

PUBLIC DISCLOSURE

August 18, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pennian Bank
Certificate Number: 7613

2 North Main Street
Mifflintown, Pennsylvania 17059

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

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

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

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

- The loan-to deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- The bank made a majority of home mortgage and small business loans in the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrates adequate responsiveness to the community development needs in its assessment areas throughout community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the institution assessment areas.

DESCRIPTION OF INSTITUTION

Pennian Bank is a full-service community bank headquartered in Mifflintown, Pennsylvania (PA). First Community Financial Corporation, a one-bank holding company also located in Mifflintown, PA, wholly owns the institution. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, dated August 29, 2022, based on Interagency Intermediate Small Institution Examination procedures.

Operations

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Pennian Bank operates 11 full-service branches, including the main office, as well as a Loan Production Office in Cumberland County. Since the previous evaluation, Pennian Bank added the Elizabethville location in October 2024, expanding their operations into Dauphin County. The bank has not closed any branches since the previous evaluation.

Pennian Bank offers traditional residential, commercial, and consumer loans with a primary focus on residential mortgage and commercial lending. The bank offers Federal Housing Administration (FHA) and Veterans Affairs (VA) loans through their wholesale relationship with PennyMac. Additionally, the institution provides a variety of deposit services including checking, savings, money market deposit accounts, certificates of deposit, individual retirement accounts, health savings accounts, and holiday club accounts. Alternative banking services include online and personal mobile banking, electronic bill payment, eStatements, and account-to-account transfer. The bank's ATMs no longer take deposits.

Ability and Capacity

Assets totaled approximately \$674.3 million as of June 30, 2025, and included total loans of approximately \$442.1 million and securities totaling \$164.4 million. The bank reported total deposits of \$591.0 million. The bank's overall loan portfolio remains similar in composition to the previous evaluation.

Since the previous CRA evaluation, Pennian Bank sold 59 home mortgage loans totaling \$14.3 million in the secondary market that are not reflected in the loan portfolio totals. The following table illustrates the loan portfolio as of June 30, 2025.

Loan Portfolio Distribution as of June 30, 2025		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	7,732	6.5
Secured by Farmland	49,010	11.5
Secured by 1-4 Family Residential Properties	170,723	38.6
Secured by Multifamily (5 or more) Residential Properties	36,852	8.3
Secured by Nonfarm Nonresidential Properties	94,490	21.4
Total Real Estate Loans	358,807	81.8
Commercial and Industrial Loans	61,775	11.5
Agricultural Production and Other Loans to Farmers	2,541	0.6
Consumer Loans	4,210	0.9
Obligations of State and Political Subdivisions in the U.S.	17,227	4.4
Other Loans	67	<0.1
Total Loans	442,086	100.0

Source: Reports of Condition and Income

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners evaluate its CRA performance. Pennian Bank designates two contiguous assessment

areas: 1) a Non-Metropolitan Statistical Area (MSA) assessment area which includes all of Juniata County (Non-MSA) and 2) a MSA assessment area which includes all census tracts in Cumberland, Perry, and Dauphin Counties in the Harrisburg-Carlisle, PA MSA 25420 (Harrisburg, PA MSA). Due to the Elizabethville Branch opening in October 2024, the bank expanded its Harrisburg, PA MSA assessment area to include Dauphin County. Due to the timing of the Elizabethville branch addition, examiners will evaluate the bank’s CRA performance based on the assessment area prior to expanding into Dauphin County. Therefore, the Harrisburg, PA MSA will only include analysis of the bank’s performance in Cumberland and Perry Counties.

The combined assessment area includes 71 census tracts that reflect the following income designations according to the 2020 U.S. Census data: 3 low-, 4 moderate-, 46 middle-, 16 upper-income census tracts, and 2 with no income designation applicable.

For additional economic and demographic information, refer to the Description of Institution’s Operations section within each respective assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 29, 2022, to the current evaluation dated August 18, 2025. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate the bank’s CRA performance. Intermediate Small Institution CRA Examination Procedures include a Lending Test and a Community Development Test. Please refer to the Appendix for details on the Lending Test and Community Development Test criteria.

Examiners performed a full-scope review of the bank’s performance for each assessment area. The bank’s performance in the Harrisburg, PA MSA assessment area contributed more weight to the overall conclusion due to a higher number of loans originated by volume and dollar amount. Although the bank made a higher percentage of loans in the Harrisburg, PA MSA, the number of branches and volume of deposits in each assessment area is similar.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans*		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Harrisburg, PA MSA	18,725	67.7	282,730	48.4	6	60.0
PA Non-MSA	8,951	33.3	301,825	52.6	5	40.0
Total	27,676	100.0	584,555	100.0	11	100.0

Source: Bank Data; FDIC Summary of Deposits (6/30/2024)
** HMDA Loan information from 2022 to 2024, and only 2024 small business lending.*

Activities Reviewed

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

The bank’s record of originating home mortgage loans contributed more weight to overall

conclusions due to the larger loan volume when compared to small business lending. No other loan types such as consumer loans and small farm loans represent a major product line nor provide material support for conclusions or ratings; therefore, examiners did not present these products in the evaluation.

This evaluation considered all home mortgage loans reported on the bank's 2022, 2023, and 2024 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for analysis. For 2022, the bank reported 239 loans totaling \$65.3 million; for 2023, the bank reported 120 loans totaling \$25.2 million; and for 2024, the bank reported 93 loans totaling \$18.2 million. Although examiners analyzed all three years of data provided, the variance between 2022 and 2024 is not material to present for all portions of this evaluation; therefore, the primary presentation of activities of home mortgage lending are those from 2023 and 2024.

Pennian Bank is not required to collect or report small business loans pursuant to CRA due to the bank's asset size. Therefore, examiners sampled small business loans from the universe of loans originated from January 1, 2024, through December 31, 2024. During 2024, the bank originated 93 small business loans totaling \$15.5 million. Examiners sampled 45 small business loans totaling \$7.6 million.

For comparative purposes, the evaluation will present, 2023 and 2024 aggregate HMDA data, 2020 U.S. Census data, and 2024 D&B data. For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans; however, examiners emphasized performance by number of loans since it is a better indicator of the number of individuals and businesses served. For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services from August 29, 2022, through the current evaluation date.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Pennian Bank demonstrated satisfactory performance under the Lending Test. Borrower Profile performance primarily supports this conclusion. The following sections detail the bank's performance under each Lending Test criterion

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 78.2 percent over the past 12 calendar quarters from September 30, 2022 to June 30, 2025. The ratio ranged from a low of 73.9 percent as of June 30, 2025, to a high of 83.2 percent as of December 31, 2023.

The following table compares the bank's LTD ratio to similarly situated institutions, which examiners selected based on asset size, geographic location, and lending focus. Pennian Bank maintained a ratio that is above two of the similarly situated institutions and below one other financial institution, as shown in the following table.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/25 \$(000s)	Average Net LTD Ratio (%)
Pennian Bank	674,363	78.2
Mifflinburg Bank and Trust	626,497	82.5
Susquehanna Community Bank	590,836	72.3
The Juniata Valley Bank	867,436	69.2
<i>Source: Reports of Condition and Income 09/30/2022 through 06/30/2025</i>		

Assessment Area Concentration

Pennian Bank originated a majority of home mortgage and small business loans, by number, within its combined assessment area. As shown in the table below, Pennian Bank’s home mortgage lending activity decreased from 2022 to 2024. This is primarily due to the higher interest rate environment. Small business lending has also decreased since the last examination, where the bank participated heavily in the Paycheck Protection Program (PPP) loan program during the COVID-19 pandemic.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000)				Total \$(000)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2022	142	59.4	97	40.6	239	38,192	58.5	27,091	41.5	65,283
2023	78	65.0	42	35.0	120	15,395	61.1	9,814	38.9	25,209
2024	57	61.3	36	38.7	93	9,305	51.3	8,849	48.7	18,154
Subtotal	277	61.3	175	38.7	452	62,892	57.9	45,754	42.1	108,646
Small Business										
2024	23	51.1	22	48.9	45	2,976	39.3	4,601	60.7	7,577
Subtotal	23	51.1	22	48.9	45	2,976	39.3	4,601	60.7	7,577
Total	300	60.4	197	39.6	497	65,868	56.7	50,355	43.3	116,223
<i>Source: Imported Bank Data Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the combined assessment area. The bank’s reasonable performance of home mortgage lending in the Harrisburg, PA MSA assessment area supports this conclusion. The PA Non-MSA assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this evaluative factor relies primarily on the Harrisburg, PA MSA assessment area performance. Refer to the individual assessment area sections for detailed discussions of the bank’s Lending Test performance.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes in the combined assessment area. The bank’s

reasonable performance of home mortgage and small business lending within the Harrisburg, PA MSA and PA Non-MSA assessment areas support this conclusion. The bank’s performance in the Harrisburg, PA MSA and PA Non-MSA assessment areas are consistent with the bank’s overall performance. Refer to the individual assessment area sections for detailed discussions of the bank’s Lending Test performance.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Pennian Bank demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment areas.

Community Development Loans

During the evaluation period, the bank originated four community development loans totaling approximately \$2.5 million. This level of activity represents 0.4 percent of average total assets and 0.5 percent of average total loans as of June 30, 2025. This is a decrease from the prior CRA evaluation where community development loans totaled approximately \$6.8 million, representing 1.1 percent of average total assets and 1.7 percent of average total loans. The following table illustrates the bank’s community development lending activity by assessment area and purpose. Additional details and specific examples are contained within the sections for the individual assessment areas.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Harrisburg, PA MSA	3	1,450	0	0	0	0	0	0	3	1,450
PA-Non MSA	0	0	0	0	0	0	0	0	0	0
Regional Activities	1	1,000	0	0	0	0	0	0	1	1,000
Total	4	2,450	0	0	0	0	0	0	4	2,450
<i>Source: Bank Data</i>										

An example of a community development activity Pennian Bank participated in that benefitted a broader regional area was the origination of a \$1.0 million loan to an organization providing temporary housing and counseling services to low-income individuals. The organization assists in aiding tenants facing eviction and offers financial education for low- and moderate- income first time home buyers. This activity promotes affordable housing within the assessment area.

Qualified Investments

Pennian Bank made 75 qualified investments and donations totaling approximately \$6.9 million. This total includes eight new investments totaling \$6.3 million and two prior period investments

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with a current book value of \$423,380. Pennian Bank made 64 qualified donations totaling \$81,944 during the evaluation period. Total investments and donations represented 1.0 percent of average total assets and 3.8 percent of average total securities. This is an increase from the previous CRA evaluation where investments totaled approximately \$3.4 million, representing 0.6 percent of average total assets and 1.9 percent of average total securities.

The following table shows the bank’s qualified investments by rated area and purpose. Additional details for investments and donations are contained within the individual assessment area sections.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Harrisburg, PA MSA	9	6,028	38	69	2	3	3	1	52	6,101
PA Non-MSA	*	144	16	5	1	1	2	3	19	153
Statewide Activities	3	522	0	0	1	99	0	0	4	621
Total	12	6,694	54	74	4	103	5	4	75	6,875
<i>Source: Bank Data</i>										
<i>*The majority of this mortgage-backed security benefits the Harrisburg, PA MSA and a portion benefits Juniata County, PA.</i>										

The following are examples of the bank’s community development investments and donations that benefit a broader statewide area:

- Pennian Bank maintains a \$99,000 one-year certificate of deposit (CD) with a Community Development Financial Institution in Pennsylvania. This specialized community-based bank has a primary mission to promote economic development by providing financial products and services to people and communities underserved by traditional financial institutions. The bank is also a Minority Depository Institution. Pennian Bank has renewed the CD every year since opening it in 2009.
- The bank continued to maintain two prior-period investments in mortgage-backed securities, with a book value to date of approximately \$423,380. The securities themselves support broader statewide affordable housing lending to low- and moderate-income individuals and families.

Community Development Services

During the evaluation period, bank employees provided 961 total hours of financial expertise or technical assistance to 36 different community development-related organizations in the combined assessment area. Based upon the number of organizations assisted, this is an increase in activities from the previous evaluation period, during which the bank provided 442 hours to 14 different community development organizations. The following table illustrates the services by assessment area and purpose. A majority of services benefited the Harrisburg, PA MSA assessment area. Additional details by year are contained within the sections for the individual assessment areas.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Harrisburg, PA MSA	86	584	114	0	784
PA Non-MSA	0	113	40	0	153
Statewide Activities	3	20	1	0	24
Total	89	717	155	0	961
<i>Source: Bank Data</i>					

The following are examples of the bank’s community development services that benefit a broader statewide area:

- A bank officer serves on the board of a nonprofit organization that helps develop affordable housing in the central PA area. The organization identifies areas in which an increase of affordable housing is needed and works with local institutions to provide credit to low- and moderate-income households.

A bank officer serves on the board of an organization that provides community services to low- and moderate- income individuals within the broader statewide area. The organization assists in preparing taxes for low- and moderate- 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; therefore, this consideration did not affect the institution’s overall CRA rating.

HARRISBURG, PA MSA ASSESSMENT AREA– Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN HARRISBURG, PA MSA ASSESSMENT AREA

This assessment area includes the entireties of Cumberland and Perry Counties, PA. The bank did not make any changes to this assessment area since the previous evaluation. The Harrisburg, PA MSA assessment area includes 65 census tracts. The bank operates six branches within this assessment area.

Economic and Demographic Data

The demographics of the census tracts in this assessment area include:

- 3 low-income tracts;
- 4 moderate-income tracts;

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- 40 middle-income tracts;
- 16 upper-income tracts; and
- 2 tracts with no income designations.

The following table illustrates select demographic characteristics of the Harrisburg, PA MSA assessment area.

Demographic Information of the Assessment Area Harrisburg, PA MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts)	65	4.6	6.2	61.5	24.6	3.1
Population by Geography	305,311	2.5	6.3	62.1	27.2	1.9
Housing Units by Geography	127,958	1.9	6.3	66.7	25.1	0.0
Owner-Occupied Units by Geography	85,548	0.7	5.5	64.1	29.7	0.0
Occupied Rental Units by Geography	34,140	4.7	8.0	72.1	15.2	0.0
Vacant Units by Geography	8,270	3.4	8.0	71.4	17.3	0.0
Businesses by Geography	31,847	1.6	5.8	65.7	26.9	0.1
Farms by Geography	647	0.3	3.6	81.6	14.5	0.0
Family Distribution by Income Level	77,563	16.7	18.2	24.0	41.1	0.0
Household Distribution by Income Level	119,688	20.2	16.6	18.8	44.5	0.0
Median Family Income MSA - 25420 Harrisburg-Carlisle, PA MSA		\$84,347	Median Housing Value		\$ 202,990	
			Median Gross Rent		\$1,003	
			Families Below Poverty Level		4.7%	
<i>Source: 2020 Census And 2024 D&B Data (*) The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.</i>						

There are 127,958 housing units. Of these, 66.9 percent are owner-occupied, 26.7 percent are occupied rental units, and 6.5 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Owner-occupied housing units reflect the opportunity institutions have to originate 1-4 family residential mortgage loans. Only 4.6 percent of the assessment area’s owner-occupied housing units are located in low-income census tracts. Additionally, only 5.5 percent of the assessment area’s owner-occupied housing units are located in moderate-income census tracts. This data supports the limited opportunity for originating loans in low- and moderate-income census tracts in the assessment area.

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

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Estimated Median Family Income Ranges Harrisburg, PA MSA					
Year	MFI	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥ 120%
Harrisburg-Carlisle, PA					
2024	\$ 97,900	< \$48,950	\$48,950 to < \$78,320	\$78,320 to < \$117,480	≥ \$117,480
<i>Source: FFIEC</i>					

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2024 D&B data, there were 31,847 businesses in the assessment area. The following details GARs for these businesses:

- 89.6 percent have GARs of \$1.0 million or less.
- 2.2 percent have GARs greater than \$1.0 million; and
- 8.2 percent have unknown revenues.

Non-classifiable establishments represent the largest portion of businesses at 18.9 percent; followed by professional, scientific, and technical services (11.0 percent); other services (10.3 percent); retail trade (7.7 percent); and administrative support/waste management and remediation services (7.5 percent). In addition, 71.1 percent of area businesses have four or fewer employees, and 92.2 percent operate from a single location.

Data obtained from the U.S Bureau of Labor and Statistics indicates that the January 2024 PA statewide unemployment rate was 3.7 percent. Current unemployment rates within the Harrisburg, PA MSA assessment area are 3.8 percent.

Competition

The Harrisburg, PA MSA assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2024, there were 23 financial institutions operating 77 branches within this assessment area. Of these institutions, Pennian Bank ranked 12th with a 2.4 percent deposit market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2024, 330 lenders reported 7,943 residential mortgage loans originated and purchased in the assessment area. Pennian Bank ranked 44th with a market share of 0.4 percent. The following three most prominent lenders accounted for 28.9 percent of the total market share: Members 1st (17.9 percent), Pennsylvania State Employees Credit Union (6.1 percent) and PennyMac Loan Services (4.8 percent).

As previously mentioned, Pennian Bank is not required to report small business loan data and did not elect to do so. Therefore, analysis under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects the high competition level for small business loans and is included for performance context. In 2023, 87 lenders reported 4,966 small business loans originated and purchased in the assessment area. The following three most prominent lenders

accounted for 47.0 percent of the total market share: American Express National Bank (22.8 percent), JP Morgan Chase Bank, NA (15.2 percent) and Capital One, NA (9.0 percent).

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs of the community. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted a community development organization that serves the overall assessment area. promotes new and existing industry and business in Perry County. The organization seeks to create opportunities for students to gain job experience and financial literacy. The organization plans to use economic development and revitalization to attract and retain residents and improve outside perceptions of Perry County. The contact stated that the area needs more flexible business lending options and more opportunities for small business owners to gain financial literacy. Additionally, the contact cited a need for more credit opportunities for landlords to provide affordable housing in the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage loan programs particularly those for low- and moderate-income borrowers, represent a primary credit need for the assessment area. Additionally, small business lending remains a necessity within Perry County. Furthermore, there is a need for financial institutions to provide financial education to low- and moderate- income borrowers within the county.

CONCLUSIONS ON PERFORMANCE CRITERIA IN HARRISBURG, PA MSA

LENDING TEST

Pennian Bank's Lending Test performance in the Harrisburg, PA MSA assessment area is reasonable. The bank's Geographic Distribution and Borrower Profile performance primarily supports this conclusion. The bank originated 168 home mortgage loans totaling \$46.7 million within this assessment area, accounting for 60.6 percent of all in-area lending during the review period. In the sample examiners reviewed, the bank originated 14 small business loans totaling \$1.9 million in this assessment area during the review period, which accounts for 60.9 percent of in-area small business lending.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Harrisburg, PA MSA assessment area. The bank's reasonable distribution of home mortgage loans supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Harrisburg, PA MSA assessment area. Examiners compared the bank's home mortgage lending to demographic and aggregate data and focused on the percentage of loans, by number, in the low- and moderate-income census tracts.

In both 2023 and 2024, the bank did not originate any loans in low-income census tracts, falling below aggregate and demographic lending data. There is only one low-income census tract in the assessment area, presenting a very limited opportunity for lending. In addition, only 0.7 percent of the assessment area's owner-occupied housing units are located in the low-income census tract.

The bank's performance in the area's moderate-income census tracts exceeded demographic data and fell slightly below aggregate lending data in 2023. The bank did not make any loans in the moderate-income tracts in 2024, falling below both demographic and aggregate data.

As stated previously, there is a high level of competition for home mortgage loans among larger regional banks, credit unions, and non-depository mortgage lenders. In 2023, 105 lenders reported 589 home mortgage loans in the moderate-income census tracts. The top three most prominent lenders originated 29.8 percent of the number of home mortgage loans in the moderate-income census tracts in this assessment area. In addition, only 5.5 percent of the assessment area's owner-occupied housing units are located in moderate-income census tracts.

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Geographic Distribution of Home Mortgage Loans Harrisburg, PA MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate % of #	#	%	\$(000s)	%
Low						
2023	0.7	1.2	0	0.0	0	0.0
2024	0.7	1.1	0	0.0	0	0.0
Moderate						
2023	5.5	6.6	3	6.1	672	6.2
2024	5.5	7.4	0	0.0	0	0.0
Middle						
2023	64.1	60.2	42	85.7	8,362	77.7
2024	64.1	59.0	28	82.4	4,586	75.6
Upper						
2023	29.7	32.1	4	8.2	1,735	16.1
2024	29.7	32.3	6	17.7	1,480	24.4
NA						
2023	0.0	0.0	0	0.0	0	0.0
2024	0.0	0.2	0	0.0	0	0.0
Total						
2023	100.0	100.0	49	100.0	10,769	100.0
2024	100.0	100.0	34	100.0	6,066	100.0
<i>Source: 2020 Census; Imported Bank Data; 2023 & 2024 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%.</i>						

Small Business Loans

The geographic distribution of small business loans reflects poor penetration throughout the Harrisburg, PA MSA assessment area. Examiners compared Pennian Bank’s percentage of small business loans, by number, to the percentage of businesses operating in the area’s moderate-income census tracts.

In 2024, the bank did not make any small business loans in the low- or moderate- income census tracts.

Geographic Distribution of Small Business Loans Harrisburg, PA MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2024	1.6	0	0.0	0	0.0
Moderate					
2024	5.8	0	0.0	0	0.0
Middle					
2024	65.7	13	92.9	1,840	97.4
Upper					
2024	26.9	1	7.1	50	2.7
NA					
2024	0.1	0	0.0	0	0.0
Total					
2024	100.0	14	100.0	1,890	100.0
<i>Source: 2024 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%.</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the Harrisburg, PA MSA assessment area. The bank’s reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners also focused on the percentage by number of small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. As shown in the following table, the distribution of home mortgage loans to low-income borrowers trailed both demographic and aggregate data in 2023. The bank’s performance increased in 2024, exceeding aggregate lending data yet remaining below area demographics. While the bank’s lending to low-income borrowers fell below the demographics, a low-income family in the assessment area with an income less than \$48,950 would likely not qualify for a mortgage loan under conventional underwriting standards, especially considering the median housing value of \$202,990.

The bank’s performance in lending to moderate-income borrowers exceeded both demographic and aggregate lending data in 2023. In 2024, the bank’s lending decreased, falling below aggregate data and slightly below demographic data.

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Distribution of Home Mortgage Loans by Borrower Income Level Harrisburg, PA MSA						
Borrower Income Level	% of Families	Aggregate % of #	#	%	\$(000s)	%
Low						
2023	16.7	10.3	2	4.1	129	1.2
2024	16.7	7.6	4	11.8	289	4.8
Moderate						
2023	18.2	22.6	12	24.5	1,430	13.3
2024	18.2	20.1	6	17.7	995	16.4
Middle						
2023	24.0	23.6	7	14.3	499	4.6
2024	24.0	22.6	4	11.8	704	11.6
Upper						
2023	41.1	31.8	9	18.4	3,073	28.5
2024	41.1	36.6	6	17.7	1,098	18.1
NA						
2023	0.0	11.8	19	38.8	5,638	52.4
2024	0.0	13.1	14	41.2	2,980	49.1
Total						
2023	100.0	100.0	49	100.0	10,769	100.0
2024	100.0	100.0	34	100.0	6,066	100.0
<i>Source: 2020 Census; Imported Bank Data; 2023 & 2024 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%.</i>						

Small Business Loans

As shown in the following table, the distribution of borrowers reflects reasonable penetration among businesses of different sizes.

In 2024, the bank’s lending performance to businesses with GARs of \$1.0 million or less fell below demographic data. However, there were 87 lenders originating small business loans within the Harrisburg, PA MSA assessment area in 2023, indicating elevated levels of competition. The top three lenders (American Express National Bank, JP Morgan Chase Bank, N.A, and Capital One, N.A) made up 46.9 percent of the market share for small business lending.

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Distribution of Small Business Loans by Gross Annual Revenue Category Harrisburg, PA MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<= \$1,000,000					
2024	89.6	10	71.4	1,110	58.7
> \$1,000,000					
2024	2.2	4	28.6	780	41.3
Revenue Not Available					
2024	8.2	0	0.0	0	0.0
Total					
2024	100.0	14	100.0	1,890	100.0
<i>Source: 2024 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%.</i>					

COMMUNITY DEVELOPMENT TEST

The institution’s community development performance demonstrates adequate responsiveness to community development needs in the Harrisburg, PA MSA assessment area through qualified investments and community development services. Examiners considered the institution’s overall performance context, its capacity, and the need and availability of such opportunities.

Community Development Loans

During the review period the bank originated three loans totaling approximately \$1.5 million that benefited affordable housing initiatives within Perry County. This performance represents a decrease in the number of community development loans from the previous evaluation, where Pennian Bank originated two loans totaling \$3.9 million. The following are examples of the bank’s community development loans in this assessment area.

- Pennian Bank originated was the renewal of a \$500,000 line of credit to a local homeless shelter. The organization is committed to serving the vulnerable population of unhoused individuals in the Harrisburg, PA MSA assessment area. The organization makes an effort to provide meals and match individuals with jobs. This activity promotes affordable housing within the assessment area.
- During the review period the bank originated two multifamily affordable housing loans totaling approximately \$1.0 million. All unit rents were below Fair Market Rent (FMR). These loans support affordable housing efforts within the assessment area.

Qualified Investments

Pennian Bank made 52 qualified investments and donations totaling \$6.1 million in this assessment area. This performance represents a significant increase from the previous CRA evaluation, where the bank provided 24 qualified investments and donations totaling about \$34,000 within the

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Harrisburg, PA MSA assessment area. The following table illustrates the bank’s qualified community development investments by activity year and by purpose.

Qualified Investments Harrisburg, PA MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
8/29/2022-12/31/2022	0	0	0	0	0	0	0	0	0	0
2023	3	3,107	0	0	0	0	0	0	3	3,107
2024	4	2,919	0	0	0	0	0	0	4	2,919
1/1/2025-8/18/2025	0	0	0	0	0	0	0	0	0	0
Subtotal	7		0	0	0	0	0	0	7	6,026
Qualified Grants & Donations	2	2	38	69	2	3	3	1	45	75
Total	9	6,028	38	69	2	3	3	1	52	6,101

Source: Bank Data

The following are examples of the bank’s community development investments and donations in this assessment area:

- In 2024, the bank donated \$10,000 to a scholarship fund that assists low- and moderate-income high schoolers. This donation promotes community service in the assessment area.
- The bank made seven new investments in mortgage-backed securities totaling \$6.0 million. The securities themselves support affordable housing lending to low- and moderate-income individuals and families within the assessment area.

Community Development Services

Pennian Bank provided 784 hours of financial expertise or technical assistance to community development-related organizations that specifically benefit the Harrisburg, PA MSA assessment area. The prior evaluation noted 235 hours of qualified service activities to ten organizations. During the current evaluation period, 17 individuals provided qualified services to 31 separate organizations. This represents a significant increase from the prior evaluation. The following table illustrates the bank’s qualified community development services by activity year and by purpose.

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Community Development Services Harrisburg, PA MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2022 (partial)	3	75	13	0	91
2023	34	140	35	0	209
2024	38	237	47	0	322
YTD 2025	11	132	19	0	162
Total	86	584	114	0	784
<i>Source: Bank Data</i>					

The following are examples of the bank’s community development services in this assessment area:

- A bank employee maintains a significant involvement with an organization dedicated to providing financial services to low- and moderate- income individuals. The employee has recorded numerous instances of assistance in helping to prepare taxes for low- and moderate- income individuals. This involvement promotes community service.

- A bank employee serves on the Board of a non-profit organization devoted to the economic development, investment, and infrastructure of areas in the assessment area. The organization promotes small business development and lending. This involvement promotes economic development.

- A bank employes continue to serve as a board member of a non-profit organization dedicated to combatting homelessness in the assessment area. This individual uses their technical expertise to lead meetings discussing the financing and feasibility of low-income housing in the area. This service promotes affordable housing.

PA NON-MSA ASSESSMENT AREA – FULL SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN PA NON-MSA ASSESSMENT AREA

This assessment area includes all of Juniata County. All six tracts of Juniata County are designated as underserved by The Federal Financial Institutions Examination Council (FFIEC). The bank operates five branches within this assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN PA NON-MSA ASSESSMENT AREA

Economic and Demographic Data

The demographics of the census tracts in this assessment area include six middle-income census tracts. This remains unchanged since the previous evaluation.

The following table illustrates demographic characteristics of the PA Non-MSA assessment area:

Demographic Information of the Assessment Area PA Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts)	6	0.0	0.0	100.0	0.0	0.0
Population by Geography	23,509	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	11,257	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	6,928	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	2,452	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,877	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,400	0.0	0.0	100.0	0.0	0.0
Farms by Geography	129	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	6,483	15.8	21.9	21.1	41.2	0.0
Household Distribution by Income Level	9,380	20.1	18.7	18.9	42.3	0.0
Pennsylvania Non-MSA Median Family Income	\$66,318	Median Housing Value		\$ 154,017		
		Median Gross Rent		\$692		
		Families Below Poverty Level		5.2%		
<i>Source: 2020 Census And 2024 D&B Data (*) The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.</i>						

There are 11,257 housing units. Of these, 61.5 percent are owner-occupied, 21.8 percent are

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occupied rental units, and 8.0 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Owner-occupied housing units reflect the opportunity institutions have to originate 1-4 family residential mortgage loans. As previously mentioned, there are no low- or moderate- income census tracts in the assessment area. This data supports the lack of opportunity for originating loans in low- and moderate-income geographies within the assessment area.

Examiners used the FFIECs updated median family income data to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories in the assessment area.

Estimated Median Family Income Ranges PA Non-MSA					
Year	MFI	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥ 120%
Non-Metro Median Family Income For PA					
2024	\$ 81,400	< \$40,700	\$40,700 to < \$65,120	\$65,120 to < \$97,680	≥ \$97,680
<i>Source: FFIEC</i>					

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2024 D&B data, there were 1,400 businesses in the assessment area. The following details GARs for these businesses:

- 91.8 percent have GARs of \$1.0 million or less.
- 1.5 percent have GARs greater than \$1.0 million; and
- 6.7 percent have unknown revenues.

Non-classifiable industries represent the largest portion of businesses at 16.0 percent; followed by other services (12.3 percent); retail trade (10.0 percent); and construction (8.6 percent). In addition, 77.0 percent of area businesses have four or fewer employees, and 95.4 percent operate from a single location.

Data obtained from the U.S Bureau of Labor and Statistics indicates that the January 2024 PA statewide unemployment rate was 3.7 percent. The current unemployment rate within the PA Non-MSA assessment area is 4.1 percent.

Competition

The PA Non-MSA assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2024, there were four financial institutions operating 12 branches within this assessment area. Of these institutions, Pennian Bank ranked 1st with a 48.2 percent deposit market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2024, 65 lenders reported 358 residential mortgage loans originated and purchased in the assessment area. Pennian Bank ranked 6th with a market share of

6.4 percent. The following three most prominent lenders accounted for 37.2 percent of the total market share: The Juniata Valley Bank (14.3 percent), Pennsylvania State Employees Credit Union (13.7 percent) and Kish Bank (9.2 percent).

As previously mentioned, Pennian Bank is not required to report small business loan data and did not elect to do so. Therefore, analysis under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects the moderate competition level for small business loans and is included for performance context. In 2023, 35 lenders reported 315 small business loans originated and purchased in this assessment area. The following three most prominent lenders accounted for 48.3 percent of the number of small business loan market share in this area: American Express National Bank (22.2 percent), Capital One, N.A. (13.7 percent), and JP Morgan Chase Bank, NA (12.4 percent).

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs of the community. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners reviewed a recent community contact with a community development organization that serves the overall assessment area. The contact represents a local, non-profit entity established to promote the economic well-being of the counties and citizens in the overall assessment area. The entity coordinates, partners, and provides services and resources to low-income individuals and families, to promote self-sufficiency, and fosters community and economic development in the assessment area. The organization is primarily funded by state and federal grants and donations. The organization has recently steered more of its efforts towards attracting donations. The contact noted a need for further development of affordable housing, and the provision of financial education for residents of the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage loan programs particularly those for low- and moderate-income borrowers, represent a primary credit need for the assessment area. Furthermore, there is a need for financial institutions to provide financial education to low- and moderate- income borrowers within the county.

CONCLUSIONS ON PERFORMANCE CRITERIA IN PA NON-MSA ASSESSMENT AREA

LENDING TEST

Pennian Bank's Lending Test performance in the PA-Non MSA assessment area is reasonable. The bank's Borrower Profile performance primarily supports this conclusion. The bank originated 109 home mortgage loans totaling \$16.2 million within this assessment area, accounting for 39.4 percent of all in-area lending during the review period. In the small business sample reviewed, the bank

originated nine small business loans totaling \$1.1 million in this assessment area during the review period, which accounts for 39.1 percent of all in-area small business lending.

Geographic Distribution

There were no low- or moderate- income census tracts within the assessment area. Therefore, examiners could not perform meaningful analysis of the distribution of home mortgage or small business loans throughout the assessment area.

Borrower Profile

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

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable.

Examiners compared the bank's home mortgage lending to demographic and aggregate data. As shown in the following table, the distribution of home mortgage loans to low-income borrowers trailed demographic data in 2023, while surpassing aggregate data. In 2024, the bank's lending fell further below demographic data and trailed aggregate lending data. While the bank's lending to low-income borrowers fell below the demographics, a low-income family in the assessment area with an income less than \$40,700 would likely not qualify for a mortgage loan under conventional underwriting standards, especially considering the median housing value of \$154,017.

In 2023, the distribution of home mortgage loans to moderate-income borrowers fell slightly below demographic data and below aggregate data. In 2024, lending performance remained stable, comparable to demographic data and below aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level PA Non-MSA						
Borrower Income Level	% of Families	Aggregate % of #	#	%	\$(000s)	%
Low						
2023	15.0	9.7	3	10.3	323	7.0
2024	15.8	6.2	1	4.4	26	0.8
Moderate						
2023	21.9	23.7	6	20.7	750	16.2
2024	21.9	23.7	5	21.7	620	19.1
Middle						
2023	21.0	26.6	8	27.6	875	18.9
2024	21.1	22.6	6	26.1	826	25.5
Upper						
2023	42.2	32.6	8	27.6	2,121	45.9
2024	41.2	38.3	7	30.4	1,211	37.4
NA						
2023	0.0	7.4	4	13.8	557	12.0
2024	0.0	9.2	4	17.4	556	17.2
Total						
2023	100.0	100.0	29	100.0	4,626	100.0
2024	100.0	100.0	23	100.0	3,239	100.0
<i>Source: 2020 Census; Imported Bank Data; 2023,&2024 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%.</i>						

Small Business Loans

As shown in the following table, the distribution of borrowers reflects reasonable penetration among businesses of different sizes. In 2024, the bank’s lending performance to businesses with GARs of \$1.0 million or less was slightly below demographic data.

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Distribution of Small Business Loans by Gross Annual Revenue Category PA Non -MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<= \$1,000,000					
2024	91.8	8	88.9	923	85.0
> \$1,000,000					
2024	1.5	1	11.1	163	15.0
Revenue Not Available					
2024	6.7	0	0.0	0	0.0
Total					
2024	100.0	9	100.0	1,086	100.0
<i>Source: 2022, 2023, 2024 D&B Data; Bank Data; 2022, 2023 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%.</i>					

COMMUNITY DEVELOPMENT TEST

Pennian Bank’s community development performance demonstrates adequate responsiveness to community development needs in the PA Non-MSA assessment area through qualified investments and community development services, considering the institution’s capacity and the need and availability of such opportunities for community development in the PA Non-MSA assessment area.

Community Development Loans

The bank did not originate any community development loans within the PA Non-MSA assessment area during the review period.

Qualified Investments

Pennian Bank made 19 qualified donations totaling approximately \$9,000 in this assessment area. A portion of a mortgage-backed security which is previously included and discussed under the Harrisburg, PA MSA assessment area also benefits the PA Non-MSA assessment area in the amount of \$143,650. This performance represents an increase from the previous CRA evaluation, where the bank provided qualified investments and donations totaling \$17,000 within the PA Non-MSA assessment area.

The following are examples of the bank’s community development donations in this assessment area:

In 2022, the bank donated \$2,000 to a nonprofit organization that provides community services primarily to low- and moderate-income Perry County residents through emergency short-term food needs and education on food preparation and nutrition to members in an underserved or distressed census tract.

- In 2024, the bank made a donation to an organization that supports the development of local small businesses and provides financial education to their owners. This donation promotes economic development within the assessment area.

Community Development Services

Pennian Bank provided 153 hours of financial expertise or technical assistance to six community development-related organizations that specifically benefit the PA Non-MSA assessment area. This is an increase from the previous evaluation, where bank personnel provided 115 hours of financial expertise or technical assistance to two qualified organizations. The following table illustrates the bank’s qualified community development services by activity year and by purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2022 (partial)	0	11	3	0	14
2023	0	51	17	0	68
2024	0	39	15	0	54
YTD 2025	0	12	5	0	17
Total	0	113	40	0	153

Source: Bank Data

- During the review period, a senior manager served on the Board of a local nonprofit housing organization dedicated to providing financial assistance and necessary household items to low- and moderate- income individuals. This individual uses their leadership expertise to organize financial planning for various events promoting the organization’s plan. This service promotes community service within the assessment area.
- A bank officer serves on the Board for a local business and education committee. The organization’s primary focus is to connect small businesses owners with financial education and affordable funding opportunities. This service promotes economic development within the assessment area.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

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

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.