

# **PUBLIC DISCLOSURE**

April 18, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bradesco BAC Florida Bank  
Certificate Number: 21265

169 Miracle Mile, Suite R10  
Coral Gables, Florida 33134

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

10 10th Street NE, Suite 800  
Atlanta, Georgia 30309-3849

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		X	
High Satisfactory			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 Lending Test is rated Low Satisfactory.**

- Lending levels reflect adequate responsiveness to the assessment area’s credit needs.
- A high percentage of loans are originated in the assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of loans reflects adequate penetration among borrowers of different income levels.
- The bank exhibits an adequate record of serving the credit needs of the most economically disadvantaged areas of its assessment area and low-income individuals, consistent with safe and sound banking practices.
- The bank makes limited use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The bank originated a low level of community development loans.

**The Investment Test is rated Outstanding.**

- The bank has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits 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 High Satisfactory**

- Delivery systems are reasonably accessible to essentially all portions of the assessment area.
- The bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The bank is a leader in providing community development services.

## DESCRIPTION OF INSTITUTION

Bradesco BAC Florida Bank is a state-chartered bank headquartered in Coral Gables, Florida. Banco Bradesco S.A. acquired BAC Florida Bank on October 30, 2020, resulting in the name changing to Bradesco BAC Florida Bank. Additionally, because of the acquisition, the bank is now a wholly-owned subsidiary of Lecce Holdings S.A, a holding company headquartered in Sao Paulo, Brazil. The bank received a Satisfactory CRA rating at the previous FDIC Performance Evaluation, dated June 17, 2019, based on Interagency Large Institution Examination Procedures.

Bradesco BAC Florida Bank operates one full-service office in Coral Gables, Florida, and no offices have opened or closed since the previous evaluation. Although, the bank is a full-service bank, it is not a typical domestic retail bank. Bradesco BAC Florida Bank does not routinely advertise to the retail market, has minimal domestic walk-in traffic, and generates much of its residential real estate lending through its wholesale channel. Primary revenues are a function of its business strategy to serve the banking needs of foreign customers.

The bank offers a variety of products and services to meet its customers' banking needs. Consumer credit products include one-to-four family residential mortgages and credit cards. Commercial credit products include commercial real estate loans, lines of credit for foreign trade and working capital, and letters of credit. The bank also offered loans through the Small Business Administration's (SBA) Paycheck Protection Program (PPP), originating nine loans totaling \$943,674 in 2020 and 2021. The SBA guarantees these loans under the Coronavirus Aid, Relief, and Economic Security Act. The loans serve to retain jobs that would otherwise be lost due to business closures because of the COVID-19 national emergency. Deposit products include checking, savings, and money market accounts, as well as certificates of deposit. Alternative banking services include internet banking, mobile banking (including mobile deposit), and telephone banking.

Bradesco BAC Florida Bank's assets totaled \$2.6 billion as of December 31, 2021. Total loans and total deposits were \$1.9 billion and \$2.3 billion, respectively. Since the previous evaluation, the loan portfolio composition has remained stable, and the business focus continues to be home mortgage lending. The following table illustrates the composition of the loan portfolio as of December 31, 2021.

<b>Loan Portfolio Distribution as of 12/31/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	860	0.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	1,336,664	69.1
Secured by Multifamily (5 or more) Residential Properties	26,495	1.4
Secured by Nonfarm Nonresidential Properties	76,468	3.9
<b>Total Real Estate Loans</b>	<b>1,440,487</b>	<b>74.4</b>
Loans to Depository Institutions	386,249	20.0
Commercial and Industrial Loans	42,134	2.2
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	8,293	0.4
Loans to Non-depository Financial Institutions	58,469	3.0
Other Loans	75	0.0
Less: Unearned Income	(204)	0.0
<b>Total Loans</b>	<b>1,935,503</b>	<b>100.0</b>
<i>Source: Report of Condition and Income</i>		

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

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Bradesco BAC Florida Bank’s delineated assessment area remains unchanged since the previous evaluation. The assessment area includes all of Miami-Dade and Broward Counties, which comprise the entire Miami-Miami Beach-Kendall, FL Metropolitan Division (MD) and Fort Lauderdale-Pompano Beach-Sunrise, FL MD, respectively. The two MDs are a part of the Miami-Fort Lauderdale-West Palm Beach, FL Metropolitan Statistical Area which also includes Palm Beach County. However, the bank did not include Palm Beach County in the assessment area delineation.

### **Economic and Demographic Data**

The following table illustrates select demographic characteristics of the assessment area based on the 2015 American Community Survey (ACS) census data and the 2021 D&B data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	881	5.7	28.4	30.3	33.4	2.3
Population by Geography	4,482,194	5.3	29.4	31.7	33.2	0.4
Housing Units by Geography	1,813,287	5.4	28.0	31.1	35.2	0.4
Owner-Occupied Units by Geography	878,517	2.4	23.1	32.9	41.5	0.1
Occupied Rental Units by Geography	633,920	9.5	36.6	30.1	23.3	0.5
Vacant Units by Geography	300,850	5.4	24.6	27.5	41.8	0.7
Businesses by Geography	1,304,281	3.8	22.4	28.0	44.4	1.4
Farms by Geography	14,115	4.5	26.2	28.0	40.8	0.4
Family Distribution by Income Level	998,068	23.3	16.9	17.7	42.2	0.0
Household Distribution by Income Level	1,512,437	25.3	15.6	16.5	42.6	0.0
Median Family Income MD - 22744 Fort Lauderdale-Pompano Beach-Sunrise, FL		\$61,809	Median Housing Value			\$226,994
Median Family Income MD - 33124 Miami-Miami Beach-Kendall, FL		\$49,264	Median Gross Rent			\$1,185
			Families Below Poverty Level			14.5%
<i>Source: 2015 ACS and 2021 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units located in low-, moderate-, middle-, and upper-income census tracts. As illustrated in the previous table, only 2.4 percent of owner-occupied housing units are located in low-income census tracts. This data indicates limited owner-occupied home mortgage lending opportunities in low-income census tracts. Further, 14.5 percent of families have incomes below the federal poverty level, which poses a challenge for home mortgage lending to low-income families, as these families likely face difficulty in qualifying for a home mortgage loan.

Examiners used Federal Financial Institutions Examination Council (FFIEC)-updated median family income figures to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects low-, moderate-, middle-, and upper-income categories in the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Fort Lauderdale-Pompano Beach-Sunrise, FL MD Median Family Income</b>				
2019 (\$68,600)	<\$34,300	\$34,300 to <\$54,880	\$54,880 to <\$82,320	≥\$82,320
2020 (\$74,800)	<\$37,400	\$37,400 to <\$59,840	\$59,840 to <\$89,760	≥\$89,760
2021 (\$73,400)	<\$36,700	\$36,700 to <\$58,720	\$58,720 to <\$88,080	≥\$88,080

<b>Miami-Miami Beach-Kendall, FL MD Median Family Income</b>				
2019 (\$54,900)	<\$27,450	\$27,450 to <\$43,920	\$43,920 to <\$65,880	≥\$65,880
2020 (\$59,100)	<\$29,550	\$29,550 to <\$47,280	\$47,280 to <\$70,920	≥\$70,920
2021 (\$61,000)	<\$30,500	\$30,500 to <\$48,800	\$48,800 to <\$73,200	≥\$73,200
<i>Source: FFIEC</i>				

The assessment area’s major employers include Publix Supermarkets (39,240 employees), Baptist Health South Florida (23,000 employees), and American Airlines (13,500 employees). Data obtained from the U.S. Bureau of Labor Statistics indicates significant changes in the unemployment rate during the evaluation period. As illustrated in the following table, the unemployment rate in the United States, Florida, Miami-Dade County, and Broward County increased significantly from 2019 to 2020 due to the COVID-19 pandemic but declined from 2020 to 2021 as the areas began to recover. The unemployment rate in Miami-Dade County was below the state and national rates in 2019 and 2020. In 2021, Miami-Dade County’s unemployment rate was consistent with the national rate, but above the state rate. The unemployment rate in Broward County was consistent with the state rate and below the national rate in 2019, was above the state and national rates in 2020, and was below the state and national rates in 2021.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	%	%	%
Miami-Dade County	2.7	7.4	5.2
Broward County	3.2	8.8	3.6
Florida	3.2	8.2	4.6
United States	3.7	8.1	5.4
<i>Source: U.S. Bureau of Labor Statistics</i>			

### **Competition**

The market is highly competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2021, 68 financial institutions operate 1,029 branches in the assessment area. Of these institutions, Bradesco BAC Florida Bank ranked 21<sup>st</sup> with a deposit market share of 0.7 percent. The three leading financial institutions were Bank of America, NA; Wells Fargo Bank, NA; and JP Morgan Chase Bank, NA, collectively accounting for 42.0 percent of the total deposit market share.

A high level of competition exists in the assessment area for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2020 (most recent available aggregate data), 744 lenders reported 159,527 home mortgage loans originated or purchased. Bradesco BAC Florida Bank ranked 106<sup>th</sup> out of this group of lenders with a market share of 0.1 percent by number of loans. The three most prominent home mortgage lenders were Quicken Loans, LLC; United Wholesale Mortgage, LLC; and Wells Fargo Bank, NA, collectively accounting for 18.1 percent of total market share, by number of loans.

### **Community Contacts**

Examiners rely on contacts with community organizations to gain insight regarding the credit needs and economic conditions of an assessment area.

A recent community contact was conducted with an affordable housing organization that serves as an advocate for new and existing affordable housing developments in Miami-Dade County. The contact noted a significant need for the development of additional multifamily and single-family affordable housing due to Miami's high cost of living, which continues to rise.

Additionally, during this evaluation, examiners conducted a community contact with a non-profit affordable housing organization whose mission is to provide quality affordable housing opportunities to low-income individuals in Broward County. Similar to the community contact in Miami-Dade County, the contact noted a significant need for the development of additional multifamily and single-family affordable housing due to the area's high cost of living.

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

Based on demographic information and economic data, examiners identified certain credit and community development needs and opportunities within the assessment area. The high number of low- and moderate-income families at 23.3 percent and 16.9 percent, respectively, indicates a continuing need for affordable housing. The community contacts further supported the need for, and opportunity to finance, additional affordable housing in the assessment area. Additionally, the high median age of housing stock in low- and moderate-income census tracts at 49 years and 50 years, respectively, indicates a significant need for home improvement loans.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated June 17, 2019, to the current evaluation dated April 18, 2022. Examiners used Interagency Large Institution Examination Procedures to evaluate the bank's CRA performance.

### **Activities Reviewed**

The CRA regulation requires a review of a bank's lending performance in its assessment area with respect to home mortgage, small business, and small farm lending, if significant. Based upon the bank's business strategy, loan portfolio mix, and the number and dollar volume of loans originated during the evaluation period, the bank's major product line is home mortgage loans. Examiners did not evaluate small business or small farm loans, as business loans represent only 6.1 percent of the portfolio by dollar volume and the bank did not originate any farm loans during the evaluation period.

Examiners reviewed the universe of home mortgage loans reported pursuant to the Home Mortgage Disclosure Act for 2019, 2020, and 2021 to draw conclusions about the bank's home mortgage lending performance. In 2019, 2020, and 2021, the bank originated 435, 303, and 838 home mortgage loans totaling \$202.1 million, \$167.4 million, and \$453.3 million, respectively. The 2019 and 2020 home mortgage lending performance for the Geographic Distribution and Borrower

Profile criterion was compared against aggregate data for the respective years, and performance for all three years was compared against demographic data from 2015 ACS. While the tables throughout this evaluation present both the number and dollar volume of loans, examiners emphasized performance by number of loans, as the number of loans is a better indicator of the number of individuals served.

Additionally, examiners reviewed innovative or flexible lending practices, community development loans, qualified investments, and community development services made or provided between June 17, 2019, and April 18, 2022. The Investment Test considered new qualified investments, as well as qualified investments purchased prior to, but still outstanding as of, this evaluation date. The Service Test included a review of delivery systems for providing retail-banking services, including branches and alternative delivery systems, and the impact of branch openings or closings during the evaluation period. The review also focused on retail banking products and services targeted toward low- and moderate-income individuals or small businesses.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The Lending Test rating is Low Satisfactory. Lending levels reflect adequate responsiveness to the assessment area's credit needs, and the bank originated a high percentage of loans in the assessment area. The geographic distribution of loans reflects adequate penetration throughout the assessment area, and the distribution of loans reflects adequate penetration among borrowers of different income levels. The bank makes limited use of innovative and flexible lending practices in order to serve the assessment area's credit needs, and originated a low level of community development loans.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the assessment area's credit needs. The bank is an active home mortgage lender in the assessment area. From January 2019 through December 2021, the bank extended 1,174 home mortgage loans in the assessment area. The level of home mortgage lending declined from 2019 to 2020 due to low demand caused by the onset of the COVID-19 pandemic. However, home mortgage lending increased significantly from 2020 to 2021 primarily due to pent up demand in the market's housing sector as the economy strengthened.

As of the December 31, 2021, Report of Condition and Income, the bank had a net loan-to-deposit ratio of 84.8 percent, which compared favorably to a Uniform Bank Performance Report (UBPR) peer group average of 72.1 percent. The UBPR peer group includes all insured commercial banks having assets between \$1.0 billion and \$3.0 billion. Since the previous evaluation, the bank's ratio averaged 89.5 percent, ranging from a high of 94.9 percent in the fourth quarter of 2019 to a low of 83.7 percent in the third quarter of 2020. The loan-to-deposit ratio has remained stable since the previous evaluation.

#### **Assessment Area Concentration**

The bank originated a high percentage of loans by number and dollar volume in the assessment area. Refer to the following table for details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	324	74.5	111	25.5	435	142,679	70.6	59,421	29.4	202,100
2020	227	74.9	76	25.1	303	137,097	81.9	30,331	18.1	167,428
2021	623	74.3	215	25.7	838	345,603	76.2	107,711	23.8	453,314
<b>Total</b>	<b>1,174</b>	<b>74.5</b>	<b>402</b>	<b>25.5</b>	<b>1,576</b>	<b>625,379</b>	<b>76.0</b>	<b>197,463</b>	<b>24.0</b>	<b>822,842</b>

Source: 2019, 2020, and 2021 HMDA Data.

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the assessment area. Lending in low-income census tracts was comparable to aggregate data in 2019 and 2020 and slightly below the demographic data in all three years. However, the bank's lending in moderate-income census tracts was well below the demographic and aggregate data in 2019 and 2020. The decline in lending in low- and moderate-income census tracts in 2020 is attributed to the COVID-19 pandemic, as low- and moderate-income areas were impacted more substantially compared to upper-income areas. In 2021, the bank's lending in moderate-income census tracts improved significantly but remained below the demographic data.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	2.4	2.1	5	1.5	823	0.6
2020	2.4	1.7	4	1.8	2,360	1.7
2021	2.4	--	7	1.1	2,209	0.6
Moderate						
2019	23.1	20.5	38	11.7	7,968	5.6
2020	23.1	17.9	17	7.5	3,846	2.9
2021	23.1	--	97	15.6	32,671	9.4
Middle						
2019	32.9	32.9	65	20.1	25,827	18.1
2020	32.9	32.1	39	17.2	16,452	12.0
2021	32.9	--	124	19.9	42,374	12.3
Upper						
2019	41.5	44.1	205	63.3	105,656	74.0
2020	41.5	48.0	161	70.9	112,746	82.2
2021	41.5	--	372	59.7	259,861	75.2
Not Available						
2019	0.1	0.4	11	3.4	2,405	1.7
2020	0.1	0.3	6	2.6	1,693	1.2
2021	0.1	--	23	3.7	8,488	2.5
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>324</b>	<b>100.0</b>	<b>142,679</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>227</b>	<b>100.0</b>	<b>137,097</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>623</b>	<b>100.0</b>	<b>345,603</b>	<b>100.0</b>
Source: 2015 ACS; 2019, 2020, 2021 HMDA Data; and, 2019 and 2020 Aggregate Data. "--" data not available.						

### **Borrower Profile**

The distribution of loans reflects adequate penetration among borrowers of different income levels. Lending to low-income borrowers in 2019 was more than double the aggregate data and was in a reasonable range of the demographic data considering the poverty rate. Although lending to low-income borrowers declined in 2020, it remained slightly above the aggregate data. Lending to low-income borrowers in 2020 and 2021 was below the demographic data even when considering the poverty rate.

Lending to moderate-income borrowers in 2019 and 2020 was below but in a reasonable range of the aggregate data and well below the demographic data. In 2021, lending to moderate-income borrowers improved significantly from the prior year but remained well below the demographic data.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	23.3	2.5	17	5.2	928	0.7
2020	23.3	1.6	4	1.8	268	0.2
2021	23.3	--	13	2.1	1,580	0.5
<b>Moderate</b>						
2019	16.9	8.2	20	6.2	1,454	1.0
2020	16.9	8.3	9	4.0	1,779	1.3
2021	16.9	--	44	7.1	7,524	2.2
<b>Middle</b>						
2019	17.7	18.2	9	2.8	997	0.7
2020	17.7	17.8	8	3.5	1,346	1.0
2021	17.7	--	29	4.7	7,082	2.0
<b>Upper</b>						
2019	42.2	53.1	93	28.7	41,196	28.9
2020	42.2	53.9	72	31.7	35,157	25.6
2021	42.2	--	218	35.0	120,218	34.8
<b>Not Available</b>						
2019	0.0	17.9	185	57.1	98,105	68.8
2020	0.0	18.4	134	59.0	98,547	71.9
2021	0.0	--	319	51.2	209,200	60.5
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>324</b>	<b>100.0</b>	<b>142,679</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>227</b>	<b>100.0</b>	<b>137,097</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>623</b>	<b>100.0</b>	<b>345,604</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

### **Innovative or Flexible Lending Practices**

The bank makes limited use of innovative and flexible lending practices in order to serve assessment area credit needs.

In response to the COVID-19 pandemic in 2020 and 2021, the bank originated nine PPP loans to small businesses totaling \$943,671. PPP loans assisted businesses to retain employees during the economic hardship resulting from the pandemic. Further, the bank made a loan modification for one borrower and provided loan payment deferrals for 641 borrowers who were experiencing difficulties due to the COVID-19 pandemic.

From April 2020 until December 2020, the bank offered the COVID-19 Emergency Financial Stabilization Loan Program. The program provides emergency relief micro-loans in addition to financial coaching from one of Bradesco BAC Florida Bank's designated Non-Governmental Organization community partners. The bank allotted \$50,000 to this loan program for low- and moderate-income individuals in its assessment area. However, the bank did not fund any loans under this program during the evaluation period.

The bank continues to offer a small business micro-loan program in collaboration with the United Way Center for Financial Stability. This program provides working capital for United Way of Miami-Dade, Inc.'s Early Childhood Education providers. These providers either work under the Early Head Start - Community Childcare Partnership Grant or participate with the Miami-Dade County Early Head Start Program. Participants must complete the Financial Empowerment Institute course, a two-day workshop to educate participants how to build a business plan and apply for financing, provided through the United Way and Bradesco BAC Florida Bank. Once completed, providers primarily serving low- and moderate-income families will qualify for small business loans up to \$2,500 at zero percent interest. However, the bank did not fund any loans under this program during the evaluation period.

In October 2019, the bank introduced a loan program to provide funding after natural disasters in collaboration with the United Way Center for Financial Stability. The funds are available to individuals who are renters and have experienced interrupted employment or incurred unexpected expenses pre- and post-natural disaster. The program is available to low- and moderate-income individuals. However, the bank did not fund any loans under this program during the evaluation period.

In January 2022, the bank introduced a loan program for properties secured by a first mortgage lien on multifamily apartment buildings. The program provides a stabilization period for properties that need improvements and a longer amortization to attract investors in affordable housing. However, the bank did not fund any loans under this program during the evaluation period.

### **Community Development Loans**

Bradesco BAC Florida Bank originated a low level of community development loans. The bank originated two community development loans totaling \$2.1 million during the evaluation period that benefitted the assessment area. Qualitatively, the community development loans demonstrate adequate responsiveness to the assessment area's affordable housing needs. However, quantitatively, the bank compared well below the performance of similarly-situated banks. The dollar amount of the community development loans equates to 0.1 percent of total assets and 0.1 percent of total loans, as of December 31, 2021. This level of community development loans is a

decrease from the prior evaluation, when the bank originated nine loans totaling \$13.3 million, which represented 0.6 percent of total assets and 0.7 percent of total loans.

The following are summaries of each community development loan originated during the evaluation period.

- In 2020, the bank originated a \$1.7 million loan to refinance a multifamily affordable housing development, as well as to fund the construction of a new multifamily affordable housing development, in the assessment area. The existing affordable housing development is located in a low-income census tract and contains 19 units, all of which have rents below the Department of Housing and Urban Development's (HUD) Fair Market Rent (FMR). The multifamily development to be constructed will be located in a low-income census tract and is part of an affordable housing project in partnership with Miami-Dade County.
- In 2020, the bank originated a \$396,500 loan to fund the purchase of a five-unit multifamily housing development in a low-income census tract. Tenants receiving benefits from HUD's Section 8 Housing Choice Voucher Program occupy three of the five units.

## **INVESTMENT TEST**

The Investment Test rating is Outstanding. Bradesco BAC Florida Bank has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. Considering available investment opportunities, qualified investments exhibit good responsiveness to the credit and community development needs of the assessment area. The bank occasionally uses innovative and/or complex investments to support community development initiatives.

### **Investment and Grant Activity**

Bradesco BAC Florida Bank has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. Investments and donations during the evaluation period totaled \$50.7 million, which represents 2.2 percent of average total assets and 25.2 percent of average securities, as of December 31, 2021. This level of qualified investments is above the number and well above the dollar volume at the previous evaluation, when the bank made 139 qualified investments totaling \$31.0 million. Additionally, the qualified investments compares above similarly-situated banks.

During the evaluation period, the bank continued to hold 18 equity investments from prior periods totaling \$8.6 million. Additionally, the bank invested in 52 new equity investments totaling \$41.5 million. New equity investments primarily consist of mortgage-backed securities, followed by CRA mutual funds, municipal bonds, redirected corporate sales taxes, and certificates of deposit with minority depository institutions. All qualified investments benefitted the assessment area with the exception of nine certificates of deposit totaling \$2.3 in minority depository institutions headquartered outside of the assessment area. Further, the bank provided 89 donations totaling \$594,350 to organizations in the assessment area that supported affordable housing and essential community services for low- and moderate-income individuals as well as revitalization of low- and

moderate-income census tracts. The following table details the qualified investments by year and purpose.

Qualified Investments by Activity Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	18	8,642	-	-	-	-	-	-	18	8,642
2019 (Partial)	3	5,360	1	1,000	5	1,250	-	-	9	7,610
2020	23	8,853	1	1,000	8	2,749	-	-	32	12,602
2021	4	9,535	-	-	-	-	-	-	4	9,535
2022 (YTD)	3	6,943	4	4,810	-	-	-	-	7	11,753
<b>Subtotal</b>	<b>51</b>	<b>39,333</b>	<b>6</b>	<b>6,810</b>	<b>13</b>	<b>3,999</b>	-	-	<b>70</b>	<b>50,142</b>
Grants-Donations	16	92	69	460	-	-	4	42	89	594
<b>Total</b>	<b>67</b>	<b>39,425</b>	<b>75</b>	<b>7,270</b>	<b>13</b>	<b>3,999</b>	<b>4</b>	<b>42</b>	<b>159</b>	<b>50,736</b>
<i>Source: Bank Records</i>										

The following are notable examples of qualified investments made during the evaluation period.

- In 2020, the bank purchased 20 CRA mutual fund investments totaling \$4.0 million, which were directly invested in 20 different affordable housing developments in the assessment area.
- In 2019, the bank purchased a Florida Housing Finance Authority bond totaling \$3.0 million. The bond supported the acquisition and rehabilitation of a 210-unit multifamily property in the assessment area, whereby 100.0 percent of the units are set aside for low-income individuals.
- During the evaluation period, the bank purchased 12 mortgage-backed securities totaling \$23.7 million, whereby the collateralized loans were originated to low- or moderate-income borrowers in the assessment area. The bank also continues to retain 16 prior period investments consisting of mortgage-backed securities totaling \$7.9 million, which benefitted low- and moderate-income borrowers in the assessment area.
- During the evaluation period, the bank held 13 certificates of deposit totaling \$4.0 million with 9 minority depository institutions of which 4 certificates of deposit totaling \$1.7 million were held at three minority depository institutions headquartered in the assessment area.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits good responsiveness to the credit and community development needs of the assessment area. Qualified community development investments primarily supported affordable housing for low- and moderate-income individuals, which is an acute need throughout the assessment area. Qualified community development investments made during the evaluation period were primarily comprised of mortgage-backed securities, which provide funding and liquidity to the affordable housing markets. The bank also invested in CRA mutual funds that provided funding for 5 multifamily affordable housing properties and 15 affordable housing single-family residences for low- and moderate-income borrowers. Management took action to ensure new investments and donations were concentrated in the assessment area. As previously noted, all qualified investments benefitted its assessment area other than nine certificates of deposit totaling \$2.3 million held at minority depository institutions.

### **Community Development Initiatives**

Bradescobac Florida Bank occasionally uses innovative and/or complex investments to support community development initiatives. Mortgage-backed securities comprise a majority of qualified investments during the evaluation period by dollar volume. Although these investments help to sustain affordable housing in the assessment area, they are not particularly innovative. However, the bank is active in a variety of community development investment types, and structured a significant majority of the investments to benefit its assessment area, which exhibits a level of complexity.

### **SERVICE TEST**

The Service Test rating is High Satisfactory. Bradescobac Florida Bank's delivery systems are reasonably accessible to essentially all portions of the assessment area. The opening and closing of branches throughout the assessment area has not adversely affected the accessibility of its delivery systems. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. In addition, the bank is a leader in providing community development services.

### **Accessibility of Delivery Systems**

Bradescobac Florida Bank's delivery systems are reasonably accessible to essentially all portions of its assessment area. The bank continues to operate one branch in an upper-income census tract of Miami and maintains an ATM on the premises. In addition to the branch and ATM, the bank offers internet, mobile, and telephone banking. The bank routinely provides services such as peer-to-peer payments, interbank transfers, and a remote check deposit system at no cost to its customers. Further, bank representatives are fluent in English and Spanish, and the website is available in English and Spanish.

### **Changes in Branch Locations**

Bradescobac Florida Bank has not opened or closed any branches since the previous evaluation.

### **Reasonableness of Business Hours and Services**

Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- or moderate-income geographies and/or individuals. Office hours on Monday through Friday are reasonable and similar to other local financial institutions. The bank offers a variety of loan and deposit products and services to meet its customers' banking needs. Additionally, the bank offers alternative delivery services through its website and mobile banking application.

### **Community Development Services**

The bank is a leader in providing community development services. During the evaluation period, 35 employees provided 196 community development services within the assessment area. The level of community development services is above the previous evaluation and is above the performance of similarly-situated banks. However, the qualified community development services demonstrate a limited level of innovativeness and adequate responsiveness to the assessment area's needs.

Employees provided financial assistance to community development organizations that provide an array of services to low- and moderate-income individuals and small businesses in support of affordable housing, economic development, and essential community services, in addition to supporting the revitalization and stabilization of low- and moderate-income census tracts. The following table details the bank’s community development services by year and purpose.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	#	#	#	#	#
2019 (Partial)	11	28	1	4	<b>44</b>
2020	15	45	6	0	<b>66</b>
2021	14	43	5	1	<b>63</b>
2022 (YTD)	3	15	4	1	<b>23</b>
<b>Total</b>	<b>43</b>	<b>131</b>	<b>16</b>	<b>6</b>	<b>196</b>
<i>Source: Bank Records</i>					

The following are notable examples of community development services provided during the evaluation period.

- An employee served on the Board of a non-profit organization whose mission is to revitalize low- and moderate-income neighborhoods in by providing critical home repairs for low-income homeowners free of charge.
- An employee served on the Board of a non-profit foundation that provides economic and other assistance for educational expenses to students of low- and moderate-income families.
- An employee served on the Loan Committee of a Community Development Financial Institution that provides flexible financing for affordable housing and community development.
- Three employees provided banking expertise for an organization that provides housing opportunities and mortgage assistance to low-income individuals.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## 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.

## SCOPE OF EVALUATION

<b>Bradesco BAC Florida Bank</b>	
<b>Scope of Examination:</b> A full scope review was performed on the following assessment area within the noted rated area: State of Florida: Miami-Fort Lauderdale-West Palm Beach, FL MSA Assessment Area	
<b>Time Period Reviewed:</b>	01/01/19 to 12/31/21
<b>Product Reviewed:</b> Home Mortgage Loans: 01/01/19 – 12/31/21	

## 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.