>2,353</b>	<b>304</b>	<b>51</b>	<b>2,757</b>

Source: Bank Data

Below are examples of CD services provided in the AA:

In 2018, an employee provided approximately 50 hours with an organization that promotes affordable housing projects, gives grants for community services, provides financial education, and supports non-profits and small businesses through targeted programs. Service hours included participating on an Advisory Committee, reviewing application for grants, and fundraising. Service hours supported affordable housing, community services, and economic development through the various programs and grants to assist LMI individuals and small businesses within the AA.

- In 2020, a Board member participated on an organization's Board providing expertise to assist in fundraising and managing of the organization's programs. The organization is dedicated to providing assistance to foster children.

## LOS ANGELES ASSESSMENT AREA – Limited-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN LOS ANGELES ASSESSMENT AREA

The AA consists of the contiguous counties of Los Angeles and Orange. CPB operates three full-service branches in the Los Angeles AA. This AA accounted for 48.6 percent by number and 60.3 percent by dollar volume of small business loans, 41.3 percent of total deposits, 50.0 percent of the branches.

#### Economic and Demographic Data

The following table illustrates select demographic characteristics of the AA.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Los Angeles</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	2,929	9.1	28.0	25.9	35.1	1.8
Population by Geography	13,154,457	8.6	28.9	26.9	35.0	0.6
Housing Units by Geography	4,541,360	7.5	25.8	26.2	40.1	0.4
Owner-Occupied Units by Geography	2,082,030	2.7	17.6	27.5	52.2	0.1
Occupied Rental Units by Geography	2,190,392	12.0	33.7	25.1	28.4	0.7
Vacant Units by Geography	268,938	8.0	24.6	24.4	42.2	0.8
Businesses by Geography	1,270,483	4.8	19.1	24.8	49.3	1.9
Farms by Geography	12,567	3.7	18.8	27.3	49.3	0.9
Family Distribution by Income Level	2,913,538	24.4	16.3	17.0	42.3	0.0
Household Distribution by Income Level	4,272,422	25.6	15.5	16.1	42.8	0.0
Median Family Income MSA - 11244 Anaheim-Santa Ana-Irvine, CA		\$86,003	Median Housing Value			\$515,607
Median Family Income MSA - 31084 Los Angeles-Long Beach-Glendale, CA		\$62,703	Median Gross Rent			\$1,353
			Families Below Poverty Level			13.0%
<i>Source: 2015 ACS and 2020 D&amp;B Data                      Due to rounding, totals may not equal 100.0%                      (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The service industry accounts for 39.3 of businesses; followed by retail trade at 11.3 percent, and finance, insurance, and real estate businesses at 9.4 percent. In addition, 61.4 percent of area businesses have 4 or fewer employees with 92.8 percent operating from a single location.

The following economic data was obtained from Moody's Analytics as of November 2020.

### ***Los Angeles County***

Los Angeles County's recovery is slow. Job growth barely follows the state average, and both the county and state fall behind the national pace. Less than half of the jobs lost since the start of the pandemic have come back and the unemployment rate remains high at 11 percent. Population growth has been weak for decades because of out-migration, especially in the last three years. The economic strengths for Los Angeles County include a strong health care base; a growing technological presence; and global links through entertainment, tourism, and fashion. Weaknesses include high cost that hinder net migration gains and susceptibility to drought, wildfires, and earthquakes. The top employers include Cedars-Sinai Medical Center; Los Angeles International Airport; and University of California, Los Angeles.

### ***Orange County***

Orange County is emerging from the recession a bit more slowly than other areas in the west and the nation. Orange County's initial job losses were more severe than those nationwide, and employment gains have been slow since spring. Strengths in goods producers has helped offset some of the weakness in private and public services. Unemployment in Orange County is declining even though the labor force is increasing, suggesting workers are being reabsorbed into the job market. The unemployment rate at 7.6 percent is still 5.0 percentage points above its pre-recession level. The major strengths of the area include a highly trained and well-educated work force, increased office space demand due to research and development, and the coastline and climate attracting residents and visitors. Weaknesses include exposure to a weakened tourism industry; an abundance of low-wage jobs; and sensitivity to business cycle fluctuations, specifically in the area of capital raising. The top employers for the area are Disneyland Resorts, University of California Irvine, and Saint Joseph Health.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN LOS ANGELES ASSESSMENT AREA**

### **LENDING TEST**

The institution's lending performance in the Los Angeles AA is consistent with the bank's overall lending performance. The bank originated 391 small business loans totaling \$141.5 million in this AA during the review period. The following tables demonstrate the bank's geographic distribution and borrower profile performance.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Los Angeles</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2018	5.0	5	14.3	2,622	12.9
2019	4.8	8	13.6	4,757	14.1
2020	4.8	17	5.7	5,598	6.4
<b>Moderate</b>					
2018	19.3	10	28.6	5,763	28.4
2019	18.9	10	16.9	6,019	17.8
2020	19.1	39	13.1	15,462	17.8
<b>Middle</b>					
2018	25.3	6	17.1	3,018	14.9
2019	24.9	13	22.0	8,189	24.3
2020	24.8	84	28.3	24,920	28.6
<b>Upper</b>					
2018	48.5	14	40.0	8,913	43.9
2019	49.6	23	39.0	12,010	35.6
2020	49.3	147	49.5	37,701	43.3
<b>Not Available</b>					
2018	2.0	0	0.0	0	0.0
2019	1.9	5	8.5	2,768	8.2
2020	1.9	10	3.4	3,310	3.8
<b>Totals</b>					
<b>2018</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>20,315</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>	<b>33,743</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>297</b>	<b>100.0</b>	<b>86,992</b>	<b>100.0</b>
<i>Source: 2018, 2019 &amp; 2020 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Los Angeles</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2018	86.8	14	40.0	8,614	42.4
2019	88.9	21	35.6	9,631	28.5
2020	89.3	196	66.0	43,402	49.9
<b>&gt;1,000,000</b>					
2018	6.0	21	60.0	11,701	57.6
2019	5.0	38	64.4	24,112	71.5
2020	4.6	100	33.7	43,089	49.5
<b>Revenue Not Available</b>					
2018	7.1	0	0.0	0	0.0
2019	6.2	0	0.0	0	0.0
2020	6.1	1	0.3	500	0.6
<b>Totals</b>					
<b>2018</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>20,315</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>	<b>33,743</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>297</b>	<b>100.0</b>	<b>86,992</b>	<b>100.0</b>
<i>Source: 2018, 2019 &amp; 2020 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

## **COMMUNITY DEVELOPMENT TEST**

CPB's CD performance in the Los Angeles AA is consistent with the bank's overall CD performance. During the review period, the bank originated 51 CD loans totaling \$110.5 million, allocated \$3.1 million in qualified investments and donations, and provided 2,280 CD service hours within the AA.

## 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.