

PUBLIC DISCLOSURE

May 20, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BankNewport
RSSD # 546003

184 John Clarke Road
Middletown, Rhode Island 02842

Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02210

NOTE: 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'S CRA RATING: This institution is rated SATISFACTORY.

The following table indicates the performance level of BankNewport (or the bank) with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	BankNewport		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Low Satisfactory	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 major components supporting the ratings in the above referenced table include the following:

Lending Test

- Excellent responsiveness to the credit needs in its assessment area, taking into account the number and amount of home mortgage, small business, small farm, and consumer loans, if applicable, in the bank’s assessment area.
- A substantial majority of the bank’s loans are made in the bank’s assessment area.
- An adequate geographic distribution of loans in the bank’s assessment area.
- An adequate distribution, particularly in the bank’s assessment area, of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.
- Use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies.
- An adequate level of community development loans.
- A good record of serving the credit needs of highly economically disadvantaged areas in the bank’s assessment area, low-income individuals, or businesses with gross annual revenues of \$1 million or less, consistent with safe and sound operations.

Investment Test

- An adequate level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position.

- Significant use of innovative or complex qualified investments.
- Good responsiveness to credit and community development needs.

Service Test

- The bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels in its 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- or moderate-income geographies or to low- or moderate-income individuals.
- The bank's services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment area, particularly low- or moderate-income geographies or low- or moderate-income individuals.
- The bank provides a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

BankNewport is a mutual savings bank founded in 1819 and headquartered at 184 John Clarke Road, Middletown, RI. The bank is wholly owned by OceanPoint Financial Partners, LLC, which is owned by OceanPoint Financial Partners, MHC. The bank has three wholly-owned subsidiaries: OceanPoint Insurance Agency, an operating subsidiary that provides insurance products to retail and commercial customers, BON Investment Services, Inc., a passive investment company that holds loans transferred from the bank for beneficial tax purposes, and OceanPoint Investment Services, Inc., which is currently inactive. In December 2022, OceanPoint Insurance Agency's assets were sold to the Hill Group of Rhode Island.

The bank offers a full range of personal and business banking products and services, as well as asset management activities through its trust division. The bank offers fixed- and adjustable-rate residential mortgages, home equity loans and lines of credit, commercial lines of credit, term loans, real estate loans, Small Business Administration (SBA) loans, and consumer loans. Deposit products include checking accounts, savings accounts, and certificates of deposit.

The bank offers online banking, mobile banking, and personal teller machines (PTM). PTMs use secure, two-way video technology that allows customers to interact with a live bank teller. This service allows customers to conduct most of their everyday banking transactions such as deposits, withdrawals, funds transfers, payments, and check cashing.

The bank's main office is located at 10 Washington Square, Newport, RI. In addition to the main office, the bank operates 18 full-service branch locations, which include 35 automated teller machines (ATM) and PTMs, 11 standalone ATMs, 2 loan production offices (LPO), and an administrative and operations center in Middletown. All branches, LPOs, and ATMs/PTMs are

in the Rhode Island portion of the Providence-Warwick, RI-MA, Metropolitan Statistical Area (Providence MSA). The bank maintains branches in Barrington, Bristol, Coventry, Cranston, East Greenwich, Jamestown, Johnston, Lincoln, Middletown, Narragansett, North Kingstown, Portsmouth, Warren, Warwick, Providence (2) and Tiverton. In September 2023, the bank opened a de novo branch in Lincoln, RI, which includes an ATM and PTM.

Since the last examination, the bank opened four stand-alone ATMs, four PTMs, and closed six ATMs. At the Middletown branch, the bank opened two PTMs in 2022, and subsequently closed the existing drive-up and walk-up ATMs. In 2022, the bank opened one PTM at the Jamestown branch. In July 2022, the bank closed the LPO in Cumberland, which included a cash-only ATM. The bank subsequently opened an ATM a few miles away in December 2023, in addition to opening two standalone ATMs in Newport and one in Tiverton. In 2024, the bank closed a stand-alone ATM in Providence and two ATMs in Warwick. In May 2024, the bank opened an LPO referred to as the Central Falls Community Lending Center.

As of March 31, 2024, assets totaled \$2.7 billion, and loans and deposits each totaled \$2.2 billion. Since the last evaluation, assets increased by 17.4 percent, which was primarily driven by a \$516.3 million, or 31.3 percent, increase in loans. The \$516.3 million increase in loans was primarily attributed to a \$201.8 million, or 41.8 percent, increase in 1-4 family closed-end first lien loans and a \$14.5 million, or 12.8 percent, increase in 1-4 family revolving open-end loans. Total deposits also increased since the last exam from \$1.9 billion to \$2.1 billion.

Table 1 shows the bank’s loan portfolio composition, by dollar, as of March 31, 2024.

Table 1		
Loan Distribution as of March 31, 2024		
Loan Type	Dollar Amount \$(000)	Percent of Total Loans (%)
Commercial*	1,226,639	56.6
Residential RE	856,554	39.5
Consumer	67,446	3.1
Other	13,644	0.6
Agriculture	2,430	0.1
Total Loans	2,166,713	100.0

Call Report as of March 31, 2024.

**May include construction, land development, and other land loans reported on the HMDA LAR*

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Commercial loans, which include 1-4 family residential construction, other construction, multifamily residential properties, owner-occupied nonfarm nonresidential properties, other nonfarm nonresidential properties, and commercial and industrial loans, continues to account for the majority of the bank’s loans by dollar amount at 56.6 percent. Residential real estate loans, which are comprised of revolving, open-end loans secured by 1-4 family residential properties and closed-end first and junior liens secured by 1-4 family residential properties account for 39.5 percent of the bank’s loans by dollar amount. Consumer, other, and agriculture loans account for less than 4.0 percent of the bank’s loans by dollar amount.

The bank operates in a competitive market for deposits amongst national, regional, and community banks. According to the June 30, 2023, Federal Deposit Insurance Corporation Deposit (FDIC) Market Share Report, the bank ranked 6th of 19 depository institutions for deposit market share within the assessment area, at 4.9 percent. Citizens Bank, N.A., ranked 1st at 35.0 percent, and Bank of America, N.A., ranked 2nd at 21.0 percent. Community banks with higher deposit market share compared to BankNewport include The Washington Trust Company, of Westerly, at 12.3 percent, and Bank Rhode Island, at 6.0 percent.

Given the volume of depository institutions within the assessment area, including community banks and national banks, and the breadth of national mortgage companies operating in the assessment area, the bank operates in a highly competitive geographic area for residential loans. In 2021, there were 436 originators and/or purchasers of residential mortgage loans in the assessment area, and in 2022, there were 409 originators and/or purchasers. During the evaluation period, the top residential mortgage lenders in Rhode Island included Citizens Bank, N.A., Navigant Credit Union, Rocket Mortgage, LLC., Coastal1 Credit Union, and The Washington Trust Company. In each year of the evaluation period, the bank ranked at least within the 90th percentile in mortgage originations in the assessment area.

In regard to small business lending, the bank operates in a competitive geographic area. In 2021, numerous national, regional, and community banks, including BankNewport, were active originators of SBA Payment Protection Program (PPP) loans. PPP loans were administered by the SBA as part of the Coronavirus Aid, Relief, and Economic Security Act, and were designed to help businesses retain workers and staff during the economic hardship resulting from the COVID-19 pandemic.

In each year of the evaluation period American Express, N.B., JPMorgan Chase Bank, N.A., and Citizens Bank, N.A. were the top small business lenders in the assessment area. Additional top small business lenders in the assessment area include Bank of America, N.A., and US Bank, N.A. In 2021, the bank was in the 93rd percentile in the origination of small business loans in the assessment area, and in 2022, the bank dropped to the 80th percentile.

Considering the bank's financial capacity, local economic conditions, assessment area demographics, and the competitive market in which it operates, the bank demonstrated an ability to meet the credit needs of the assessment area. There are no legal or financial impediments that would impact the bank's ability to meet the credit needs of the assessment area in which it operates.

BankNewport has defined one assessment area for CRA purposes. The assessment area consists of the entire state of Rhode Island. Rhode Island is located in the Providence MSA. The Providence MSA is a multi-state MSA that includes all five counties in Rhode Island (Bristol, Kent, Newport, Providence, and Washington counties), and Bristol County in Massachusetts.

Tables 2 and 3 detail pertinent demographic data related to the bank's assessment area. Table 2 contains the demographic data applicable to the bank's performance in 2021 and Table 3 contains the demographic data applicable to the bank's performance in 2022.¹

¹ Based on the FFIEC's methodology for determining sufficiently accurate data sources to use in examinations, the bank's 2021 residential

Table 2 2021 BankNewport AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	32	13.1	27,489	10.7	8,994	32.7	60,926	23.7
Moderate	37	15.2	36,796	14.3	7,133	19.4	41,351	16.1
Middle	96	39.3	105,935	41.1	6,764	6.4	50,087	19.4
Upper	73	29.9	86,632	33.6	2,973	3.4	105,176	40.8
Unknown	6	2.5	688	0.3	184	26.7	0	0.0
Total AA	244	100.0	257,540	100.0	26,048	10.1	257,540	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	52,862	11,170	4.5	21.1	33,997	64.3	7,695	14.6
Moderate	70,644	24,368	9.9	34.5	38,830	55.0	7,446	10.5
Middle	185,233	112,293	45.5	60.6	57,542	31.1	15,398	8.3
Upper	151,568	98,450	39.9	65.0	31,655	20.9	21,463	14.2
Unknown	2,593	628	0.3	24.2	1,669	64.4	296	11.4
Total AA	462,900	246,909	100.0	53.3	163,693	35.4	52,298	11.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	4,482	8.8	4,061	8.7	400	9.6	21	4.9
Moderate	7,988	15.6	7,023	15.1	887	21.4	78	18.3
Middle	19,500	38.2	17,826	38.3	1,524	36.7	150	35.2
Upper	18,682	36.6	17,222	37.0	1,298	31.3	162	38.0
Unknown	417	0.8	358	0.8	44	1.1	15	3.5
Total AA	51,069	100.0	46,490	100.0	4,153	100.0	426	100.0
Percentage of Total Businesses:			91.0		8.1		0.8	
<p>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</p>								

mortgage lending performance was compared to demographics from the ACS and the bank's 2022 residential mortgage lending performance was compared to demographics from the Census.

Table 3 2022 BankNewport AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	28	11.2	23,992	9.3	6,190	25.8	58,217	22.6
Moderate	37	14.8	39,045	15.1	5,555	14.2	42,031	16.3
Middle	112	44.8	115,015	44.6	6,056	5.3	54,146	21.0
Upper	68	27.2	79,324	30.8	2,140	2.7	103,455	40.1
Unknown	5	2.0	473	0.2	191	40.4	0	0.0
Total AA	250	100.0	257,849	100.0	20,132	7.8	257,849	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	44,387	10,811	4.2	24.4	28,431	64.1	5,145	11.6
Moderate	72,517	27,921	10.9	38.5	35,526	49.0	9,070	12.5
Middle	217,799	125,346	49.1	57.6	69,320	31.8	23,133	10.6
Upper	133,394	91,241	35.7	68.4	25,052	18.8	17,101	12.8
Unknown	1,192	131	0.1	11.0	951	79.8	110	9.2
Total AA	469,289	255,450	100.0	54.4	159,280	33.9	54,559	11.6
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	3,653	7.3	3,276	7.2	356	8.8	21	4.8
Moderate	6,074	12.2	5,550	12.3	487	12.1	37	8.5
Middle	24,070	48.4	21,650	47.8	2,197	54.6	223	51.1
Upper	15,775	31.7	14,663	32.4	958	23.8	154	35.3
Unknown	161	0.3	135	0.3	25	0.6	1	0.2
Total AA	49,733	100.0	45,274	100.0	4,023	100.0	436	100.0
Percentage of Total Businesses:				91.0	8.1	0.9		
<i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</i>								

Based on the 2015 American Community Survey (ACS), there were 244 tracts in the assessment area, of which 32 tracts, or 13.1 percent, were low-income, 37 tracts, or 15.2 percent, were moderate-income, 96 tracts, or 39.3 percent, were middle-income, 73 tracts, or 29.9 percent, were upper-income, and 6 tracts, or 2.5 percent were unknown-income. As of the 2020 U.S. Census (Census), there were 250 tracts in the assessment area, of which 28 tracts, or 11.2 percent, were low-income, 37 tracts, or 14.8 percent, were moderate-income, 112 tracts, or 44.8 percent, were middle-income, 68 tracts, or 27.2 percent, were upper-income, and 5 tracts, or 2.0 percent, were unknown-income.

Table 4 illustrates the dispersion of low- and moderate-income tracts in the cities and towns in the assessment area based on the ACS and Census.

Table 4				
Assessment Area Low- and Moderate-Income Tracts				
City/Town	2015 ACS		2020 U.S. Census	
	Low	Moderate	Low	Moderate
Bristol	0	1	0	1
Central Falls	4	0	4	0
Coventry	0	0	0	1
Cranston	0	2	0	3
Cumberland	0	1	0	0
East Providence	0	4	0	1
Johnston	0	1	0	1
Middletown	0	0	1	0
Newport	1	1	1	1
North Providence	0	0	0	2
Pawtucket	4	9	6	5
Providence	16	12	10	16
Warren	0	1	0	0
Warwick	0	0	0	3
West Warwick	0	2	0	2
Westerly	0	1	0	0
Woonsocket	7	2	6	2
<i>2011-2015 U.S. Census Bureau: American Community Survey</i>				
<i>2016-2020 U.S. Census Bureau: American Community Survey</i>				

The City of Providence had the largest concentration of low- and moderate-income tracts in the assessment area. Other notable concentrations of low- and moderate-income tracts were in Pawtucket, Woonsocket, and Central Falls.

Housing

Based on the Census, the assessment area includes 469,289 housing units, of which 9.5 percent were in low-income tracts, 15.5 percent were in moderate-income tracts, 46.4 percent were in middle-income tracts, 28.4 percent were in upper-income tracts, and 0.3 percent were in unknown-income tracts. Compared to the data from the ACS, the number of total housing units increased by 1.4 percent and the dispersions of housing units by tract-income remained stable.

Of all the housing units in the assessment area, 54.4 percent are owner-occupied, 33.9 percent are rental units, and 11.6 percent are vacant. Based on the Census, the median housing value in the assessment area was \$276,641 which represents a 16.2 percent increase compared to the median housing value of the ACS.

Table 5 illustrates more recent data on the median sales price of single-family homes and condos by county and for Rhode Island.

Table 5			
Median Sales Price			
Geography	2021	2022	% Change
Bristol County	\$ 449,500	\$ 500,000	11.2
Kent County	\$ 309,500	\$ 337,700	9.1
Newport County	\$ 515,000	\$ 600,000	16.5
Providence County	\$ 315,000	\$ 350,000	11.1
Washington County	\$ 430,700	\$ 499,000	15.9
Rhode Island	\$ 339,000	\$ 375,000	10.6
<i>Source: The Warren Group, Boston, MA</i>			

From 2021 to 2022, the average median sales prices of single-family homes and condos in Rhode Island increased by 10.6 percent. Newport and Washington counties increased by more than 15.0 percent, Providence and Bristol counties both increased by about 11.0 percent, and Kent County increased by 9.1 percent. The median sales price ranged from a low of \$309,500 in Kent County in 2021 to a high of \$600,000 in Newport County in 2022.

Business Characteristics

According to 2022 Dun & Bradstreet (D&B) data, there were 46,733 businesses within the assessment area, of which 7.3 percent were in low-income tracts, 12.2 percent were in moderate-income tracts, 48.4 percent were in middle-income tracts, 31.7 percent were in upper-income tracts, and 0.3 percent were in unknown-income tracts. From 2021 to 2022, the percentage of businesses in low-income tracts decreased by 1.5 percentage points, the percentage of businesses in moderate-income tracts decreased by 3.4 percentage points, the percentage of businesses in middle-income tracts increased by 10.2 percentage points, and the percentage of businesses in upper-income tracts decreased by 4.9 percentage points. From 2021 to 2022, the percentage of businesses with gross annual revenue (GAR) of \$1 million or less remained stable, at 91.0 percent.

Population

Based on the Census, the assessment area has a total population of 1,097,379 individuals, of which 10.7 percent reside in low-income tracts, 15.7 percent reside in moderate-income tracts, 45.3 percent reside in middle-income tracts, 28.1 percent reside in upper-income tracts, and 0.3 percent reside in unknown-income tracts. Compared to the ACS, the population in low-income tracts decreased by 1.4 percentage points, the population in moderate-income tracts increased 0.2 percentage points, the population in middle-income tracts increased by 5.7 percentage points, and the population in upper-income tracts decreased by 3.7 percentage points.

Of the 257,849 families in the assessment area, 9.3 percent reside in low-income tracts, 15.1 percent reside in moderate-income tracts, 44.6 percent reside in middle-income tracts, 30.8 percent reside in upper-income tracts, and 0.2 percent reside in unknown-income tracts. Of the families in the assessment area, 22.3 percent are low-income, 16.4 percent are moderate-income, 20.1 percent are middle-income, and 40.1 percent are upper-income. Although the dispersion of

families by income category remained stable from the ACS to the Census, the percentage of families below the poverty level decreased by 22.8 percentage points.

Income

The Federal Financial Institutions Examination Council (FFIEC) adjusts the median family income (MFI) of metropolitan areas annually, based on estimates. The MFI for low-income is defined as family income less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of median income; middle-income is defined as income of at least 80 percent but less than 120 percent of median income; and upper-income is defined as 120 percent of median income and above. The MFI income for the assessment area was \$73,864 in 2021 and \$88,266 in 2022.

Employment Statistics

Table 6 illustrates the Bureau of Labor Statistics non-seasonally adjusted unemployment rates for each county and for Rhode Island.

Table 6		
Unemployment Rates		
Geography	2021	2022
Bristol County	4.7%	2.6%
Kent County	5.1%	2.9%
Newport County	4.9%	2.8%
Providence County	5.9%	3.5%
Washington County	4.8%	2.8%
Rhode Island	5.5%	3.2%
<i>Source: Bureau of Labor Statistics, Local Area Unemployment Statistics</i>		

On average, unemployment rates decreased in each county by about 2.2 percent from 2021 to 2022. In 2021, the unemployment rate ranged from a low of 4.7 percent in Bristol County to a high of 5.9 percent in Providence County. In 2022, the unemployment rate ranged from a low of 2.6 percent in Bristol County to a high of 3.5 percent in Providence County. The 2022 Rhode Island unemployment rate reflects a decrease from the pre COVID-19 pandemic rates in 2019.

SCOPE OF EXAMINATION

BankNewport’s CRA performance was conducted using the FFIEC Examination Procedures for Large Institutions². These procedures evaluate banks under three tests: the Lending Test, the Investment Test, and the Service Test.

The Lending Test evaluates the bank’s lending performance pursuant to the following criteria: lending activity, assessment area concentration of loans, geographic distribution of loans, borrower’s profile, product innovation, community development lending activity, and

² Large banks are banks with assets of at least \$1.564 billion as of December 31 of both of the prior two calendar years.

responsiveness to credit needs. The Investment Test evaluates the bank's performance pursuant to the following criteria: investment and grant activity, responsiveness to credit and community development needs, and community development initiatives. The Service Test evaluates the bank's performance pursuant to the following criteria: accessibility of delivery systems, changes in branch locations, reasonableness of business hours and services, and community development services.

The data used for the evaluation and the applicable timeframes are discussed below.

The Lending Test evaluated the bank's residential mortgage and small business loans originated from January 1, 2021 to December 31, 2022. Based on the number of loans originated during the evaluation period, residential mortgage loans were weighted more than small business loans. While both the number and dollar volume of the bank's loans were reviewed, the number of originations was weighted more heavily as the number of loans is more indicative of loan demand. Community development loans originated from January 25, 2022 through May 20, 2024 were also considered.

Home mortgage lending data reviewed during the evaluation was obtained from Loan Application Registers (LARs), maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). Residential loans with a purpose of "other" and/or "not applicable" were excluded from the analysis. The bank's residential lending activity was compared to the aggregate of all lenders operating within the assessment area. Aggregate data was obtained from the Consumer Financial Protection Bureau (CFPB) and consists of lending information from all HMDA reporters that originated or purchased residential mortgage loans in the assessment area. "Other" and "not applicable" loans have also been excluded from the aggregate data.

Small business loans include commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less. The bank's small business lending performance was compared to aggregate small business data obtained from the FFIEC and to demographic information obtained from D&B.

The review period for the Investment Test and the Service Test was January 25, 2022 through May 20, 2024. Qualified investments and community development services were evaluated in the context of community needs and the capacity of the bank.

Community Contacts

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing the housing and credit needs in the bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community and whether additional opportunities are available.

A community contact was conducted with an officer of a financial institution whose mission is to provide financial and training assistance to organizations that are working to improve the lives of underserved communities in Rhode Island. The contact identified numerous needs of low- and moderate-income individuals and families in Rhode Island. One predominant need statewide is

food insecurity. Another predominant need was financial literacy and education, particularly for rapidly growing, non-English speaking immigrant and refugee populations. In addition to social services targeted to these populations, another pressing need is workforce development, for both seasoned workers and those entering the workforce, and additional professional assistance (e.g., pathways to obtain certifications and training) that will help them find jobs in Rhode Island. The contact also stated that no-fee checking accounts and bank flexibility with minimal balances, for example, matching an initial deposit to open an account, is not only beneficial to low- and moderate-income and non-English speaking customers, but it also establishes trust with the banking system. Lastly, the contact also spoke about the prevalent need of mental and behavioral health services in the aftermath of the COVID-19 pandemic.

A second community contact was conducted concurrently with the executive directors of two organizations that support affordable housing in Rhode Island. The first organization largely works in the policy and advocacy space and provides additional support for its member organizations. The other organization focuses on affordable housing development and homeownership education. One challenge discussed by the contacts is the difficulty of developing affordable housing properties in the coastal and rural areas of Rhode Island. Specifically, existing land-use policies in rural areas and the purchasing of properties in coastal areas by investors for renovation into second homes or short-term rentals does not allow for the opportunity or scale required to make a meaningful impact. Another affordability challenge has been the quickly rising home and rental costs in historically affordable areas of the state. For example, home values near the Pawtucket train station rapidly increased, which resulted in limited affordable options for low- and moderate-income individuals. Further, surging home prices in Woonsocket and Central Falls were caused by opportunistic investors converting existing properties into higher-end housing. Lastly, the contacts highlighted the prominent and expanding use of fintech banking mobile applications amongst low- and moderate-income individuals, particularly for younger clients, in lieu of establishing traditional checking and/or savings accounts. The contacts believe that these applications, although filling a gap in financial services, ultimately are less impactful to customers as they are not insured, rarely pay interest, and do not help customers establish a credit history.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

BankNewport's performance under the Lending Test is rated Low Satisfactory which reflects consideration of the following components. Lending levels reflected excellent responsiveness to the credit needs in the assessment area, and a substantial majority of the bank's loans were made in the assessment area. There was an adequate distribution of loans in the assessment area as well as an adequate distribution of loans among individuals of different income levels and businesses of different sizes. The bank used innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies and made an adequate level of community development loans. The bank had a good record of serving the credit needs of highly economically disadvantaged areas in the bank's assessment area, low-income individuals, or businesses with GARs of \$1 million or less.

The following information further details the data compiled and reviewed, as well as conclusions on the bank's performance.

Lending Activity

The bank demonstrates excellent responsiveness to the credit needs in its assessment area, taking into account the number and amount of home mortgage and small business loans in its assessment area. During the evaluation period, the bank originated a total of 3,035 residential and small business loans, of which 2,712 were located in the assessment area. Of the loans in the assessment area, 1,606 were residential loans and 1,106 were small business loans.

Residential Lending

The bank's origination of residential loans inside the assessment area during the evaluation period remained stable as it originated 798 loans in 2021 and 808 in 2022. In 2021, the bank ranked 23rd of 436 lenders in originating or purchasing HMDA loans inside the assessment area and was in the 95th percentile by number of loans originated and purchased. In 2022, the bank ranked 7th of 409 lenders and was in the 99th percentile by number of loans originated and purchased. Being a top lender in the assessment area during the evaluation period demonstrates the bank's excellent responsiveness to residential credit needs in Rhode Island.

Small Business Lending

The bank's origination of small business loans during the evaluation declined significantly from 2021 and 2022 based on the high volume of SBA PPP loans originated in 2021 and subsequent drop as the program ceased originations. In 2021, the bank originated 999 small business loans. With the SBA PPP loan program not available in 2022, the bank originated 107 small business loans inside the assessment area. In 2021, the bank ranked 10th of 141 lenders in originating or purchasing small business loans inside the assessment area and was in the 94th percentile by number of loans originated and purchased. The bank's 2021 small business lending activity was supported by the origination of approximately 929 PPP loans. In 2022, the bank ranked 26th of 133 lenders in originating or purchasing small business loans inside the assessment area and was in the 80th percentile.

Distribution of Lending within the Assessment Area

This criterion evaluates the concentration of loans originated by the bank within its assessment area. Table 7 presents the bank's levels of lending inside and outside the assessment area for the entire evaluation period. The bank demonstrates a substantial portion of its loans are made in its assessment area.

Loan Types	Inside				Outside				Total			
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	472	86.3	189,452	82.3	75	13.7	40,819	17.7	547	100.0	230,271	100.0
Home Improvement	306	94.7	40,371	94.9	17	5.3	2,175	5.1	323	100.0	42,546	100.0
Multi-Family Housing	45	81.8	33,426	81.6	10	18.2	7,546	18.4	55	100.0	40,972	100.0
Refinancing	783	90.6	232,094	84.0	81	9.4	44,366	16.0	864	100.0	276,460	100.0
Residential Total	1,606	89.8	495,343	83.9	183	10.2	94,906	16.1	1,789	100.0	590,249	100.0
Small Business Loans	1,106	88.8	118,906	79.5	140	11.2	30,669	20.5	1,246	100.0	149,575	100.0
TOTAL LOANS	2,712	89.4	614,249	83.0	323	10.6	125,575	17.0	3,035	100.0	739,824	100.0

HMDA and small business data for 2021-2022
Total percentages shown may vary by 0.1 percent due to automated rounding differences

Residential Lending

The bank originated 1,789 home mortgage loans, of which 1,606 loans, or 89.8 percent, were inside the assessment area. The bank originated 798 residential loans in 2021, and 808 residential loans in 2022 inside the assessment area. Refinance loans represented the largest share of loans, by number, originated inside the assessment area with 783 originations, followed by home purchase loans with 472 originations.

Small Business Lending

The bank originated 1,246 small business loans, of which 1,106 loans, or 88.8 percent, were inside the assessment area. The bank originated 999 small business loans in 2021, and 107 small business loans in 2022 inside the assessment area. The substantial majority of small business loans originated inside the assessment area in 2021 were PPP loans.

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of loans to census tracts of all income levels. The bank demonstrates an adequate geographic distribution of loans, particularly to low- or moderate-income geographies, in its assessment area.

Residential Lending

Table 8 provides a comparison of the bank’s residential lending by census tract income level to the aggregate lending data and demographics of the assessment area. The bank’s geographic distribution of home mortgage loans is adequate.

Table 8 Distribution of 2021 and 2022 Home Mortgage Lending By Income Level of Geography BankNewport Assessment Area													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2021						2022						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	#%	\$(000)	%	%	#	%	#%	\$(000)	%	%	
Home Purchase Loans													
Low	3	1.4	7.2	1,039	1.1	5.8	5	1.9	6.2	836	0.9	5.1	4.2
Moderate	10	4.8	13.4	3,146	3.4	10.8	14	5.3	15.1	4,611	4.7	12.3	10.9
Middle	68	32.9	45.0	22,591	24.6	38.3	108	40.8	48.9	36,894	37.7	44.4	49.1
Upper	125	60.4	34.2	64,506	70.4	44.9	138	52.1	29.6	55,454	56.7	38.1	35.7
Unknown	1	0.5	0.3	375	0.4	0.3	0	0.0	0.1	0	0.0	0.1	0.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	207	100.0	100.0	91,657	100.0	100.0	265	100.0	100.0	97,795	100.0	100.0	100.0
Refinance Loans													
Low	6	1.1	4.2	1,351	0.8	3.4	12	4.7	4.9	2,114	3.0	4.2	4.2
Moderate	32	6.1	9.6	6,812	4.2	7.7	19	7.4	12.5	4,272	6.0	10.1	10.9
Middle	158	30.0	44.3	37,574	23.4	37.8	90	35.0	48.7	24,268	34.0	43.6	49.1
Upper	329	62.5	41.7	114,860	71.4	50.8	136	52.9	33.8	40,661	57.0	42.1	35.7
Unknown	1	0.2	0.2	182	0.1	0.3	0	0.0	0.1	0	0.0	0.0	0.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	526	100.0	100.0	160,779	100.0	100.0	257	100.0	100.0	71,315	100.0	100.0	100.0
Home Improvement Loans													
Low	1	2.2	2.6	40	1.0	2.1	8	3.1	3.3	780	2.1	2.4	4.2
Moderate	0	0.0	7.4	0	0.0	5.8	14	5.4	9.2	2,033	5.6	6.5	10.9
Middle	17	37.0	41.0	1,117	27.9	32.4	84	32.3	46.9	9,763	26.8	39.7	49.1
Upper	28	60.9	48.5	2,842	71.1	59.2	154	59.2	40.5	23,796	65.4	51.3	35.7
Unknown	0	0.0	0.4	0	0.0	0.5	0	0.0	0.0	0	0.0	0.1	0.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	46	100.0	100.0	3,999	100.0	100.0	260	100.0	100.0	36,372	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	3	15.8	25.2	1,306	8.7	14.3	7	26.9	21.7	5,033	27.3	13.7	16.4
Moderate	7	36.8	24.5	2,771	18.4	20.4	6	23.1	21.0	2,704	14.7	22.3	19.6
Middle	5	26.3	34.4	4,518	30.1	28.5	11	42.3	43.7	9,329	50.7	47.0	48.3
Upper	4	21.1	16.0	6,425	42.8	36.8	2	7.7	13.6	1,340	7.3	17.1	14.8
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.8
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	19	100.0	100.0	15,020	100.0	100.0	26	100.0	100.0	18,406	100.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	13	1.6	5.1	3,736	1.4	4.8	32	4.0	5.3	8,763	3.9	5.5	4.2
Moderate	49	6.1	10.7	12,729	4.7	9.4	53	6.6	12.9	13,620	6.1	12.2	10.9
Middle	248	31.1	44.3	65,800	24.2	37.2	293	36.3	48.6	80,254	35.8	44.1	49.1
Upper	486	60.9	39.7	188,633	69.5	48.3	430	53.2	33.2	121,251	54.2	38.1	35.7
Unknown	2	0.3	0.2	557	0.2	0.3	0	0.0	0.1	0	0.0	0.1	0.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	798	100.0	100.0	271,455	100.0	100.0	808	100.0	100.0	223,888	100.0	100.0	100.0

Source: 2022 FFIEC Census Data

2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

In 2021, the bank originated 13 home mortgage loans, or 1.6 percent, in low-income tracts and 49 loans, or 6.1 percent in moderate-income tracts. At 1.6 percent, the bank's lending percentage in low-income tracts was 3.5 percentage points lower than the aggregate and at 6.1 percent in moderate-income tracts, the bank's lending percentage was 4.6 percentage points lower than the aggregate.

Refinance loans accounted for 65.9 percent of the bank's residential mortgage activity in the assessment area in 2021. Of the refinance loans, 92.6 percent were in middle-and upper-income census tracts. Given the low owner-occupancy rate in low-income tracts at 4.2 percent, it is generally more challenging for a bank to originate refinance loans in areas where a large portion of borrowers do not own their home.

In 2022, the bank originated 32 home mortgage loans, or 4.0 percent, in low-income tracts and 53 loans, or 6.6 percent, in moderate-income tracts. The bank's lending percentage in low-income tracts was 1.3 percentage points lower than the aggregate and the bank's percentage in moderate-income tracts was 6.3 percentage points lower than the aggregate. For both years, the bank's lending percentage in low- and moderate-income tracts was lower than the percentage of owner-occupied housing units in those tracts.

The bank's residential lending was more evenly allocated between home purchase loans (32.8 percent), refinance loans (31.8 percent), and home improvement loans (32.2 percent) in 2022. From 2021 to 2022, the bank increased the share of residential mortgage loans originated in low-income tracts across all residential loan types. Additionally, the bank's lending percentage was aligned with the aggregate for refinance loans, home improvement loans, and multifamily loans in 2022. Perhaps most notably, the bank increased its percentile rank for originating and/or purchasing loans in low-income tracts from the 73rd percentile in 2021 to the 94th percentile in 2022.

Small Business Lending

Table 9 provides a comparison of the bank's small business lending by census tract income level to the aggregate lending data and demographics of the assessment area. The bank's geographic distribution of small business loans is adequate.

Table 9 Distribution of 2021 and 2022 Small Business Lending By Income Level of Geography BankNewport Assessment Area													
Geographic Income Level	Bank And Aggregate Loans By Year												Total Businesses %
	2021						2022						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Low	48	4.8	8.7	2,186	2.5	7.3	5	4.7	7.3	1,794	5.4	6.7	7.3
Moderate	109	10.9	16.2	12,294	14.3	19.2	10	9.3	13.1	2,496	7.5	11.7	12.2
Middle	337	33.7	37.2	29,380	34.2	38.0	59	55.1	48.6	17,565	53.0	51.8	48.4
Upper	504	50.5	36.9	41,876	48.8	34.5	33	30.8	30.5	11,257	34.0	29.2	31.7
Unknown	1	0.1	0.6	58	0.1	0.9	0	0.0	0.2	0	0.0	0.3	0.3
Tract-Unk	0	0.0	0.4	0	0.0	0.1	0	0.0	0.4	0	0.0	0.2	
Total	999	100.0	100.0	85,794	100.0	100.0	107	100.0	100.0	33,112	100.0	100.0	100.0

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

In 2021, the bank originated 48 small business loans, or 4.8 percent, in low-income tracts. At 4.8 percent, the bank was 3.9 percentage points below the aggregate and was also below the percentage of total businesses in low-income tracts. For the same year, the bank originated 109 small business loans, or 10.9 percent, to businesses in moderate-income tracts, which was 5.3 percentage points below the aggregate and was also below the percentage of total businesses in moderate-income tracts. The bank was in the 75th percentile for originating small business loans in low-income tracts and was in the 85th percentile for originating small business loans in moderate-income tracts.

Although the bank’s volume of small business lending decreased substantially in 2022 as it did not include PPP lending, the bank’s lending percentages remained stable. In 2022, the bank originated 5 small business loans, or 4.7 percent, in low-income tracts and 10 loans, or 9.3 percent, in moderate-income tracts. The bank’s percentage of loans in low-income tracts was 2.6 percentage points below the aggregate and its performance in moderate-income tracts was 3.8 percentage points below the aggregate. The bank’s lending percentage in low- and moderate-income tracts was also below the total percentage of businesses in each tract. The bank’s percentile ranks for the origination of small business loans declined compared to 2021. In 2022, the bank was in the 44th percentile for originating small business loans in low-income tracts and was in the 56th percentile for originating small business loans in moderate-income tracts.

There were no conspicuous gaps in the bank’s residential and small business loan penetration in low- and moderate-income tracts during the evaluation period.

Borrowers' Profile

This criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues. The bank demonstrates an adequate distribution, particularly in its assessment area, of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

Residential Lending

Table 10 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The bank's residential lending performance to individuals of different income levels, including low- and moderate-income borrowers, is adequate.

Table 10 Distribution of 2021 and 2022 Home Mortgage Lending By Borrower Income Level BankNewport Assessment Area													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2021						2022						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	2	1.0	4.4	210	0.2	2.3	8	3.0	4.3	1,606	1.6	2.3	22.6
Moderate	28	13.5	22.7	6,010	6.6	16.5	41	15.5	21.3	10,152	10.4	15.1	16.3
Middle	32	15.5	24.9	9,052	9.9	22.1	55	20.8	25.8	16,140	16.5	22.6	21.0
Upper	133	64.3	34.0	71,007	77.5	44.8	149	56.2	33.9	63,793	65.2	44.6	40.1
Unknown	12	5.8	14.0	5,378	5.9	14.4	12	4.5	14.8	6,104	6.2	15.4	0.0
Total	207	100.0	100.0	91,657	100.0	100.0	265	100.0	100.0	97,795	100.0	100.0	100.0
Refinance Loans													
Low	22	4.2	5.4	2,168	1.3	3.1	17	6.6	10.2	1,589	2.2	6.3	22.6
Moderate	78	14.8	18.5	13,884	8.6	13.8	42	16.3	24.5	6,489	9.1	18.6	16.3
Middle	125	23.8	24.4	27,908	17.4	21.4	50	19.5	25.3	11,329	15.9	22.2	21.0
Upper	290	55.1	36.2	112,761	70.1	44.9	123	47.9	30.5	44,435	62.3	39.9	40.1
Unknown	11	2.1	15.4	4,058	2.5	16.8	25	9.7	9.5	7,473	10.5	13.0	0.0
Total	526	100.0	100.0	160,779	100.0	100.0	257	100.0	100.0	71,315	100.0	100.0	100.0
Home Improvement Loans													
Low	3	6.5	6.2	185	4.6	4.4	9	3.5	7.3	650	1.8	4.9	22.6
Moderate	5	10.9	16.2	229	5.7	12.4	37	14.2	19.3	3,027	8.3	13.7	16.3
Middle	9	19.6	25.8	943	23.6	20.2	60	23.1	27.3	5,273	14.5	22.5	21.0
Upper	29	63.0	50.5	2,642	66.1	61.3	149	57.3	44.5	26,574	73.1	56.4	40.1
Unknown	0	0.0	1.3	0	0.0	1.8	5	1.9	1.6	848	2.3	2.6	0.0
Total	46	100.0	100.0	3,999	100.0	100.0	260	100.0	100.0	36,372	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	27	3.5	5.1	2,563	1.0	2.8	34	4.3	6.9	3,845	1.9	3.8	22.6
Moderate	111	14.2	19.5	20,123	7.8	14.7	120	15.3	22.0	19,668	9.6	16.0	16.3
Middle	166	21.3	24.6	37,903	14.8	21.4	165	21.1	25.8	32,742	15.9	22.3	21.0
Upper	452	58.0	36.5	186,410	72.7	45.4	421	53.8	34.6	134,802	65.6	44.2	40.1
Unknown	23	3.0	14.3	9,436	3.7	15.7	42	5.4	10.5	14,425	7.0	13.7	0.0
Total	779	100.0	100.0	256,435	100.0	100.0	782	100.0	100.0	205,482	100.0	100.0	100.0
Source: 2022 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.													

In 2021, the bank originated 27 loans, or 3.5 percent, to low-income borrowers, which trailed the aggregate by 1.6 percentage points, and 111 loans, or 14.2 percent, to moderate-income borrowers, which trailed the aggregate by 5.3 percentage points.

Although the bank increased the number and percentage of home mortgage lending to low- and moderate-income borrowers in 2022, the bank's lending performance compared to aggregate lending percentage decreased slightly. The bank originated 34 home mortgage loans, or 4.3 percent, to low-income borrowers, which trailed the aggregate by 2.6 percentage points. For the same year, the bank originated 120 loans, or 15.3 percent, to moderate-income borrowers, which trailed the aggregate by 6.7 percentage points. For both years, the bank's lending percentage to low- and moderate-income borrowers was below the percentage of low- and moderate-income

families in the assessment area.

Small Business Lending

Table 11 details the bank’s lending to small businesses according to revenue and loan size. The bank’s performance in lending to businesses with GARs of \$1 million or less is adequate.

Table 11 Distribution of 2021 and 2022 Small Business Lending By Revenue Size of Businesses BankNewport Assessment Area													
	Bank And Aggregate Loans By Year												Total Businesses %
	2021						2022						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
By Revenue													
\$1 Million or Less	56	5.6	45.6	17,130	20.0	26.4	72	67.3	50.3	21,935	66.2	33.4	91.0
Over \$1 Million	34	3.4		13,028	15.2		35	32.7		11,177	33.8		8.1
Revenue Unknown	909	91.0		55,636	64.8		0	0.0		0	0.0		0.9
Total	999	100.0		85,794	100.0		107	100.0		33,112	100.0		100.0
By Loan Size													
\$100,000 or Less	775	77.6	91.4	21,107	24.6	36.7	18	16.8	95.1	1,330	4.0	43.4	
\$100,001 - \$250,000	140	14.0	5.0	22,340	26.0	19.6	31	29.0	2.5	5,709	17.2	14.3	
\$250,001 - \$1 Million	84	8.4	3.6	42,347	49.4	43.7	58	54.2	2.4	26,073	78.7	42.3	
Total	999	100.0	100.0	85,794	100.0	100.0	107	100.0	100.0	33,112	100.0	100.0	
By Loan Size and Revenues \$1 Million or Less													
\$100,000 or Less	13	23.2		936	5.5		15	20.8		1,030	4.7		
\$100,001 - \$250,000	20	35.7		3,381	19.7		19	26.4		3,597	16.4		
\$250,001 - \$1 Million	23	41.1		12,813	74.8		38	52.8		17,308	78.9		
Total	56	100.0		17,130	100.0		72	100.0		21,935	100.0		
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													

As mentioned, approximately 92.9 percent of the bank’s small business loans in 2021 were PPP loans. As part of the PPP application criteria, banks were not required to rely on and/or collect GAR information from applicants. As a result, the bank collected and reported a substantial majority of small business loans without GAR. Based on the share of loans without GAR, examiners used loan size as a proxy for estimating borrower characteristics rather than the 2021 aggregate lending data for percentage of loans originated to borrowers with GAR of \$1 million or less.

In 2021, the bank originated 775 small business loans, or 77.6 percent, in loan amounts of \$100,000 or less, and 140 loans, or 14.0 percent, in loan amounts of \$100,001 to \$250,000. The bank trailed the aggregate in originating loan amounts of \$100,000 or less by 13.8 percentage points but exceeded the aggregate in originating loan amounts from \$100,001 to \$250,000 by 9.0 percentage points. In 2022, the bank originated 72 small business loans, or 67.3 percent, to

businesses with GAR of \$1 million or less, which exceeded the aggregate lending percentage by 17.0 percentage points.

The bank made use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals and small businesses. Below is a summary of loans and grants originated through such programs during the evaluation period:

- *SBA PPP Loans* – In response to the COVID-19 pandemic, the bank was an active originator of PPP loans. In general, PPP loans were considered particularly responsive to businesses located in low- or moderate-income geographies. In 2021, the bank originated approximately 929 PPP loans.
- *BankNewport's First Time Home Buyers (FTHB) Program* – The bank's FTHB program includes benefits such as up to 97 percent financing, competitive rates, down payment assistance, and local mortgage servicing. The bank originated 65 loans, totaling \$21.1 million.
- *SBA 504 Loans* – The SBA 504 loan program provides long-term fixed-rate financing for major fixed assets that promote business growth and job creation. These loans are available through Certified Development Companies, SBA's community-based partners who regulate nonprofits and promote economic development within their communities. The bank originated 38 loans, totaling \$13.6 million.
- *Federal Housing Administration (FHA)* – FHA loans offer lower down payments, lower closing costs, and flexible credit standards. The bank originates FHA loans for sale on the secondary market and also acts as a correspondent FHA lender for RIHousing. The bank originated 11 FHA loans, totaling \$3.6 million.
- *RIHousing FTHB*– The bank is a participating lender for RIHousing's FTHB program. RIHousing is a quasi-public agency created to provide financing and resources to offer housing options to Rhode Islanders. Combined with down payment assistance, this program allows borrowers to finance up to 100 percent of the purchase price of their home. The bank originated 3 loans, totaling \$613,700.
- *RIHousing Downpayment Assistance* – This program provides up to \$10,000 for down payment and/or closing costs in the form of a zero percent interest rate loan for FTHBs in Rhode Island. The bank provided 10 grants, totaling \$100,000, through this program.
- *RIHousing Extra Assistance* – This program provides down payment assistance to eligible FTHBs in Rhode Island that complete a homebuyer education course and meet additional property and credit score requirements. The bank provided 1 grant for \$5,000.
- *Fannie Mae's HomeReady* – This program offers low down payment mortgages and expanded financing flexibility designed to help lenders confidently serve credit-worthy low-income borrowers. The bank originated 2 loans, totaling \$363,000.
- *Federal Home Loan Bank of Boston (FHLBB) Equity Builder Program (EBP)* – The EBP

offers grants to help first-time buyers earning up to 80.0 percent of the area median income with down-payment, closing cost, and home rehabilitation assistance, in addition to homebuyer education and counseling. The bank was approved for the EBP program during the evaluation period.

- *FHLBB Jobs for New England (JNE)* – JNE offers below-market-rate financing to members so they can provide low interest-rate small business loans. The bank was approved for the JNE program during the evaluation period.

Community Development Lending Activities

BankNewport's community development lending activities are evaluated pursuant to the following criteria: 1) The number and amount of community development loans in the institution's assessment area(s); 2) the extent to which community development lending opportunities have been made available to the institution; 3) the responsiveness to the opportunities for community development lending; 4) the extent of leadership the institution has demonstrated in community development lending; and 5) the innovativeness or complexity involved.

The bank demonstrates it has made an adequate level of community development loans. The bank originated 6 qualified community development loans, totaling \$8.6 million. Information about the bank's community development lending activity during the time period is provided below:

- The bank provided a total of \$1,250,000 to a non-profit organization whose mission is to help low- and moderate-income persons in Rhode Island live in safe, decent, affordable housing and neighborhoods. The non-profit owns and manages rental properties, offers homebuyer training, and provides support and loans for home repairs. The bank provided a \$250,000 cash-out refinance loan to provide renovations to three affordable rental properties and also provided a \$1,000,000 construction loan to a subsidiary of the non-profit for extensive renovations to a mixed-use multifamily property in Newport.
- The bank originated a \$1,440,000 SBA 504 loan for the purchase of land and ground-up construction of a retail business. In conjunction with the SBA 504 loan, the bank also originated a \$1,800,000 commercial real estate loan to support the project.
- The bank originated a \$2,100,000 SBA 504 loan for the acquisition of a mixed-use property in Providence. In conjunction with the SBA loan, the bank originated a commercial mortgage to help finance the acquisition of the property that contained six affordable housing units. Based on the share of affordable units in the mixed-use property, the bank received 75.0 percent of the \$2,625,000 loan, which is \$1,968,750.

At \$8.6 million in qualified community development loans, the bank's dollar volume of community development loans decreased by 76.1 percent compared to the last examination. During the prior evaluation period, the bank received credit for \$5.3 million in PPP loans to non-profits, an SBA loan for \$14.5 million, and a line of credit for \$10.0 million to a nonprofit to an organization supporting community services to low- and moderate-income individuals. Based on the expiration of the PPP loan program and the two larger dollar originations during the last

evaluation, the decrease in the dollar volume of community development lending is not reflective of a lack of community development lending efforts of the bank.

The bank demonstrated a good record of serving the credit needs of highly economically disadvantaged areas in its assessment area, low-income individuals, or businesses with GARs of \$1 million or less, consistent with safe and sound operations. The bank's record is demonstrated through proactive activities to better serve low- and moderate-income individuals. Specifically, in May 2024, the bank opened the Central Falls Community Lending Center with the goal of providing bilingual support and offering its full range of residential mortgage and banking products, including those that are considered more flexible for low- and moderate-income borrowers. Central Falls is comprised of four moderate-income tracts and is adjacent to Pawtucket, which also has a notable concentration of low- and moderate-income tracts. Additionally, the bank is offering three new downpayment assistance programs since the last exam through RIHousing and the FHLBB and also utilized FHLBB grant funding to originate a community development loan supporting affordable housing.

INVESTMENT TEST

BankNewport's performance under the Investment Test is rated High Satisfactory. The Investment Test evaluates the institution's record of meeting the credit needs of its assessment area through its use of qualified investments³ that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area was considered. The institution's investment performance is evaluated pursuant to the following criteria: 1) the number and dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; 4) the degree to which the qualified investments are not routinely provided by private investors.

The bank demonstrated an adequate level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position. Overall, the bank made \$3.6 million in qualified investments during the evaluation period, which represents a 13.2 percent increase compared to the last examination. Of the total, \$1.2 million includes two prior period investments in funds with the primary purpose of community development and \$2.4 million in donations.

Qualified Investments

The bank holds two prior period investments:

- A \$1,000,000 investment in a CRA qualified Investment Fund. The fund is a market-rate bond fund that invests in securities whose proceeds are designed to positively impact communities. The bank's investment is allocated across four home mortgage loans originated to borrowers with incomes less than 80.0 percent of the MFI in East

³ A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Providence, Cranston, and Warwick.

- A \$200,000 investment in the Business Development Company of Rhode Island (BDCRI). The mission of BDCRI is to provide funding for small business owners as a means to strengthen the economy and create jobs. The bank’s investment was utilized to provide working capital and acquisition financing for six businesses in Rhode Island.

Grants and Donations

Table 12 displays the grants and donations made by the bank and by the newly established BankNewport Charitable Foundation by year and community development purpose.

Table 12 Qualified Donations by Purpose								
Community Development Category	1/25/2022 - 12/31/2022		2023		YTD 2024		Total	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing	4	31,500	3	15,000	3	260,500	10	307,000
Community Services	147	884,609	109	806,899	59	308,789	315	2,000,297
Economic Development	12	64,200	6	58,000	2	7,500	20	129,700
Revitalization/Stabilization	0	-	2	10,000	0	-	2	10,000
Total	163	980,309	120	889,899	64	576,789	347	2,446,997

Bank provided qualified investment data

In total, the bank and the charitable foundation provided 347 donations for \$2.4 million. Of the total, the greatest by number and dollar volume were qualified as supporting community development services for organizations serving the assessment area.

The following is a sample of organizations that benefited from the bank’s contributions:

- *Dr. Martin Luther King Jr. (MLK) Community Center* – The MLK Community Center is a central service provider for at-risk individuals, families, and seniors. Programs offered include hunger prevention and nutrition, early childhood and extended learning time education, and community support programs. During the evaluation period the bank provided \$215,000 to the MLK Community Center, including \$200,000 to help finance the expansion of the center’s state-of-the-art food pantry.
- *Central Falls Children’s Foundation (CFCF)* – CFCF offers free bilingual pediatrics, women’s healthcare, and social services. During the evaluation period the bank provided a total of \$40,000 to CFCF, including \$25,000 to help establish the El Centro Community Center, which is a supportive community center designed to address critical needs in Central Falls, including comprehensive support for residents, focusing on essential areas such as food and housing security, mental and behavioral health, and aiding families affected by domestic violence. Mental and behavioral health were identified by a community contact as a growing area of need in the low- and moderate-income community, particularly in the aftermath of the COVID-19 pandemic.
- *FabNewport* – FabNewport is a learning organization located in a low-income tract that runs year-round programs that serve diverse middle and high school learners. During the

evaluation period, the bank provided a total of \$26,500 in donations, of which \$20,000 went to providing summer lunches to students, of which more than 70.0 percent qualify for free or reduced lunch. Food insecurity is a statewide need that was discussed by a community contact.

- *Hope & Main* – Hope & Main is a culinary incubator whose mission is to empower an inclusive community of entrepreneurs to jumpstart and cultivate food businesses that serve as a foundation for a sustainable and resilient local food economy. During the evaluation period, the bank provided a total of \$39,500 in donations, including a total of \$20,000 to support the Nourish Our Neighbors program (NON). The NON program helps extend access to additional partner sites and agencies to meet urgent supplemental food assistance needs for low- and moderate-income children and families.
- *ONE Neighborhood Builders (ONB)* – ONB develops affordable housing and engages neighbors across Greater Providence to cultivate safe, healthy, and vibrant communities. In addition to the development of affordable rental and homeownership properties, ONB is also a participant in a collective impact initiative working toward greater health and economic equity within Central Providence. During the evaluation period, the bank donated a total of \$20,500, including a \$10,000 donation to aid ONB’s business support office and an economic development project in Providence’s Olneyville neighborhood.

The bank demonstrated significant use of innovative or complex qualified investments. In 2023, the bank allocated \$12 million to establish the BankNewport Charitable Foundation. The intent of establishing the foundation was to support the work of 501(c)(3) nonprofit organizations focused on education, human services, community development, healthy lives, arts and culture, and the environment. Foundation grants are considered for projects and programs, including those with a special focus on human services and community development initiatives, that serve low- and moderate-income individuals and communities.

In conjunction with the opening of the Central Falls Community Lending Center, the bank provided a \$250,000 donation to Local Initiatives Support Corporation (LISC). LISC’s mission is to tackle issues that have the greatest impact on community, family, and individual stability, including affordable housing, financial literacy, workforce development, health equity, early learning, and childcare. The purpose of the \$250,000 donation is to be utilized as a self-sustaining loan fund that will reinvest loan proceeds to continually originate affordable housing loans.

The bank demonstrated a good responsiveness to credit and community development needs primarily through the establishment of the charitable foundation as well as the alignment of bank donations with needs identified through community contacts. For example, one community contact highlighted food insecurity as a prominent need for the low- and moderate-income community, particularly as a result of the COVID-19 pandemic. During the evaluation period, the bank provided a total of \$188,239 in donations to the Rhode Island Community Food Bank. Another alignment between identified needs with bank donations was support for low- and moderate-income immigrant and refugee support. During the evaluation period, the bank provided approximately \$36,000 to support 8 organizations whose mission include providing social services and workforce development for this population. Lastly, a community contact

discussed the importance of workforce development, particularly for low- and moderate-income immigrants. During the evaluation period, the bank provided approximately \$106,200 to organizations that either directly or indirectly support workforce development.

SERVICE TEST

BankNewport’s performance under the Service Test is rated High Satisfactory. The Service Test evaluates an institution’s record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of an institution’s systems for delivering retail banking services and the extent and innovativeness of its community development services.

Retail Banking Services

Retail banking services evaluate the availability and effectiveness of an institution's systems for delivering retail banking services, pursuant to the following criteria: 1) the current distribution of the institution's branches among low-, moderate-, middle-, and upper-income geographies; 2) in the context of its current distribution of branches, the 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 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.

Table 13 displays the distribution of the bank’s current branch network compared to the percentage of census tracts within the assessment area as well as the percentage of the population that resides in those tracts.

Census Tract Income Category	Assessment Area Demographics		Branch Offices by Tract Location	
	Total Census Tracts	Total Population	#	%
	% of #	% of #		
Low	11.2	10.7	0	0.0
Moderate	14.8	15.6	0	0.0
Middle	44.8	45.3	10	52.6
Upper	27.2	28.1	9	47.4
Unknown	2.0	0.3	0	0.0
Total	100.0	100.0	19	100.0

Source: 2020 U.S. Census

The bank’s service delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment area. Based on the 2015 ACS data, the bank’s Providence branch on Dorrance Street was located in a moderate-income tract. As of the 2020 Census, which is applicable as the demographic comparator to bank lending and community development activities for 2021 and beyond, the Providence branch on Dorrance Street is now located in a middle-income tract.

Although no bank branches are located in low- or moderate-income tracts, the delivery systems are still considered reasonably accessible to these areas and to borrowers of different income levels based on branch proximity to low- and moderate-income areas. More specifically, the Middletown branch is within a two-mile radius of the low- and moderate-income tracts in Middletown and Newport; the Providence branch on Dorrance Street is within a two-mile radius of more than half of the low- and moderate-income tracts in Providence and East Providence; the Bristol branch is within a two-mile radius of the moderate-income tract in Bristol; the Warwick branch is within a two-mile radius of both moderate-income tracts in Warwick; the Coventry branch is within a two-mile radius of the moderate-income tract in Coventry; and the East Greenwich branch is within a two-mile radius of one of the three moderate-income tracts in West Warwick.

Although there are no branches within a two-mile radius of low- and moderate-income tracts in Woonsocket, Central Falls, and Pawtucket, the bank recently opened the new Central Falls Community Lending Center, which is adjacent to Pawtucket. This location will offer bilingual support and services for individuals, families, and small businesses through residential mortgages and business banking products and will also offer the bank's flexible lending products and grant programs. The bank also has one cash-only automated teller machine (ATM) located in a low-income tract in Providence and one cash-only ATM adjacent to Central Falls in Cumberland.

In addition to its branches and the community lending center, the bank offers digital and mobile banking, ATMs, and PTMs. Digital and mobile banking allows customers to access their accounts electronically as well as connecting them to customer service representatives. PTMs use secure, two-way video technology that allows customers to interact with a live banker who can conduct everyday banking transactions including deposits, withdrawals, and cashing checks.

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- or moderate-income geographies or to low- or moderate-income individuals. The bank opened its Lincoln branch in August, 2023. The Lincoln branch is equidistant between Central Falls and Woonsocket, both of which contain concentrations of low- and/or moderate-income tracts.

The bank demonstrates its services (including where appropriate, business hours) do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. Branch lobby hours are Monday through Thursday from 9:00am to 4:30pm, Fridays from 9:00am to 6:00pm, and Saturdays from 9:00am to 12:00pm. Lobby hours are consistent across all branches with the exception of Providence branch on Dorrance Street, which is closed on Saturdays. The Dorrance Street branch is open for an additional hour Monday through Thursday and thirty more minutes on Fridays. Six branches offer traditional drive-up services and eight branches offer drive-up services via a PTM.

Community Development Services

Community development services are evaluated pursuant to the following criteria: 1) The extent to which the institution provides community development services; and 2) the innovativeness and responsiveness of community development services.

The bank demonstrates it provides a relatively high level of community development services through employee involvement with community development organizations and through the breadth of financial literacy programming throughout its assessment area.

Employee Services

During the evaluation period, 37 employees were either on the board or on an advisory committee for 32 organizations, which either had the primary purpose of community development or engaged in activities that supported community development services. The following details a sample of the bank's community development service activity by bank employees.

- *Amos House* – The mission of Amos House is to help people help themselves out of homelessness and poverty through vital services and results-oriented programs. Programs include, but are not limited to, a soup kitchen, emergency assistance, shelter housing, workforce development, and health services. During the evaluation period an assistant vice president of the bank was a member of a board committee.
- *Community College of Rhode Island (CCRI) Foundation* – The CCRI Foundation helps students achieve their academic and professional goals through scholarships, book awards, and emergency funding. The mission of the foundation is to secure philanthropic support for CCRI. According to the foundation's annual impact report, nearly two-thirds of students at CCRI face food insecurity. In 2023, a senior vice president of the bank was a board member.
- *Entrepreneurship For All, Inc. (EforAll)* – EforAll is a nonprofit organization that partners with communities nationwide to help under-represented individuals successfully start and grow a business through intensive business training, mentorship, and an extended professional support network. During the evaluation period, a bank vice president was a member of a board committee.
- *LISC* – An executive vice president of the bank is on the local advisory committee for LISC in Rhode Island.
- *Rhode Island Community Foodbank* – The Rhode Island Community Foodbank distributes millions of pounds of food to those in need of assistance through a network of member agencies across Rhode Island. During the evaluation period, a bank vice president was a board member.

Educational Programs and Seminars

During the evaluation period, there were approximately 40 employees engaged in 61 instances of financial literacy primarily targeted to low- and moderate-income individuals, students, and FTHB.

The bank's financial literacy program is referred to as BNWise and includes free online modules for the public as well as targeted sessions led either by bank employees or by teachers in schools as part of their classroom curriculum. The foundational course material, technology, and school

relationships are established and maintained by EverFi, Charleston, SC, with a particular focus on consumer financial education, workplace training, and community education.

The following is non-exhaustive summary of the types of financial education seminars provided by the bank:

- *Central Falls Housing Authority (CFHA)* – The mission of the CFHA is to provide safe, decent, and affordable housing and to establish programs that educate, enhance, and empower the lives of all people in the community. During the evaluation period, the bank provided eight sessions that covered topics such as credit scores, banking basics, budgeting, identity theft, mortgages, and home ownership.
- *Newport Community School (NCS)* – NCS collaborates with local schools and community partners to provide educational opportunities to complement classroom learning and support academic success, personal responsibility, and economic self-sufficiency. The bank provided five sessions that included banking basics, budgeting in English and Spanish, credit scores, and identity theft.
- *Genesis Center* – The mission of Genesis Center is to provide the highest quality education, job training, and support services to people of diverse cultures so that they may achieve economic independence and participate fully in society. As part of the programming, the bank provided five sessions that included budgeting, credit scores, and banking basics.
- *Rogers High School* – The bank provided 13 sessions to students at Rogers High School in Newport, where the majority of students are low-income. Topics covered included careers, checking and saving accounts, electronic banking, credit, budgeting, bill pay, savings and investments, insurance, and retirement.

Additionally, the bank sponsored multiple low-income high schools through EverFi and teacher-led curriculum. According to an impact report from the 2021-2022 school year, the bank's sponsored content reached 14 low- and -moderate-income schools and resulted in nearly 2,000 hours of learning. For the 2022-2023 school year, the bank sponsored offerings reached 7 low- and moderate-income schools and resulted in approximately 3,400 hours of learning.

Content varies for the age of the learners, but the programming includes financial concepts for elementary school learners, such as decision making and the role of personal finance; financial skills utilized in the transition to adulthood such as navigating the banking system to concepts like credit, debt, and insurance; and more advanced concepts such as budgeting and entrepreneurship.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX

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.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

Census tract: A small subdivision of metropolitan and nonmetropolitan counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency (OCC), and the FDIC have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, the FDIC, and the OCC, based on:
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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.

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan 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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which 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).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 who 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Is calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, 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.

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 family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

Qualified investment: A qualified investment is defined as any 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.

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were \$1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are secured by either nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate 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.

For additional information, please see the Definitions section of Regulation BB at 12 C.F.R. 228.12