

PUBLIC DISCLOSURE

April 12, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bankwell Bank
Certificate Number: 57368

208 Elm Street
New Canaan, CT 06840

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

350 Fifth Avenue, Suite 1200
New York, New York 10118

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

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INSTITUTION RATING

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

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

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated Low Satisfactory.

- The bank’s lending levels reflect adequate responsiveness to assessment area credit needs.
- The bank made an adequate percentage of loans in the assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the demographics and product lines offered by the bank, poor penetration among business customers of different sizes.
- Bankwell Bank uses innovative and flexible lending practices to serve assessment area credit needs.
- The bank made a relatively high level of community development loans within its assessment area or the broader regional area, given its asset size and financial resources.

The Investment Test is rated High Satisfactory.

- The bank has a significant level of qualified investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The bank demonstrates good responsiveness to credit and community development needs.
- The bank occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated Low Satisfactory.

- The bank's delivery systems are reasonably accessible to essentially all portions of the bank's assessment area.
- To the extent changes have been made, the bank's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- The bank's services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The bank provides an adequate level of community development services.

DESCRIPTION OF INSTITUTION

Background

Bankwell Bank (Bankwell), headquartered in New Canaan, Connecticut, is a wholly-owned subsidiary of Bankwell Financial Group, Inc. Bankwell has one subsidiary, but it does not engage in retail banking activities. The bank received a Satisfactory rating at the previous FDIC Community Reinvestment Act (CRA) Performance Evaluation dated January 22, 2019, based on Interagency Large Institution Evaluation Procedures.

Operations

Bankwell operates nine full-service branches in Fairfield County and one full-service branch in New Haven County in Connecticut. Each branch has a 24-hour automated teller machine (ATM). Bankwell closed its limited-service branch in Wilton in February 2019 and its full-service branch in North Haven in December 2020.

Bankwell is primarily a commercial lender offering commercial mortgages, commercial and industrial loans, and commercial lines of credit. The bank also offers limited consumer loans. Bankwell stopped offering residential mortgage loans, except for home equity lines of credit (HELOC) as of January 1, 2018. The bank stopped offering HELOCs as of July 1, 2019. Bankwell continues to offer, and has increased its volume of loans for multi-family properties. The bank's deposit services include commercial and consumer checking and savings accounts, commercial treasury management, and consumer certificates of deposit.

Ability and Capacity

As of December 31, 2021, Bankwell reported assets of \$2.5 billion, total loans of \$1.9 billion, and total deposits of \$2.1 billion. According to the bank's Report of Income and Condition (Call Report), commercial lending (loans secured by nonfarm nonresidential properties and commercial and industrial loans) represented a substantial portion of the loan portfolio at 80.1 percent. The bank stopped offering loans secured by one-to-four family residential properties, except for HELOCs, as of January 1, 2018, and stopped offering HELOCs as of July 1, 2019. Approximately

4.9 percent of the bank’s loan portfolio consists of loans secured by 1-4 family residential properties, dropping from 12.5 percent at the prior evaluation.

Total loans represented 76.0 percent of total assets, with total loans growing by 18.1 percent since the prior evaluation. Loan growth resulted primarily from increased commercial real estate lending. Total assets increased by 31.1 percent and deposits increased by 41.4 percent during the evaluation period. Management attributed its deposit increase to savings trends during the COVID-19 pandemic. The following table illustrates the loan portfolio distribution.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	97,898	5.2
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	92,371	4.9
Secured by Multifamily (5 or more) Residential Properties	177,821	9.4
Secured by Nonfarm Nonresidential Properties	1,164,007	61.5
Total Real Estate Loans	1,532,097	81.0
Commercial and Industrial Loans	351,124	18.6
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	61	0.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	8,787	0.4
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	1,892,069	100.0
<i>Source Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the institution’s ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to designate one or more assessment areas within which it will focus its lending efforts, and examiners will evaluate its CRA performance. Bankwell designated a single assessment area that includes portions of Fairfield and New Haven Counties. Fairfield County is part of the Bridgeport-Stamford-Norwalk, Connecticut Metropolitan Statistical Area (MSA), and New Haven County is part of the New Haven-Milford, Connecticut MSA. Both MSAs are part of the New York-Newark, New York-New Jersey-Connecticut-Pennsylvania Combined Statistical Area. Within Fairfield County, the assessment area includes Bridgeport, Darien, Fairfield, Greenwich, New Canaan, Norwalk, Stamford, Stratford, Westport, and Wilton. Within New Haven County, the assessment area includes Bethany, Cheshire, East Haven, Hamden, Meriden, Milford, New Haven, North Branford, North Haven, Orange, Wallingford, West Haven, and Woodbridge.

Bankwell expanded its assessment area at the conclusion of the prior CRA evaluation to include the five cities and towns between the previous Fairfield County and New Haven County assessment areas. The bank added Bridgeport, Stratford, Meriden, Milford, and Orange to form one contiguous assessment area. The following sections describe economic and demographic information for the assessment area.

Economic and Demographic Data

The assessment area consists of 265 census tracts with the following income designations according to the 2015 American Community Survey (ACS).

- 47 low-income census tracts,
- 57 moderate-income census tracts,
- 65 middle-income census tracts,
- 95 upper-income census tracts, and
- 1 census tract that does not have an assigned income classification.

As stated above, the bank expanded its assessment area at the conclusion of the prior evaluation to cover the gap between Fairfield County and New Haven County. This expansion resulted in an increase of 27 low-income census tracts and 26 moderate-income census tracts, mainly located in Bridgeport (22 low-income and 15 moderate-income). The assessment area expansion also resulted in the addition of low- and moderate-income census tracts in Stratford (1 low-income and 4 moderate-income) and Meriden (4 low-income and 7 moderate-income). Collectively, Bridgeport and New Haven contain 36 low-income and 22 moderate-income geographies. When evaluating the bank's Geographic Distribution performance, examiners considered that the bank does not have a branch location in either city.

In addition, the assessment area includes U.S. Department of Housing and Urban Development (HUD) Opportunity Zones in Bridgeport, New Haven, Norwalk, and Stamford. It also includes State of Connecticut Opportunity Zones in Bridgeport, Hamden, Meriden, New Haven, Norwalk, Stamford, Stratford, and West Haven. HUD and the State of Connecticut designate these zones to attract new investments and businesses and to retain existing businesses.

The following table illustrates demographic information for the assessment area. Narrative comments focus on business demographic data, as commercial lending is the bank's primary business focus.

Demographic Information for the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	265	17.7	21.5	24.5	35.8	0.4
Population by Geography	1,156,121	15.0	23.2	24.9	36.6	0.2
Housing Units by Geography	467,024	15.1	24.4	26.3	34.2	0.0
Owner-Occupied Units by Geography	263,354	5.9	18.6	28.8	46.8	0.0
Occupied Rental Units by Geography	161,999	27.7	32.6	23.2	16.4	0.1
Vacant Units by Geography	41,671	24.3	29.2	22.9	23.5	0.1
Businesses by Geography	178,375	12.3	18.7	24.9	44.0	0.2
Farms by Geography	4,011	12.0	19.4	25.0	43.7	0.0
Family Distribution by Income Level	276,316	25.8	15.7	17.5	41.0	0.0
Household Distribution by Income Level	425,353	27.5	15.2	16.0	41.3	0.0
Median Family Income MSA – 14860 Bridgeport-Stamford-Norwalk, CT MSA		\$105,628	Median Housing Value Median Gross Rent			\$393,132 \$1,264
Median Family Income MSA – 35300 New Haven-Milford, CT MSA		\$80,739	Families Below Poverty Level			8.5%
<i>Source 2015 ACS Data; 2021 D&B Data; Due to rounding, totals may not equal 100.0%.</i>						
<i>(*) The NA category consists of geographies without an income classification.</i>						

According to 2021 D&B data, there are 178,375 businesses in the assessment area, with 89.8 percent having gross annual revenues (GARs) of \$1.0 million or less. Of the remaining businesses, 3.5 percent have GARs of more than \$1.0 million, and 6.7 percent have unknown revenues. Service industries represent the largest portion of businesses at 37.6 percent, followed by non-classifiable businesses at 23.3 percent, finance/insurance at 10.5 percent, and retail trade at 9.5 percent.

Competition

The bank faces significant competition for banking services in its assessment area. The area contains 356 branches and 30 FDIC-insured institutions based on FDIC data as of June 30, 2021. Bankwell has the ninth most branches and ranks eighth in deposit market share at 2.9 percent. Three of the nation’s largest institutions, Wells Fargo Bank, JPMorgan Chase Bank, and Bank of America, each have over thirty branches and significant deposit market shares. Other large national and regional institutions and many local community banks also have a significant presence in the assessment area, highlighting the substantial competition in this market.

Peer small business data shows significant competition for small business loans in the assessment area. According to 2019 aggregate small business loan data, 160 lenders reported 55,852 small business loans in both Fairfield County and New Haven County. The top three lenders were American Express National Bank, JP Morgan Chase Bank, and Bank of America. These three lenders captured 49.7 percent of the market share. Bankwell ranked 46th with a market share of 0.2 percent. In 2020, 253 lenders reported 66,799 small business loans, an increase of 93 CRA-reporting lenders compared to 2019. Bankwell ranked 26th with a 0.6 percent market share. The top 10 small business lenders in 2020 were all large national or regional banks.

Community Contacts

As part of the evaluation process, examiners contact organizations active in the assessment area to better understand and assess credit and community development needs. Information obtained from the meetings helps determine whether local financial institutions are responsive to these needs. It also shows available credit and community development opportunities.

Examiners contacted an organization that operates primarily in the City of Stamford, but it also works with similar organizations in lower Fairfield County. This organization coordinates economic development activities by working with businesses and housing organizations of varying sizes. The organization contact identified affordable housing as a key need of the assessment area. The contact stated that COVID-19 has certainly hurt area small businesses and that some of these businesses need to increase their capital.

Credit and Community Development Needs and Opportunities

Based on demographic and economic information, discussions with bank management, and information from community contacts, examiners determined that small business loans and economic development initiatives remain primary credit and community development needs in the assessment area. The significant percentage of businesses with GARs of \$1.0 million or less support this conclusion. Bridgeport remains the community with the most significant community development needs and opportunities. High poverty and unemployment rates, homelessness, and limited housing reflect a significant need for affordable housing and community services for low- and moderate-income individuals.

Furthermore, the COVID-19 pandemic intensified the need for basic community services targeted to these low- and moderate-income individuals. Further, with a high number of low- and moderate-income census tracts in the area, opportunities and needs exist for revitalizing and stabilizing low- and moderate-income geographies.

SCOPE OF EVALUATION

General Information

This performance evaluation assessed Bankwell's CRA performance since the prior evaluation dated January 22, 2019, through the current evaluation dated April 12, 2022. Examiners used the Interagency Large Institution Examination Procedures, which include the Lending Test, Investment Test, and Service Test.

Activities Reviewed

Examiners determined the bank's major product line is commercial lending, including small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Bankwell has not offered one-to-four family home mortgage loans since the prior evaluation. The evaluation includes home mortgage

loans in the analysis of lending in and out of the assessment area only, as the low volume of home mortgage loans does not allow for meaningful analysis for other Lending Test factors. Consumer loans were also not included in the analysis, as they do not represent a major product line. Examiners did not evaluate small farm lending as the bank made no such loans during the evaluation period.

Examiners reviewed small business loans reported on the bank's CRA Loan Application Registers for 2019, 2020, and 2021. The bank reported 108 loans totaling \$27.2 million in 2019, 470 loans totaling \$64.5 million in 2020, and 227 loans totaling \$55.8 million in 2021. Examiners compared small business lending performance with D&B demographic data for all years and aggregate lending data for 2019 and 2020, as these were the most recent years that aggregate data was available at the time of the evaluation. Examiners presented all years of the bank's small business lending performance throughout the Lending Test.

The evaluation considered Bankwell's innovative and/or flexible lending programs and community development loans made between January 22, 2019 and April 12, 2022. The Investment Test and Service Test considered the number and dollar amount of qualified investments and community development services during this timeframe. The Service Test also considered the bank's delivery systems for providing retail-banking services, including branches and alternative delivery systems, and the impact of any branch openings and closings during the evaluation period. Examiners also conducted a review of retail banking products and services targeted to low- and moderate-income individuals and small businesses that the bank tailored to meet specific needs within the assessment area.

Examiners obtained demographic and economic information referenced in the evaluation from the 2010 United States (U.S.) Census, 2015 ACS, D&B, Moody's Analytics, and U.S. Bureau of Labor Statistics. Examiners obtained the bank's financial data from its December 31, 2021 Call Report.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Bankwell's Lending Test rating is Satisfactory. The following sections provide support for the bank's performance under each factor criteria.

Lending Activity

Bankwell's lending levels reflect adequate responsiveness to assessment area credit needs, particularly given significant competition in the area. In 2019, the bank originated 87 small business loans totaling \$18.5 million within the assessment area. Within Fairfield and New Haven Counties in 2019, Bankwell ranked 46th out of 160 lenders, with a 0.2 percent market share. The bank's volume and market rank improved notably in 2020 due to its participation in the Small Business Administration's (SBA) Payroll Protection Program (PPP). In 2020, the bank originated 366 small business loans totaling \$39.0 million in the assessment area, ranking 26th out of 253 lenders with a market share of 0.6 percent in both counties. Market rankings consider full county

activity due to aggregate small business data report limitations. The bank’s small business lending volume within the assessment area decreased in 2021 to 57 loans totaling \$14.1 million; however, the bank’s overall small business lending volume increased from the volume of loans originated in 2019 (prior to PPP) to 227 loans totaling \$41.7 million.

Assessment Area Concentration

Bankwell originated an overall majority of its small business and home mortgage loans by number and dollar volume within the assessment area. The bank originated a majority of its small business loans originated during the review period by number of loans inside the assessment area and in each year except for 2021. PPP lending activity contributed to the significant increase in small business loans originated by the bank in 2020 compared to other years.

The bank originated a majority of its small business loans outside the assessment area by number and dollar volume in 2021. A substantial portion of these loans originated outside the assessment area relate to individual advances from umbrella lines of credit to two automobile leasing companies located outside the assessment area. Individual advances from these two lines of credit resulted in 134 small business loans totaling nearly \$19.3 million. This context mitigates the effect of the increase in loans outside the assessment area in 2021.

The following table illustrates the bank’s small business and home mortgage lending activity inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2019	87	80.6	21	19.4	108	18,524	68.2	8,631	31.8	27,155
2020	366	77.9	104	22.1	470	39,042	60.6	25,421	39.4	64,463
2021	57	25.1	170	74.9	227	14,082	25.3	41,684	74.7	55,766
Subtotal	510	63.4	295	36.6	805	71,648	48.6	75,736	51.4	147,384
Home Mortgage										
2019	4	100.0	0	0.0	4	3,453	100.0	0	0.0	3,453
2020	6	75.0	2	25.0	8	56,939	64.4	31,422	35.6	88,361
2021	8	66.7	4	33.3	12	33,837	59.9	22,697	40.1	56,534
Subtotal	18	75.0	6	25.0	24	94,229	63.5	54,119	36.5	148,348
Total	528	63.7	301	36.3	829	165,877	56.1	129,855	43.9	295,732
<i>Source HMDA Reported Data; CRA Reported Data. Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The geographic distribution of small business loans reflects adequate dispersion throughout the assessment area. Bankwell's lending percentages in low-income census tracts by number of loans were below both demographic data and the aggregate performance in 2019 and 2020. The percentage of lending by dollar volume of loans was significantly higher than by the distribution by number of loans in 2019 and slightly higher in 2020 and 2021. These comparisons reflect adequate performance considering significant competition and the bank's lack of any branches in Bridgeport and New Haven, which contain a substantial portion of the area's low-income tracts. The number and percentage of loans decreased notably in 2021, which is primarily attributable to the bank making very few PPP loans in 2021.

The bank's lending percentage of small business loans in 2019 in moderate-income tracts significantly exceeded aggregate and demographic percentages. Despite the number of small business loans originated within moderate-income tracts increasing in 2020, the percentage of these loans decreased to slightly below aggregate performance due to the overall increase in small business lending in 2020. Considering competition and the bank not having any branches in Bridgeport or New Haven, the bank had good dispersion in moderate-income geographies in 2019 and 2020. The number of loans in moderate-income tracts declined significantly in 2021, and the percentage of loans also fell compared to 2020.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	11.0	10.1	6	6.9	2,753	14.9
2020	11.8	10.2	18	4.9	2,088	5.3
2021	12.3	--	1	1.8	750	5.3
Moderate						
2019	17.5	16.5	28	32.2	5,384	29.1
2020	18.3	16.3	50	13.7	6,362	16.3
2021	18.7	--	6	10.5	1,202	8.5
Middle						
2019	25.5	26.6	16	18.4	2,441	13.2
2020	24.9	27.5	103	28.1	11,922	30.5
2021	24.9	--	19	33.3	3,956	28.1
Upper						
2019	45.8	46.7	36	41.4	7,881	42.5
2020	44.8	45.8	195	53.3	18,670	47.8
2021	44.0	--	31	54.4	8,174	58.0
Not Available						
2019	0.3	0.1	1	1.1	65	0.4
2020	0.2	0.1	0	0.0	0	0.0
2021	0.2	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	87	100.0	18,524	100.0
2020	100.0	100.0	366	100.0	39,042	100.0
2021	100.0	--	57	100.0	14,082	100.0
<i>Source 2020 and 2021 D&B Data; CRA Reported Data; 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered and demographics of the assessment area, poor penetration among business customers of different sizes. Bankwell's lending performance to businesses with GARs of \$1 million or less was significantly less than aggregate performance and demographic data in 2019 and 2020. The percentage of loans to these businesses remained well below demographic data in 2021, supporting poor performance under this factor.

The bank originated a large volume of small business loans in 2020 that did not include revenue information, which skewed lending percentages for this factor. Nearly all of loans without revenue information were PPP loans. Collecting revenue information for PPP loan applications was not required. Regardless of borrower revenues, the PPP loans originated by the bank were responsive to business credit needs arising from the COVID-19 pandemic.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
≤ \$1,000,000						
2019	87.9	45.7	22	25.3	3,133	16.9
2020	89.8	39.1	9	2.5	2,036	5.2
2021	89.8	--	6	10.5	1,287	9.1
> \$1,000,000						
2019	5.2	--	64	73.6	15,192	82.0
2020	4.2	--	58	15.8	10,183	26.1
2021	3.5	--	44	77.2	11,077	78.7
Subtotal						
2019	93.1	--	86	98.9	18,325	98.9
2020	94.0	--	67	18.3	12,219	31.3
2021	93.3	--	50	87.7	12,364	87.8
Revenue Not Available						
2019	6.9	--	1	1.1	199	1.1
2020	6.0	--	299	81.7	26,823	68.7
2021	6.7	--	7	12.3	1,718	12.2
Total						
2019	100.0	--	87	100.0	18,524	100.0
2020	100.0	--	366	100.0	39,042	100.0
2021	100.0	--	57	100.0	14,082	100.0
<i>Source 2020-2021 D&B Data; CRA Reported Data; CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

Because of the significant portion of PPP loans originated in 2020 without borrower revenue data, examiners evaluated PPP loans using loan size as a proxy to determine how bank lending supported smaller businesses. As shown in the table below, the majority of the bank's PPP loans were in amounts of \$100,000 or less. The average loan amount of these PPP loans was \$89,906. The small loan amounts size of these loans indicates that the bank's PPP lending helped to meet the credit needs of smaller businesses. The following table includes a breakdown of PPP loans by loan size.

Distribution of PPP Loans By Loan Size (2020) Inside Assessment Area				
Loan Size	#	%	\$(000s)	%
< \$100,000	213	71.5	7,470	27.9
\$100,000 - \$249,999	62	20.8	9,736	36.3
\$250,000 - \$1,000,000	23	7.7	9,586	35.8
Total	298	100.0	26,792	100.0
<i>Source Bank Data. Due to rounding, totals may not equal 100.0.</i>				

Innovative or Flexible Lending Practices

Bankwell uses innovative and flexible lending practices to serve borrower credit needs. Following are descriptions of the bank's flexible loan programs, all of which support small businesses.

- **SBA PPP Loans**: PPP loans are SBA-insured loans designed to support the basic operating needs of small businesses, including rent, utilities, and payroll during the COVID-19 pandemic. PPP loans offer below market interest rates, six-month payment deferrals, no origination fees, and no collateral requirements. During the evaluation period, Bankwell originated 402 PPP loans totaling \$59.5 million. Management indicated that the bank originated many PPP loans to customers of other banks because the other banks were not willing or able to meet the demand for this loan type.
- **SBA 7(a) Loans**: Bankwell makes long-term loans under the SBA 7(a) Loan Program, which is the SBA's primary program for providing credit to start-up and existing small businesses. Financing is available under the SBA 7(a) program for up to \$5.0 million, with a guaranty of 85.0 percent for loans up to \$150,000 and a guaranty of 75.0 percent for loans over \$150,000. During the review period, the bank made 36 SBA 7(a) loans totaling \$71.9 million.
- **SBA 504 Loan Program**: The SBA 504 Loan Program provides financing for the purchase of fixed assets, which generally includes real estate, building, and machinery at below market rates. During the review period, the bank made one SBA 504 loan totaling \$1.1 million.
- **Loan Accommodation Programs**: Bankwell offers loan accommodations to provide flexibility to borrowers affected by financial hardship and the COVID-19 pandemic. During the evaluation period, the bank made 427 loan accommodations with a total loan commitment amount of \$808.1 million. Following is a breakdown of these loan accommodations by year:
 - From January 23, 2019, through December 31, 2019, Bankwell made 36 loan accommodations totaling \$52.3 million.
 - In 2020, Bankwell made 222 loan accommodations totaling 484.5 million.
 - In 2021, Bankwell made 127 loan accommodations totaling \$181.6 million.
 - From January 1, 2022, through April 12, 2022, Bankwell made 42 loan accommodations totaling \$89.7 million.

The largest portion of these loan accommodations were loan deferrals during the pandemic. The bank provided 181 loan deferrals totaling \$380.2 million during the pandemic. These loan deferrals included 5 home equity lines of credit with principal balances totaling \$0.9 million; 21 residential loans with principal balances totaling \$12.7 million; and 155 commercial loans with principal balances totaling \$366.6 million. A majority of the 155 commercial loans had principal balances of less than \$1.0 million.

Community Development Loans

Bankwell made a relatively high level of community development loans. The bank originated 11 community development loans totaling \$42.6 million since the previous evaluation. The number of community development loans decreased from 24 at the previous evaluation, but the dollar amount increased 21.4 percent from \$35.1 million at the previous evaluation. Bankwell’s current lending activity represents 2.0 percent of average total assets and 2.6 percent of average total loans. The dollar volume of the bank’s community development lending compared favorably to similarly situated institutions.

Four of the bank’s 11 community development loans were PPP loans for more than \$1 million. The bank originated these loans in 2020; the loans helped stabilize low- or moderate-income geographies through business retention. The remaining seven loans either revitalized or stabilized low- or moderate-income geographies or provided affordable housing to low- and moderate-income individuals. The following table shows Bankwell’s lending activity by community development purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Partial 2019	2	1,795	0	0	0	0	3	16,571	5	18,366
2020	1	14,230	0	0	0	0	4	5,425	5	19,655
2021	1	4,536	0	0	0	0	0	0	1	4,536
Total	4	20,561	0	0	0	0	7	21,996	11	42,557
<i>Source Bank Data.</i>										

The following are notable examples of Bankwell’s community development loans. Each of these loans were responsive to critical community development needs in the assessment area.

- Three of the four PPP loans allowed businesses to continue paying salaries to low- and moderate-income individuals. The three businesses obtaining these loans employed approximately 300 employees, the majority of which earn salaries well below the applicable median family income.
- In 2019, Bankwell originated a \$795,000 loan to purchase and renovate 21 residential units to rent as affordable housing in New Haven. The rental amount for each of the 21 units was 28.7 percent less than the fair market rent for New Haven.
- In 2020, Bankwell originated a \$14.2 million loan for the construction and permanent financing of 200 affordable housing rental units that qualified as Section 8 housing. These units are part of a multi-building complex located in a moderate-income census tract, and they provide affordable housing for low- and moderate-income households and families.

INVESTMENT TEST

Bankwell demonstrated good performance under the Investment Test. The following sections discuss the institution’s performance criterion during the evaluation period.

Investment and Grant Activity

Bankwell has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that private investors do not routinely provide. During the evaluation period, Bankwell made or maintained 105 qualified investments totaling \$30.3 million. The bank maintained 18 investments totaling \$24.9 million, made 2 new investments totaling \$5.0 million, and made 85 donations totaling approximately \$364,000.

Qualified investments represent 1.5 percent of average total assets and 28.7 percent of average total securities since the previous evaluation. Total investment activity has decreased slightly since the previous evaluation. Donations, however, increased by \$160,000 or 78.4 percent since the previous evaluation. Qualified investments and donations supported activities that benefited affordable housing, economic development, and community services to low- and moderate-income individuals, which were some of the needs identified by community contacts for the assessment area.

The following table reflects Bankwell’s qualified investment and donation activity by community development purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	17	24,686	1	250	-	-	-	-	18	24,936
2019	-	-	-	-	1	3,000	-	-	1	3,000
2020	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	1	2,000	-	-	1	2,000
Subtotal	17	24,686	1	250	2	5,000	-	-	20	29,936
Qualified Grants & Donations	5	22	80	342	-	-	-	-	85	364
Total	22	24,708	81	592	2	5,000	-	-	105	30,300

*Source Bank Data.
Due to rounding, totals may vary by \$1,000.*

The following are notable examples of community development investments and donations made or maintained in the assessment area during the evaluation period:

- Bankwell maintains five investments from the prior evaluation periods with the Government National Mortgage Association totaling \$1.1 million. The invested funds provided mortgages to five low-income borrowers within the assessment area. These investments qualify because they have a primary purpose of affordable housing for low-income individuals.

- Bankwell maintains two bonds with the New Canaan Housing Authority and one bond with the Stamford Housing Authority that have balances totaling \$12.5 million. These bonds support housing developments designated for low- and moderate-income seniors or individuals qualifying for HUD Section 8 housing assistance vouchers. These investments qualify because they have a primary purpose of affordable housing for low- and moderate-income individuals.
- In 2019, Bankwell donated \$9,400 to the Carver Foundation, a local organization that operates before-school, after-school, and summer programs for students in the Norwalk School District. A majority of students in the Norwalk School District qualify for free or reduced-price lunches. The donation qualifies because it has a primary purpose of providing community services targeted to low- and moderate-income families.
- In 2020, Bankwell donated \$64,000 to Inspirica, Inc., a local organization that provides emergency shelter and affordable housing to individuals who earn up to 60.0 percent of the area median income, education support to homeless children, vocational training programs to homeless individuals, and job placement services. The donation qualifies
- In 2021, Bankwell donated \$25,000 to Filling in the Blanks, a local organization that provides weekend meals to children in low-income households. The organization works with several schools throughout the assessment area to deliver over one million weekend meals. The donation qualifies because it has a primary purpose of providing community services targeted to low-income families.

Responsiveness to Credit and Community Development Needs

Bankwell demonstrates a good responsiveness to credit and community development needs in the assessment area. A substantial majority of qualified investments support affordable housing. The assessment area has high home values and median rents, demonstrating the need for affordable housing. Remaining investments benefitted economic development and community services to low- or moderate-income individuals, also key needs in the assessment area based on feedback from the community contact and demographic data.

Community Development Initiatives

Bankwell occasionally uses innovative or complex qualified investments. The bank has maintained three bonds totaling \$12.5 from the previous evaluation period to support affordable housing in the assessment area. Due to their complexity, the purchase of the bonds required bank employees to contribute notable time and resources. These bond purchases helped to ensure the successful completion of significant affordable housing projects in Fairfield County.

SERVICE TEST

Bankwell has demonstrated adequate performance under the Service Test. The following sections address the bank’s performance for each Service Test criterion throughout the assessment area.

Accessibility of Delivery Systems

Bankwell’s delivery systems are reasonably accessible to geographies and individuals of different income levels in the assessment area, including to low- and moderate-income geographies. The bank operates ten branches. All ten branches have an ATM and seven branches have either a drive-up window or drive-up ATM. The following table illustrates the distribution of branches and ATMs by census tract income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	47	17.7	173,852	15.0	0	0.0	0	0.0
Moderate	57	21.5	268,265	23.2	1	10.0	1	10.0
Middle	65	24.5	287,965	24.9	3	30.0	3	30.0
Upper	95	35.9	423,304	36.6	6	60.0	6	60.0
NA	1	0.4	2,735	0.2	0	0.0	0	0.0
Total	265	100.0	1,156,121	100.0	10	100.0	10	100.0

*Source 2015 ACS Data; Bank Data
Due to rounding, totals may not equal 100.0.*

The bank has one branch in a moderate-income census tract and several branches that are within a reasonable distance from low- and moderate-income census tracts. The Stamford branch is in a moderate-income census tract that is directly adjacent to two of the three low-income census tracts in Stamford. The Darien branch is three miles from the low- and moderate-income census tracts in Stamford and four miles from the low- and moderate-income census tracts in Norwalk. The Norwalk branch is located in a middle-income census tract, but is only two miles from the low- and moderate-income census tracts in the city. Additionally, the Westport branch is only four miles from the low- and moderate-income census tracts in Norwalk. The Fairfield branch is located on Blackrock Turnpike in a middle-income census tract, which is adjacent to the only moderate-income census tract in Fairfield. This branch is approximately four miles from the low- and moderate-income census tracts in Bridgeport. Lastly, the Hamden branch is in an upper-income census tract that is directly adjacent to a moderate-income census tract. This branch is five miles from the low- and moderate-income census tracts in New Haven.

The bank offers several alternative delivery systems to provide greater access to retail services. Bankwell offers free online and mobile banking services, which allows for 24-hour customer account access. The online and mobile services offered include e-statements, Pop money person-to-person transfers, mobile check deposit, Money Manager financial management tools, and Card Valet debit card controls for lost or stolen cards. The online and mobile banking services offered enhances access to banking services throughout the assessment area. While not exclusively used by low- and moderate-income customers or in low- or moderate-income geographies, these alternative

delivery systems create access to bank services for all individuals and geographies throughout the assessment area.

Changes in Branch Locations

Bankwell's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. During the evaluation period, the bank closed a limited service branch and a full service branch, and relocated its main office. The bank closed its Wilton Branch on February 1, 2019. This limited service branch was located at The Greens at Cannondale, a senior living facility in an upper-income census tract. The bank offered check cashing, deposits, and cash withdrawals at this location. The bank closed the branch due to infrequent transactions. The Greens at Cannondale now offers a shuttle service to take customers to the bank's Wilton Branch, located two miles away.

The bank closed its North Haven branch on December 31, 2020. This branch was located in a middle-income census tract and offered deposit and loan products and services. The North Haven branch was located approximately five miles from the closest moderate-income census tract in Hamden and approximately six miles from the closest low- or moderate-income census tract in New Haven. Customers from the North Haven branch are able to go to the Hamden Branch for services, which is three miles away. The Hamden branch is located in an upper-income census tract, but it is located directly adjacent to a moderate-income census tract. In addition, the branch is located five miles from low- and moderate-income census tracts in New Haven. The branch relocation did not adversely impact branch access to customers residing in low- or moderate-income census tracts.

On July 1, 2021, Bankwell relocated its main office from 208-212 Elm Street, New Canaan to 156 Cherry Street, New Canaan. Both locations are in middle-income census tracts. The two locations are located 0.1 miles from each other.

Reasonableness of Business Hours and Services

Bankwell's services do not vary in a way that inconveniences portions of its assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. All branch offices offer the same personal and business deposit and loan products.

Branch hours are generally consistent across all locations and are comparable to other institutions within the assessment area. Six branches operate from 8:30 A.M. to 4:00 P.M., Monday through Friday, and two of these branches offer additional hours on Saturday from 9:00 A.M. to 12:00 P.M. The bank has four branches that operate from 10:00 A.M. to 3:00 P.M., Monday through Friday. These four branches with somewhat limited hours are located in middle- and upper-income census tracts. In 2020, due to the COVID-19 pandemic, Bankwell's branches provided services through drive-up windows and lobby appointments. In addition, the bank enhanced its online banking services, which allowed customers to have 24-hour access to banking services. Branch hour differences do not negatively affect low- or moderate-income geographies or individuals. All branches operate ATMs with 24-hour accessibility.

Community Development Services

Bankwell provides an adequate level of community development services. During the evaluation period, employees provided 63 instances of financial expertise or technical assistance to 13 community organizations. This is a decrease in community development services from the prior examination when employees provided 115 instances of qualified services to 24 community organizations. Management attributed the overall decrease and the decrease from 2020 and 2021 to the COVID-19 pandemic, which limited the bank’s ability to provide in-person community development services. The following table provides information related to the bank’s community development services.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	3	27	-	-	30
2020	-	21	-	-	21
2021	-	12	-	-	12
Total	3	60	-	-	63
<i>Source Bank Data</i>					

The following is a notable example of a community development service performed in the statewide area during the evaluation period:

- In 2019 and 2020, a bank employee served as a Board and Loan Committee member of the Connecticut Housing Finance Authority (CHFA). The organization’s mission is to increase the supply of affordable housing available to low- and moderate-income families in Connecticut. The CHFA provides low- and moderate-income borrowers with below-market rate mortgage loans and funds affordable multifamily rental housing development projects. This service qualifies because it relates to the provision of financial services and has a primary purpose of affordable housing for low- and moderate-income individuals.

The following represents notable examples of community development services performed in the assessment area during the evaluation period:

- In 2019, a bank employee served on the Loan Committee of the Housing Development Fund (HDF), an organization that supports the development of affordable housing. The HDF finances affordable housing through commercial multifamily real estate development. In addition, the organization was developing 23 affordable condominiums for sale to households with incomes that are under 50.0 percent of the area median family income. This service qualifies because it relates to the provision of financial services and has a primary purpose of affordable housing for low- and moderate-income individuals.
- In 2020 and 2021, a bank employee served as a Board member and member of the Budget & Finance and Executive Committees of a community service organization. The organization provides emergency shelter, affordable housing to individuals who earn up to 60.0 percent

of the area median income, education support to homeless children, a vocational training program to homeless individuals, and job placement services. This service qualifies because it relates to the provision of financial services and has a primary purpose of providing community services targeted to low- and moderate-income individuals.

Discriminatory or Other Illegal Credit Practices

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

APPENDICES

LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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

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

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

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.