

# **PUBLIC DISCLOSURE**

January 24, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Middletown Valley Bank  
Certificate Number: 14017

24 West Main Street  
Middletown, Maryland 21769

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.

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	2
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	9
STATE OF MARYLAND – Full-Scope Review .....	10
DESCRIPTION OF INSTITUTION’S OPERATIONS - STATE OF MARYLAND.....	10
SCOPE OF EVALUATION - STATE OF MARYLAND.....	14
CONCLUSIONS ON PERFORMANCE CRITERIA - STATE OF MARYLAND.....	14
STATE OF PENNSYLVANIA – Full-Scope Review .....	23
DESCRIPTION OF INSTITUTION’S OPERATIONS IN – STATE OF PENNSYLVANIA.....	23
SCOPE OF EVALUATION – STATE OF PENNSYLVANIA .....	27
CONCLUSIONS ON PERFORMANCE CRITERIA – STATE OF PENNSYLVANIA .....	27
APPENDICES .....	33
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	33
SUMMARY OF RATINGS FOR RATED AREAS .....	34
GLOSSARY .....	35

## 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 area credit needs.
- A majority of loans are inside the institution's assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes and individuals of different income levels (including low- and moderate-income).
- The institution did not receive any Community Reinvestment Act (CRA)-related complaints since the prior evaluation. Therefore, this criterion did not affect the Lending Test rating.

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

- The institution's community development performance demonstrates adequate responsiveness to community development needs in 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 assessment areas.

## DESCRIPTION OF INSTITUTION

### **Background**

Middletown Valley Bank (MVB) is a full-service community bank headquartered in Middletown, Maryland. Community Heritage Financial, Inc. (CHF), a one-bank holding company located in Middletown, Maryland, wholly owns MVB. On March 1, 2022, the ownership of Millennium Financial Group, Inc. ("Mlend"), a residential mortgage origination company, moved from a subsidiary of CHF to a wholly owned subsidiary of MVB. Mlend is the bank's only subsidiary. The bank received a "Satisfactory" CRA rating at its prior FDIC Performance Evaluation, dated December 12, 2019, using Interagency Small Institution Examination Procedures.

### **Operations**

MVB operates eight full-service branches, including seven in Maryland and one in Pennsylvania. In addition to these full-service locations, MVB operates seven drive-up automated teller machines (ATMs) and one additional administrative location. Since the prior evaluation, MVB opened a branch in Waynesboro, Franklin County, Pennsylvania in 2021 and a Loan Production Office (LPO) in Oakland, Garrett County, Maryland in 2020.

MVB focuses on providing traditional loan and deposit products to consumer and commercial customers with an emphasis on commercial lending, primarily real estate-secured commercial properties. MVB also provides a variety of residential and consumer loan products, such as secured and unsecured loans and lines of credit, construction loans, and credit cards. Deposit products include consumer checking and savings accounts; certificates of deposit; business checking and money market accounts; non-profit checking accounts, and Individual Retirement Accounts (IRAs). Alternative banking services include Internet and mobile banking, electronic bill pay, peer-to-peer (P2P) payments, and night depository services. MVB participates in the BankOn program, which is a national platform with specific account standards designed to provide safe and affordable transaction deposit accounts to unbanked consumers.

### **Ability and Capacity**

Bank assets totaled \$909.9 million as of September 30, 2022, which included total loans of \$729.9 million, and total securities of \$142.1 million. Total deposits were \$781.1 million.

MVB grew significantly during the evaluation period. Since September 30, 2019, total assets grew 88.0 percent, where total loans increased 76.5 percent and total securities increased 282.6 percent. Total deposits also increased 80.0 percent. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and the American Rescue Plan Act of 2021 (American Rescue Plan) economic impact payments to individuals and families contributed to deposit growth; whereas, the SBA Paycheck Protection Program (PPP) in 2020 and 2021 supported loan growth. Last, in October 2019 and March 2021, CHF down streamed over \$13 million in capital that supported asset growth in 2020 and 2021.

The following table details the loan portfolio composition as of September 30, 2022.

<b>Loan Portfolio Distribution as of 9/30/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	63,937	8.8
Secured by Farmland	24,935	3.4
Secured by 1-4 Family Residential Properties	220,697	30.2
Secured by Multifamily (5 or more) Residential Properties	21,217	2.9
Secured by Nonfarm Nonresidential Properties	230,387	31.6
<b>Total Real Estate Loans</b>	<b>561,173</b>	<b>76.9</b>
Commercial and Industrial Loans	166,492	22.8
Agricultural Production and Other Loans to Farmers	95	0.0
Consumer Loans	1,067	0.2
Obligations of State and Political Subdivisions in the U.S.	0.0	0.0
Other Loans	1,055	0.1
Lease Financing Receivable (net of unearned income)	0.00	0.0
Less: Unearned Income	0.00	0.0
<b>Total Loans</b>	<b>729,882</b>	<b>100.00</b>
<i>Source Reports of Condition and Income</i>		

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

## **DESCRIPTION OF ASSESSMENT AREAS**

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which examiners will evaluate its performance. During this evaluation period, management expanded the CRA assessment area to include all of Frederick and Washington Counties in Maryland. The previous assessment area contained contiguous portions of each county. In addition, management added Franklin County in Pennsylvania as part of its CRA assessment area, in connection with the opening of the Waynesboro, Pennsylvania branch in May 2021. Currently, MVB designates two assessment areas, consisting of one in Maryland and one in Pennsylvania.

The Maryland assessment area includes Frederick and Washington Counties. Frederick, Maryland is within Metropolitan Division (MD) 23224 (Frederick-Gaithersburg-Rockville, MD), which is part of the larger Metropolitan Statistical Area (MSA) 47900 (Washington-Arlington-Alexandria, DC-VA-MD-WV). Washington County is within MSA 25180 (Hagerstown-Martinsburg, MD-WV). Both MSAs are part of the larger Combined Statistical Area (CSA) 548 (Washington-Baltimore-Arlington, DC-MD-VA-WV-PA). Examiners analyzed performance in each MSA separately and determined the performance in each area to be consistent; therefore, this evaluation presents the performance analysis for the Maryland assessment area at the CSA level.

The Pennsylvania assessment area consists of Franklin County, which is part of the larger Chambersburg-Waynesboro, PA MSA 16540. Please refer to the individual rated areas for demographic details.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the prior evaluation dated December 12, 2019, to the current evaluation dated January 24, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate MVB's CRA performance. These procedures include the Lending Test and the Community Development Test. Please refer to the Appendices for a complete description of each test.

Examiners performed full-scope reviews for both the State of Maryland and State of Pennsylvania assessment areas. The State of Maryland assessment area contributed more weight to overall ratings and conclusions, as a majority of the loans, branches, and deposits are located within this assessment area.

At the institution's request, examiners considered lending performed by the bank's residential mortgage subsidiary, Mlend, during this review period. The assessment area concentration factor does not consider Mlend loans; however, the geographic distribution and borrower profile analysis includes these loans.

### **Activities Reviewed**

MVB's major product lines, considering its business strategy and the number and dollar volume of loans originated during the evaluation period, are small business and home mortgage loans. No other loan types, such as small farm loans or consumer loans, represent a major product line or provide material support for conclusions or ratings; therefore, performance does not include these products. Small business loans contributed more weight to overall conclusions due to larger loan volume during the evaluation period when compared to home mortgage lending. Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period.

Based on asset size, the bank is not required to collect or report small business loan data. However, management opted to collect data pursuant to the data collection requirements of CRA. Examiners used this data to evaluate small business lending performance. The bank originated 271 small business loans totaling \$48.0 million in 2019, 762 small business loans totaling \$97.0 million in 2020, and 646 small business loans totaling \$87.4 million in 2021. Participation in the SBA's Paycheck Protection Program (PPP) during the COVID-19 pandemic contributed to the significant increase in small business loan volume in 2020 and 2021. Examiners used D&B demographic data for comparison purposes.

This evaluation also considered home mortgage loans reported on the 2019, 2020, 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank originated 80 mortgage loans totaling \$21.2 million in 2019, 116 mortgage loans totaling \$39.2 in 2020, and 139 mortgage loans totaling \$61.2 million in 2021. Examiners also considered Mlend's home mortgage loans. Mlend originated 335 mortgage loans totaling \$88.8 million in 2019, 796 mortgage loans totaling \$207.2 million in 2020, and 651 mortgage loans totaling \$170.1 million in 2021. For

comparison purposes, examiners reviewed 2019, 2020, and 2021 HMDA aggregate data and the 2015 American Community Survey (ACS) demographic data.

The Lending Test for the State of Maryland assessment area includes the analysis and presentation of all three years of data within the Geographic Distribution and Borrower Profile tables, based on inconsistent yearly performance during the review period. Considering that the bank opened its branch in Franklin County, PA, in May 2021, examiners analyzed and presented 2021 data for the Geographic Distribution and Borrower Profile performance factors for the State of Pennsylvania assessment area. While this evaluation presents 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 and businesses served. For the Community Development Test, management provided data on community development loans, investments, and services.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

MVB demonstrated satisfactory performance under the Lending Test. This rating is consistent with the most heavily weighted assessment area, the State of Maryland. Performance in the LTD Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria support this conclusion. This section presents the overall performance under the Lending Test.

### **Loan-to-Deposit Ratio**

The LTD Ratio is reasonable given the institution’s size, financial condition, and assessment areas’ credit needs. MVB’s LTD ratio, calculated from Call Report data for the 12 quarters since the prior evaluation, averaged 88.0 percent from December 31, 2019, to September 30, 2022. The LTD ratio fluctuated during the evaluation period, ranging from a low of 81.0 percent as of September 30, 2021, to a high of 95.4 percent as of December 31, 2019.

Examiners compared the bank’s average LTD ratio to two comparable institutions based on their asset size, lending focus, and geographic location.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 9/30/2022 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Middletown Valley Bank</b>	<b>909,859</b>	<b>88.0</b>
Farmers and Merchants Bank	717,314	84.8
Woodsboro Bank	432,465	64.9
<i>Source Reports of Condition and Income 12/31/2019- 9/30/2022</i>		

**Assessment Area Concentration**

As shown in the following table, the bank originated a majority of home mortgage and small business loans its assessment areas.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2019	67	83.8	13	16.3	80	18,138	85.5	3,080	14.5	21,218
2020	61	52.6	55	47.4	116	15,338	39.1	23,884	60.9	39,222
2021	60	43.2	79	56.8	139	21,971	35.9	39,206	64.1	61,178
<b>Subtotal</b>	<b>188</b>	<b>56.1</b>	<b>147</b>	<b>43.9</b>	<b>335</b>	<b>55,447</b>	<b>45.6</b>	<b>66,170</b>	<b>54.4</b>	<b>121,618</b>
Small Business										
2019	245	90.4	26	9.6	271	41,272	86.0	6,705	14.0	47,977
2020	635	83.3	127	16.7	762	81,218	83.7	15,823	16.3	97,041
2021	515	79.7	131	20.3	646	72,419	82.9	14,959	17.1	87,378
<b>Subtotal</b>	<b>1,395</b>	<b>83.1</b>	<b>284</b>	<b>16.9</b>	<b>1,679</b>	<b>194,909</b>	<b>83.9</b>	<b>37,487</b>	<b>16.1</b>	<b>232,396</b>
<b>Total</b>	<b>1,583</b>	<b>78.6</b>	<b>431</b>	<b>21.4</b>	<b>2,014</b>	<b>250,356</b>	<b>70.7</b>	<b>103,658</b>	<b>29.3</b>	<b>354,013</b>
<i>Source Bank Data. Due to rounding, totals may not equal 100.0%.</i>										

As stated previously, small business loan volume increased significantly due to the bank’s participation in the SBA’s PPP loan program. The SBA created this program to provide relief to businesses during the COVID-19 pandemic. PPP loans helped small businesses with expenses related to payroll, rent, and utilities. In 2020, the bank originated 541 PPP loans totaling \$53.6 million. In 2021, the bank originated 366 PPP loans totaling \$37.9 million. A majority of these loans were within the bank’s assessment areas.

Loan production out of the new Oakland, Maryland LPO contributed to the increase in home mortgage lending outside the assessment area. This LPO accounted for 31 home mortgage loans in 2020 and 47 in 2021. These loans are in Garrett County, Maryland, which is outside of the bank’s assessment area. In comparison, the bank did not originate any loans in this area in 2019.

**Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. MVB’s performance in the State of Maryland assessment area contributed the most weight in arriving at this conclusion. The individual assessment area sections include detailed analysis and comparisons to aggregate and demographic data, as applicable.



**Borrower Profile**

The distribution of loans to borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels given the demographics of the assessment areas. The bank’s level of lending to businesses with gross annual revenues (GARs) of \$1.0 million or less in the State of Maryland assessment area largely influenced the overall conclusion. The individual assessment area sections include detailed analysis and comparisons to demographic data, as applicable.

**Response to Complaints**

MVB did not receive any CRA-related complaints since the prior evaluation. Therefore, this criterion did not affect the Lending Test rating.

**COMMUNITY DEVELOPMENT TEST**

MVB demonstrates adequate responsiveness to community development needs in its assessment areas, primarily through community development loans and qualified investments. Examiners considered the institution’s capacity and the need and availability of community development opportunities within the assessment areas.

This section presents the overall performance under the Community Development Test. Later sections present information specific to each individual assessment area.

**Community Development Loans**

MVB originated 28 community development loans totaling \$35.0 million during the evaluation period. Based on Call Report data as of September 30, 2022 these loans represent 3.9 percent of total assets and 4.8 percent of total loans. While community development lending benefitted both assessment areas, the bank was particularly responsive to needs in the State of Maryland assessment area. The following table details MVB’s community development loans by assessment area and purpose.

<b>Community Development Lending by Rated Area</b>										
<b>Rated Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
State of Maryland	3	3,385	8	4,095	3	7,051	12	18,781	26	33,312
State of Pennsylvania	0	0	0	0	0	0	1	1,500	1	1,500
Regional Activities	1	224	0	0	0	0	0	0	1	224
<b>Total</b>	<b>4</b>	<b>3,609</b>	<b>8</b>	<b>4,095</b>	<b>3</b>	<b>7,051</b>	<b>13</b>	<b>20,281</b>	<b>28</b>	<b>35,036</b>
<i>Source Bank Data</i>										

For additional details on community development loans, please refer to the individual assessment area sections.

**Qualified Investments**

MVB made 128 qualified investments and donations totaling \$10.8 million that benefitted the assessment areas and broader regional area during the evaluation period. This includes eight qualified investments totaling \$10.5 million and 120 donations totaling \$301,000. This performance represents a substantial increase from the prior evaluation, when the bank made 54 qualified investments, all representing donations totaling \$123,000. MVB’s qualified investment activity represents 1.2 percent of total assets and 7.6 percent of total securities.

The following table details MVB’s community development investments and donations by assessment area and purpose.

<b>Qualified Investments by Rated Area</b>										
<b>Rated Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
State of Maryland	6	3,998	93	241	0	0	17	56	<b>116</b>	<b>4,295</b>
State of Pennsylvania	0	0	7	7	0	0	0	0	7	7
Regional Activities	5	6,506	0	0	0	0	0	0	<b>5</b>	<b>6,506</b>
<b>Total</b>	<b>11</b>	<b>10,504</b>	<b>100</b>	<b>248</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>56</b>	<b>128</b>	<b>10,808</b>
<i>Source Bank Data</i>										

Since the bank met the needs of assessment areas, examiners considered activities outside of the assessment areas in the broader regional area. The following notable community development investments benefit a broader statewide and regional area.

- MVB purchased a \$998,833 bond issued by the Howard County Housing Commission. The bond proceeds financed improvements to existing affordable housing units for low- and moderate-income individuals and families throughout the county.
- A \$1.0 million investment in a Montgomery County housing bond supported affordable housing throughout the county. The bond funds the development of rental units for low- and moderate-income individuals and households.

For additional details on qualified investments, please refer to the individual assessment area sections.

**Community Development Services**

During the evaluation period, MVB staff participated in 106 instances of community development services. The bank’s performance more than doubled when compared to the number of community development services provided during the prior evaluation period.

The following table details the bank’s community development services by assessment area and purpose.

<b>Community Development Services by Rated Area</b>					
<b>Rated Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
State of Maryland	4	87	6	4	<b>101</b>
State of Pennsylvania	4	1	0	0	<b>5</b>
<b>Total</b>	<b>8</b>	<b>88</b>	<b>6</b>	<b>4</b>	<b>106</b>
<i>Source Bank Data</i>					

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

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

## STATE OF MARYLAND – Full-Scope Review

### CRA RATING FOR THE STATE OF MARYLAND: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

### DESCRIPTION OF INSTITUTION’S OPERATIONS - STATE OF MARYLAND

This assessment area consists of Frederick and Washington Counties in Maryland. MVB’s main office is located in a middle-income census tract in Frederick County. There are six additional branches located throughout Frederick and Washington Counties. Of these, one is located in a moderate-income census tract, four are in middle-income census tracts, and one is in an upper-income census tract. With the exception of its main office, MVB maintains ATMs at each of its branches. In addition, the bank maintains ATMs at two retail locations in Frederick County, both in middle-income census tracts.

#### Economic and Demographic Data

There are 93 census tracts within the State of Maryland assessment area. These tracts reflect the following income designations according to the 2015 ACS data:

- 6 low-income,
- 26 moderate-income,
- 50 middle-income,
- 10 upper-income, and
- 1 with no income designation.

Frederick and Washington Counties participate in the Maryland Enterprise Zone program, which is a defined geographic area in which economic incentives are available to new and existing businesses that expand through capital investments and/or job creation. The Enterprise Zone program provides real property and state income tax credit to qualifying businesses. Businesses located in ‘focus areas’ may also qualify for personal property tax credits on new investment in personal property and enhanced income tax credit for creating new jobs. Washington County has three state-designated zones that include the Town of Hancock, the City of Hagerstown, and parts of Washington County. The designated zone in Frederick County includes a geographic area along the Route 40 West corridor.

The following table shows the demographic information for the assessment area.

<b>Demographic Information</b>						
<b>State of Maryland Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	93	6.5	28.0	53.8	10.8	1.1
Population by Geography	390,643	5.0	25.0	54.2	14.2	1.6
Housing Units by Geography	153,819	5.6	26.1	54.5	13.8	0.0
Owner-Occupied Units by Geography	101,407	2.9	20.5	60.1	16.5	0.0
Occupied Rental Units by Geography	43,154	11.2	38.2	42.6	8.0	0.0
Vacant Units by Geography	9,258	9.0	29.9	49.0	12.1	0.0
Businesses by Geography	38,196	6.8	25.4	54.5	13.3	0.0
Farms by Geography	1,769	2.7	21.4	56.0	19.8	0.0
Family Distribution by Income Level	101,275	22.6	19.3	24.0	34.1	0.0
Household Distribution by Income Level	144,561	25.4	17.9	20.0	36.7	0.0
Median Family Income MSA - 23224 Frederick-Gaithersburg-Rockville, MD		\$112,655	Median Housing Value			\$256,782
Median Family Income MSA - 25180 Hagerstown-Martinsburg, MD-WV MSA		\$64,343	Median Gross Rent			\$1,083
			Families Below Poverty Level			6.5%
<i>Source 2015 ACS and 2021 D&amp;B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that without an assigned income classification.</i>						

The Geographic Distribution criterion for small business lending considers the distribution of businesses by income level within the assessment area. As shown in the table above, 6.8 percent of businesses are located in low-income census tracts and 25.4 percent are located in moderate-income census tracts. This suggests limited opportunities for lenders to originate small business loans within low-income geographies.

The Borrower Profile criterion considers the GARs of small businesses. According to 2021 D&B data, there are 38,196 non-farm businesses operating within the assessment area. GARs of these businesses are as follows.

- 87.6 percent have GARs of \$1.0 million or less,
- 3.8 percent have GARs of more than \$1.0 million, and
- 8.6 percent have unreported GARs.

Services represent the largest percentage of businesses (38.2 percent), followed by non-classifiable establishments (20.6 percent); retail trade (10.5 percent); and finance, insurance, and real estate (8.7 percent). Within the assessment area, about 63.1 percent of businesses have four or fewer employees and 91.7 percent operate from a single location. This information reflects the potential demand for, and the opportunity to originate loans to small businesses in the assessment area. According to Moody's Analytics, the top employer within the assessment area is Fort Detrick.

There are 153,819 total housing units in the assessment area. Of these, 65.9 percent are owner-occupied housing units, 28.1 percent are occupied rental units, and 6.0 percent are vacant. The Geographic Distribution criterion compares home mortgage lending to the distribution of owner-occupied housing units. As shown above, 2.9 percent of the total owner-occupied housing units are located in low-income census tracts and 20.5 percent are located in moderate-income census tracts. In contrast, 11.2 percent of occupied rental units are located in low-income census tracts and 38.2 percent are located in moderate-income geographies. This data suggests the limited opportunities lenders have to originate home mortgage loans within low-income geographies.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The Borrower Profile criterion for home mortgage lending considers the percentage of assessment area low- and moderate-income families. Of the 101,275 families, 22.6 percent are low- and 19.3 percent are moderate-income. This data reflects a need for affordable housing in this area.

The following table illustrates the income categories for the assessment area for 2019, 2020, and 2021.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Frederick-Gaithersburg-Rockville, MD Median Family Income (23224)</b>				
2019 (\$123,600)	<\$61,800	\$61,800 to <\$98,880	\$98,880 to <\$148,320	≥\$148,320
2020 (\$124,400)	<\$62,200	\$62,200 to <\$99,520	\$99,520 to <\$149,280	≥\$149,280
2021 (\$129,900)	<\$64,950	\$64,950 to <\$103,920	\$103,920 to <\$155,880	≥\$155,880
<b>Hagerstown-Martinsburg, MD-WV MSA Median Family Income (25180)</b>				
2019 (\$69,900)	<\$34,950	\$34,950 to <\$55,920	\$55,920 to <\$83,880	≥\$83,880
2020 (\$73,000)	<\$36,500	\$36,500 to <\$58,400	\$58,400 to <\$87,600	≥\$87,600
2021 (\$74,400)	<\$37,200	\$37,200 to <\$59,520	\$59,520 to <\$89,280	≥\$89,280
<i>Source FFIEC</i>				

The following table summarizes the Bureau of Labor Statistics average annual unemployment rate at the county, statewide, and national level from 2019 through 2021. The unemployment rates at the county, state, and national levels fluctuated since the prior evaluation, with 2020 unemployment rates impacted by the COVID-19 pandemic. As shown in the following table, county unemployment in the assessment area trended downward following the pandemic, similar to the state and national averages; however, are not back to pre-pandemic figures.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Frederick County	3.0	5.8	4.8
Washington County	3.7	6.8	5.4
State of Maryland	3.4	6.7	5.8
National Average	3.7	8.1	5.4
<i>Source Bureau of Labor Statistics</i>			

## **Competition**

The State of Maryland assessment area market is moderately competitive for financial services. According to the most recent FDIC Deposits Market Share Report, 20 institutions operated 101 branches in the assessment area. Of these institutions, MVB ranked fifth with a 7.3 percent deposit market share based on total deposits. The top four institutions, which are all national or regional banks, captured 60.0 percent of the deposit market share.

Competition for small business loans in this assessment area is moderate. MVB is not required to report small business lending data and has elected not to do so; therefore, examiners did not use aggregate lending data for comparison purposes. However, examiners reviewed the most recently available aggregate lending data to gauge the level of competition and demand for small business loans. According to the 2020 Peer Small Business Loan data, 110 lenders in Frederick and Washington Counties originated 9,298 small business loans. The top five small business lenders, all larger national or regional institutions, represented 46.6 percent of the market share.

This assessment area is a highly competitive market for home mortgage loans among banks, credit unions, and non-depository lenders. According to 2020 Peer Mortgage Data, 473 mortgage lenders reported originating or purchasing 32,255 home mortgage loans. Of these institutions, MVB ranked 109<sup>th</sup> with a 0.1 percent market share, and Mlend ranked 26<sup>th</sup> with a 1.0 percent market share. The top five mortgage lenders, all large national banks or internet-based home mortgage lenders represented 24.6 percent of the market share.

## **Community Contact(s)**

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

For this evaluation, examiners contacted an economic development organization that focuses on job growth and community development in Washington County. The contact indicated that a primary community development need is affordable housing, specifically to support a growing workforce. In addition, the contact noted significant demand for small dollar loans to finance start-up businesses that are unable to secure traditional funding. These small businesses may find traditional financing difficult due to credit limitations. According to the contact, local financial institutions are

involved in the community. The contact provided several examples of bankers serving on boards of business development organizations and area non-profits.

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

Considering the community contact information, bank management input, demographics, and economic data, examiners determined that financing to support affordable housing development programs is a primary credit need, along with community development lending within the assessment area. In addition, small business loan programs represent a significant credit and community development need. Economic and demographic data support an opportunity for small business financing and for an affordable housing need as the community contact identified.

## **SCOPE OF EVALUATION - STATE OF MARYLAND**

Examiners used full-scope examination procedures to evaluate MVB's performance in the State of Maryland assessment area based on the volume of lending activity, deposit volume, and branch distribution within the this assessment area. The products, weighting, and evaluation described in the overall Scope of Evaluation section are applicable to this assessment area analysis.

## **CONCLUSIONS ON PERFORMANCE CRITERIA - STATE OF MARYLAND**

### **LENDING TEST**

MVB demonstrated satisfactory performance under the Lending Test for the State of Maryland rated area. Performance under the Geographic Distribution and Borrower Profile criteria support this rating. Examiners placed the most weight on lending performance within this assessment area when arriving at overall conclusions and ratings.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable small business and home mortgage lending performance supports this conclusion. Examiners focused on the number of loans in low- and moderate-income census tracts. Examiners also considered demographics of the assessment area and the institution's size as a factor.

### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area.

MVB's performance exceeded the percentage of businesses in low-income census tracts in 2019 and was consistent with aggregate data in 2020. The lending performance in low-income census tracts decreased in 2021; however, it was comparable to demographic data.



MVB’s performance in moderate-income census tracts is similar to demographic data in 2019. However, the lending performance in moderate-income tracts fell significantly below demographic data in 2020 and 2021. In 2020, MVB made 72 loans in moderate-income census tracts. Although MVB does not report its small business loan data, a review of the 2020 Peer Small Business data revealed that only 11 out of 109 lenders reported making more than 72 small business loans in moderate-income census tracts within this area. Further review noted that nine lenders in this group are large national or regional institutions. In 2020 and 2021, SBA PPP loans dominated the demand for small business lending. The program’s low interest rate, loan forgiveness feature, and approval process made these loans attractive for small businesses needing support during the pandemic. Considering the demographic data and the highly competitive assessment area, the bank’s performance is reasonable overall.

The following table reflects the distribution of loans by census tract income level.

<b>Geographic Distribution of Small Business Loans</b>					
<b>State of Maryland Assessment Area</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2019	6.7	16	7.0	2,046	5.5
2020	6.9	34	6.1	6,388	9.9
2021	6.8	18	4.1	4,176	7.6
<b>Moderate</b>					
2019	25.7	45	19.6	8,815	23.6
2020	25.6	72	12.8	8,063	12.5
2021	25.4	64	14.6	7,175	13.0
<b>Middle</b>					
2019	54.4	118	51.3	20,152	53.9
2020	54.3	345	61.5	38,430	59.4
2021	54.5	259	59.3	31,687	57.5
<b>Upper</b>					
2019	13.2	51	22.2	6,362	17.0
2020	13.1	110	19.6	11,781	18.2
2021	13.3	96	22.0	12,043	21.9
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>230</b>	<b>100.0</b>	<b>37,375</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>561</b>	<b>100.0</b>	<b>64,662</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>437</b>	<b>100.0</b>	<b>55,081</b>	<b>100.0</b>

*Source 2019, 2020 & 2021 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%*

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area.

As shown in the following table, MVB's performance in low-income census tracts was below aggregate performance and demographic data in 2019. Lending performance increased in 2020, which was consistent with aggregate performance and demographic data. Performance declined in 2021, remaining below the aggregate performance and the percent of owner-occupied housing units in low-income census tracts. Lending in moderate-income census tracts exceeded the aggregate and demographic data in 2019, but it was below both aggregate performance and demographic data in moderate-income census tracts in 2020 and 2021.

Recent market share supports the bank's reasonable performance. In 2020, only 157 of the 473 lenders made loans in low-income census tracts and 293 lenders made loans in moderate-income census tracts. MVB ranked 51<sup>st</sup> and 110<sup>th</sup> in these categories, respectively, outranking all local community banks.

The following table reflects the distribution of loans by census tract income level.

Geographic Distribution of Home Mortgage Loans						
State of Maryland Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	2.9	2.8	2	1.0	253	0.5
2020	2.9	2.6	10	2.7	1,420	1.5
2021	2.9	2.9	5	1.5	1,047	1.2
Moderate						
2019	20.5	19.5	43	22.2	9,159	17.2
2020	20.5	18.0	58	15.6	14,016	14.6
2021	20.5	19.4	41	12.3	10,311	11.6
Middle						
2019	60.1	63.1	114	58.8	33,895	63.8
2020	60.1	64.1	207	55.5	55,494	57.6
2021	60.1	62.3	208	62.3	54,254	60.9
Upper						
2019	16.5	14.6	35	18.0	9,840	18.5
2020	16.5	15.3	98	26.3	25,355	26.3
2021	16.5	15.4	80	24.0	23,480	26.4
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>194</b>	<b>100.0</b>	<b>53,146</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>373</b>	<b>100.0</b>	<b>96,285</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>334</b>	<b>100.0</b>	<b>89,092</b>	<b>100.0</b>
<i>Source 2015 ACS; Bank Data, 2019, 2020 &amp; 2021 HMDA Aggregate Data, Due to rounding, totals may not equal 100.0%</i>						

## **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and borrowers of different income levels. MVB's reasonable distribution of small business and home mortgage lending supports this conclusion. Examiners focused on the percentage of small business loans to businesses with GARs of \$1.0 million or less and the percentage of home mortgage loans to low- and moderate-income borrowers.

### ***Small Business Loans***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes.

The bank's performance of lending to businesses with GARs of \$1.0 million or less is below demographic data in all three years during the review period. This disparity is significantly lower in 2020 and 2021 due primarily to the number of PPP loans the bank originated. Since the PPP did not require lenders to collect business revenue information, a significant portion of the 2020 and 2021

small business loans do not include revenue information, which affected the distribution of small business loans by borrower GAR. When excluding loans without revenue data, the bank made 66 of 123 small business loans or 53.8 percent in 2020 and made 86 of 165 small business loans, or 50.0 percent in 2021 to businesses with GARs of \$1.0 million or less. When excluding loans without revenue information, the bank’s performance aligns with its 2019 lending performance to businesses with GARs of \$1.0 million or less.

As previously noted MVB, is not a small business reporter; however, examiners reviewed 2020 aggregate data to gain insight into the level of demand for loans to businesses with GARs of \$1.0million or less. Aggregate data indicated that only 45.9 percent of loans were to businesses with GARs of \$1 million or less in 2020. The table that follows reflects the distribution of small business loans by revenue category for all small business loans, including PPP loans.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>State of Maryland Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2019	85.3	108	47.0	18,978	50.8
2020	86.6	66	11.8	10,647	16.5
2021	87.6	83	19.0	17,570	31.9
<b>&gt;\$1,000,000</b>					
2019	4.9	112	48.7	16,329	43.7
2020	4.4	57	10.2	9,103	14.1
2021	3.8	82	18.8	13,102	23.8
<b>Revenue Not Available</b>					
2019	9.7	10	4.3	2,069	5.5
2020	9.1	438	78.1	44,912	69.5
2021	8.6	272	62.2	24,408	44.3
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>230</b>	<b>100.0</b>	<b>37,375</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>561</b>	<b>100.0</b>	<b>64,662</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>437</b>	<b>100.0</b>	<b>55,081</b>	<b>100.0</b>

*Source 2019, 2020, and 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.*

### **Home Mortgage Loans**

The distribution of loans reflects reasonable penetration among individuals of different income levels.

MVB’s performance of lending to low-income borrowers was consistent with aggregate performance in 2019 and 2021. In 2020, the bank’s lending to low-income borrowers increased and exceeded aggregate performance. The bank’s performance to low-income borrowers was less than the demographic data in all three years. The significant disparity between aggregate performance and

percentage of low-income families reflects the difficulties that low-income families face qualifying for a home mortgage loan. Specifically, a low-income family in the assessment area, with an income below \$37,200 (MSA 25180) or \$64,950 (MSA 23224), would likely not qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$256,782. Therefore, the opportunity for lending to low-income families is relatively limited.

MVB’s performance of lending to moderate-income borrowers was similar to or outperformed aggregate and demographic data in 2019 and 2021. However, MVB trailed aggregate performance and demographic data in 2020. Overall, these trends and comparisons reflect reasonable performance.

The table that follows shows the distribution of home mortgage loans for 2019, 2020, and 2021.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>State of Maryland Assessment Area</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	22.6	10.6	17	8.8	3,100	5.8
2020	22.6	8.5	39	10.5	6,003	6.2
2021	22.6	9.5	30	9.0	5,399	6.1
<b>Moderate</b>						
2019	19.3	22.2	43	22.2	9,974	18.8
2020	19.3	19.3	66	17.7	14,900	15.5
2021	19.3	20.8	79	23.7	15,599	17.5
<b>Middle</b>						
2019	24.0	22.2	45	23.2	11,694	22.0
2020	24.0	22.2	97	26.0	25,359	26.3
2021	24.0	22.2	77	23.1	20,930	23.5
<b>Upper</b>						
2019	34.1	23.0	71	36.6	24,715	46.5
2020	34.1	24.4	155	41.6	46,497	48.3
2021	34.1	23.4	124	37.1	40,812	45.8
<b>Not Available</b>						
2019	0.0	22.0	18	9.3	3,663	6.9
2020	0.0	25.6	16	4.3	3,526	3.7
2021	0.0	24.1	24	7.2	6,352	7.1
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>194</b>	<b>100.0</b>	<b>53,146</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>373</b>	<b>100.0</b>	<b>96,285</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>334</b>	<b>100.0</b>	<b>89,092</b>	<b>100.0</b>
<i>Source 2015 ACS; Bank Data, 2019, 2020 &amp; 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

## COMMUNITY DEVELOPMENT TEST

MVB demonstrates adequate responsiveness to the community development needs in the State of Maryland assessment area. The adequate volume of community development loans, qualified investments, and community development services supports this conclusion. Examiners considered the institution’s capacity and the need and availability of community development opportunities within the State of Maryland assessment area.

### Community Development Loans

MVB made 26 community development loans totaling \$33.3 million demonstrating an increase in the level of community development lending by dollar amount when compared to the prior period. The prior evaluation concluded that the bank made an adequate level of community development loans at which time the bank originated 32 loans totaling \$18.2 million. In 2020, the bank originated only three community development loans, which is inconsistent with 2021 and 2022 lending activity. Therefore, it is reasonable to conclude that the lower number of loans resulted from the impact of the COVID-19 pandemic in 2020. MVB’s community development loans primarily helped finance revitalization efforts in low- and moderate-income areas.

The following table illustrates the community development lending activity by year and purpose.

<b>Community Development Lending State of Maryland Assessment Area</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2019 (partial)	0	0	0	0	0	0	0	0	0	0
2020	1	179	0	0	1	2,051	1	1,845	3	4,075
2021	1	216	5	3,564	1	2,000	3	8,700	10	14,480
2022	1	2,990	3	530	1	3,000	8	8,236	13	14,756
YTD 2023	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>3,385</b>	<b>8</b>	<b>4,094</b>	<b>3</b>	<b>7,051</b>	<b>12</b>	<b>18,781</b>	<b>26</b>	<b>33,311</b>
<i>Source Bank Data</i>										

Below are examples of MVB’s community development loans.

- In 2021, the bank originated a \$5.5 million loan to a foundation in the City of Hagerstown that supported the construction of a minor league baseball stadium. The new stadium promotes job production and supports revitalization efforts within this designated Maryland Enterprise Zone.
- In 2022, the bank originated a \$3.0 million working capital line of credit that supported a small business operating in a moderate-income census tract in the City of Hagerstown. The loan proceeds support job retention for low- and moderate-income individuals.

- In 2020, the bank originated two PPP loans totaling \$3.9 million to small businesses operating in the assessment area that supported job retention for low- and moderate-income individuals.

### **Qualified Investments**

MVB made 120 qualified investments and donations for \$4.4 million during the evaluation period. Qualified investment activity exceeds the level of investments and donations of \$123,000 noted during the prior evaluation.

The following table illustrates qualified investments and donations by year and purpose.

<b>Qualified Investments</b>										
<b>State of Maryland Assessment Area</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2019 (partial)	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	3	3,394	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>3</b>	<b>3,394</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3,994</b>
Qualified Grants & Donations	3	4	92	229	0	0	22	144	117	377
<b>Total</b>	<b>6</b>	<b>3,998</b>	<b>92</b>	<b>229</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>144</b>	<b>120</b>	<b>4,371</b>
<i>Source Bank Data</i>										

All qualified investments consisted of mortgage-backed securities in which the majority of loans were to LMI borrowers. Below are notable examples of community development donations.

- A non-profit community music and entertainment venue received donations of \$139,000. The facility is located in the Arts and Entertainment District of downtown Hagerstown, and is within the designated Enterprise Zone. The expansion of this event space is a key pillar of the city’s revitalization plan to attract new businesses and residents to the downtown area.
- The bank made donations totaling \$35,255 to a foundation of a non-profit community hospital, which benefit health care programs for low- and moderate-income individuals.
- The bank also donated \$32,550 to a non-profit healthcare facility that provides affordable housing and other support services for low-income seniors.

**Community Development Services**

MVB staff provided 101 instances of financial expertise and/or technical assistance during the evaluation period. The level of community development services exceeded that noted during the prior evaluation period by more double.

The following table reflects the bank’s community development services by year and purpose.

<b>Community Development Services</b>					
<b>State of Maryland Assessment Area</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2020	0	5	1	1	7
2021	1	8	2	1	12
2022	2	72	3	1	78
YTD 2023	1	2	0	1	4
<b>Total</b>	<b>4</b>	<b>87</b>	<b>6</b>	<b>4</b>	<b>101</b>
<i>Source Bank Data</i>					

Below are notable examples of community development services in the State of Maryland.

- Each year during the evaluation period, an Executive Administrative Assistant provided financial expertise while serving on the Fundraising Committee of a nonprofit organization in Frederick County. This organization provides financial assistance to members of the community that face challenges paying for utility bills, groceries, and rent. A majority of those served by this organization are low- or moderate-income individuals.
- A Senior Vice President provides financial expertise by serving on the Board, and as a Treasurer, of a Community Housing Development organization. The organization develops affordable housing projects including affordable rental units serving low- and moderate-income individuals and families in this assessment area.
- During the evaluation period, a Vice President served on the loan review committee of a local organization in the City of Hagerstown. Services included providing financial expertise by reviewing and making decisions on loan requests for individuals and businesses that do not qualify for traditional loan products. This organization, located in a designated Enterprise Zone, administers a pool of funds and loan programs used to revitalize Hagerstown’s downtown area.
- In 2022, six employees provided financial education to students that attend a non-profit children’s organization in Frederick County. A majority of the students served by this organization are of low- or moderate-income levels.



## STATE OF PENNSYLVANIA – Full-Scope Review

**CRA RATING FOR (PENNSYLVANIA): SATISFACTORY**

**The Lending Test is rated: Satisfactory**

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

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN – STATE OF PENNSYLVANIA

MVB designated Franklin County, PA as an assessment area in 2021. The one branch in this assessment area is located in a middle-income tract in Franklin County. The branch offers ATM services.

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

Franklin County is in the Chambersburg-Waynesboro, PA MSA #16540.

There are 27 census tracts within the State of Pennsylvania assessment area. These tracts reflect the following income designations according to the 2015 ACS data:

- 1 low-income,
- 4 moderate-income,
- 20 middle-income, and
- 2 upper-income

The following table shows the demographic information for the assessment area.

Demographic Information						
State of Pennsylvania Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	3.7	14.8	74.1	7.4	0.0
Population by Geography	152,285	3.7	9.0	78.4	8.9	0.0
Housing Units by Geography	63,947	3.5	9.9	78.5	8.2	0.0
Owner-Occupied Units by Geography	42,014	1.4	6.5	82.7	9.4	0.0
Occupied Rental Units by Geography	16,556	8.1	18.0	67.7	6.2	0.0
Vacant Units by Geography	5,377	5.0	11.6	78.7	4.7	0.0
Businesses by Geography	11,603	4.9	8.1	79.2	7.8	0.0
Farms by Geography	806	1.0	2.7	89.5	6.8	0.0
Family Distribution by Income Level	40,598	18.6	19.9	22.3	39.2	0.0
Household Distribution by Income Level	58,570	21.3	17.6	19.7	41.4	0.0
Median Family Income MSA - 16540 Chambersburg-Waynesboro, PA MSA		\$64,527	Median Housing Value			\$174,521
			Median Gross Rent			\$805
			Families Below Poverty Level			8.6%
<i>Source 2015 ACS and 2021 D&amp;B Data. Due to rounding, totals may not equal 100.0%.</i>						

The Geographic Distribution criterion for small business lending considers the distribution of businesses by income level within the assessment area. As shown in the table above, 4.9 percent of businesses are located in low-income census tracts and 8.1 percent are located in moderate-income census tracts. This data reflects the limited opportunities for financial institutions to make small business loans within these income geographies.

The Borrower Profile criterion considers the GARs of small businesses. According to 2021 D&B Data there are 11,603 non-farm businesses operating within the assessment area. GARs of these businesses are as follows.

- 87.1 percent have GARs of \$1.0 million or less,
- 3.6 percent have GARs of more than \$1.0 million, and
- 9.3 percent have unreported GARs.

Services represent the largest percentage of businesses (37.4 percent), followed by non-classifiable establishments (14.1 percent); retail trade (12.9 percent); and finance, insurance, and real estate (8.8 percent). Within the assessment area, about 68.3 percent of businesses have four or fewer employees and 91.2 percent operate from a single location. This information reflects the potential demand for, and the opportunity to originate, loans to small businesses in the assessment area. According to Pennsylvania’s Department of Labor & Industry, top employers within the assessment area include the Federal Government, The Chambersburg Hospital, Target Corporation, and Chambersburg Area School District.

There are 63,947 total housing units in the assessment area. Of these, 65.7 percent are owner-occupied housing units, 25.9 percent are occupied rental units, and 8.4 percent are vacant. The Geographic Distribution criterion compares home mortgage lending to the distribution of owner-occupied housing units. As shown above, 1.4 percent of the total owner-occupied housing units are located in low-income census tracts and 6.5 percent are located within moderate-income census tracts. This suggests the significantly limited opportunities for lenders to make mortgage loans within these income geographies.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The Borrower Profile criterion for home mortgage lending considers the percentage of assessment area low- and moderate-income families. Of the 40,598 families, 18.6 percent are low-income and 19.9 percent are moderate-income. This data reflects the opportunities lenders have to originate home mortgage loans to these low- and moderate-income families.

The following table illustrates the income categories for the assessment area for 2019, 2020, and 2021.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Chambersburg-Waynesboro, PA MSA Median Family Income (16540)</b>				
2019 (\$76,400)	<\$38,200	\$38,200 to <\$61,120	\$61,120 to <\$91,680	≥\$91,680
2020 (\$78,300)	<\$39,150	\$39,150 to <\$62,640	\$62,640 to <\$93,960	≥\$93,960
2021 (\$73,200)	<\$36,600	\$36,600 to <\$58,560	\$58,560 to <\$87,840	≥\$87,840
<i>Source FFIEC</i>				

The following table summarizes the average annual unemployment rate from the Bureau of Labor Statistics at the county, statewide, and national level. The unemployment rates at the county, state, and national levels fluctuated since the prior evaluation. The 2020 unemployment rates reflect the impact of the COVID-19 pandemic. As shown in the following table, unemployment in Franklin County was similar, generally remaining lower than the state and national averages.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Franklin County	3.9	7.6	5.1
State of Pennsylvania	4.5	9.1	6.3
National Average	3.7	8.1	5.4
<i>Source Bureau of Labor Statistics</i>			

## **Competition**

The competition for financial services is somewhat low in the State of Pennsylvania assessment area. According to the June 30, 2022, FDIC Deposits Market Share report, only eight institutions operated 41 branches in Franklin County, PA. Of these institutions, MVB ranked 6<sup>th</sup> with a 0.8 percent deposit market share. The top four institutions captured 97.0 percent of the deposit market share.

There is a low level of competition for small business loans in the assessment area. MVB is not required to report small business lending data and has elected not to do so; therefore, examiners did not use aggregate lending data for comparison purposes. However, examiners reviewed the most recently available aggregate lending data to gauge the level of competition and demand for small business loans within the assessment area. According to the 2020 Peer Small Business Data, 58 lenders originated 2,342 small business loans in the assessment area. The top three small business lenders, all larger institutions, captured 43.9 percent of the market share.

This assessment area is a moderately competitive market for home mortgage loans among banks, credit unions, and non-depository lenders. According to 2020 Peer Mortgage Data, 262 lenders originated or purchased 7,318 home mortgage loans in Franklin County with MVB ranking 58<sup>th</sup> at a 0.2 percent market share. The top five lenders captured 35.5 percent of the market share.

## **Community Contact**

For this evaluation, examiners reviewed a recent community contact. The organization operates a non-profit focused on business expansion, retention, and development in Franklin County. The contact described the economic climate as strong and growing, noting a strong defense sector and increased warehouse growth to support e-fulfillment. The contact noted an expansion in the housing market in recent years. According to the contact, there is significant demand for entry-level homes for the influx of new residents. The new residents consist primarily of retirees seeking a lower cost-of-living and new workers attracted by jobs in e-fulfillment.

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

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that financing to support affordable housing development is the primary credit and community development need of the assessment area.

## SCOPE OF EVALUATION – STATE OF PENNSYLVANIA

Examiners used full-scope examination procedures to evaluate MVB’s performance in the State of Pennsylvania assessment area as detailed in the overall Scope of the Evaluation section. In comparison to the State of Maryland assessment area, this assessment area contributed less weight to overall ratings and conclusions as this area accounts for a smaller share of loans, branches, and deposits. As previously indicated, management added Franklin County in connection with opening a branch there in 2021; therefore, the Lending Test and Community Development Test tables present 2021 data. With that one exception, the products, weighting, and evaluation described in the overall Scope of Evaluation section are applicable to this assessment area analysis.

## CONCLUSIONS ON PERFORMANCE CRITERIA – STATE OF PENNSYLVANIA

### LENDING TEST

MVB’s Lending Test performance in the State of Pennsylvania assessment area is rated “Satisfactory”. The bank’s performance under the Geographic Distribution and Borrower Profile criteria supports this rating.

#### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank’s reasonable small business and home mortgage lending performance supports this conclusion. Examiners focused on the percentage of loans, by number, in the area’s low- and moderate-income census tracts.

#### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion.

In 2021, the bank’s performance of lending in the area’s low-income tract was below area demographic data. However, this performance is adequate given the low number of businesses located in the low-income census tract, which limits the bank’s opportunity to lend in this geography. The percentage of loans in moderate-income census tracts exceeded demographic data in 2021. Overall, the bank’s performance is reasonable.

The following table reflects the distribution of loans by census tract income level in 2021.

<b>Geographic Distribution of Small Business Loans</b>					
<b>State of Pennsylvania Assessment Area</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2021	4.9	1	1.3	50	0.3
Moderate					
2021	8.1	12	15.4	2,272	13.1
Middle					
2021	79.2	62	79.5	13,913	80.2
Upper					
2021	7.8	3	3.8	1,103	6.4
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>17,338</b>	<b>100.0</b>
<i>Source 2021 D&amp;B Data; Bank Data; Due to rounding, totals may not equal 100.0%</i>					

***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion. In 2021, MVB did not make any loans in the area’s low-income census tract. However, this performance is acceptable given the nominal percentage of owner-occupied housing units located in this geography. The bank’s lending in moderate-income tracts is significantly higher and exceeds demographics and aggregate data in 2021. Overall, the geographic distribution of home mortgage loans reflects reasonable performance.

The following table reflects the distribution of loans by census tract income level in 2021.

Geographic Distribution of Home Mortgage Loans							
State of Pennsylvania Assessment Area							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2021	1.4	2.8	0	0.0	0	0.0
Moderate							
	2021	6.5	8.1	13	22.4	3,624	25.3
Middle							
	2021	82.7	76.9	37	63.8	8,859	61.8
Upper							
	2021	9.4	12.2	8	13.8	1,860	13.0
<b>Totals</b>							
	<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>58</b>	<b>100.0</b>	<b>14,343</b>	<b>100.0</b>

*Source 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%*

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration to businesses of different sizes and to individuals of different income levels. The bank’s reasonable small business and home mortgage loan performance supports this conclusion. Examiners focused on the percentage of small business loans to businesses with GARs of \$1.0 million or less and the percentage of home mortgage loans to low- and moderate-income borrowers.

#### ***Small Business Loans***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. In 2021, lending to businesses with GARs of \$1.0 million or less was significantly below the percentage of businesses at that GAR level. This disparity is primarily due to the number of PPP loans the bank originated in 2021, for which lenders were not required to collect revenue data. When excluding PPP loans for which the bank did not collect revenue data, the bank made 83 of 165 small business loans, or 50.0 percent, to businesses with GARs of \$1.0 million or less.

Although MVB is not a small business reporter, examiners reviewed 2020 aggregate data to gain an insight on demand for loans to businesses with GARs of \$1.0 million or less. Aggregate data indicated that only 37.4 percent of loans were to businesses with GARs of \$1 million or less in 2020.

The following table illustrates the distribution of small business loans by revenue category for all small business loans, including PPP loans.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<i>State of Pennsylvania assessment area</i>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2021	87.1	83	19.0	17,570	31.9
>\$1,000,000					
2021	3.6	82	18.8	13,102	23.8
Revenue Not Available					
2021	9.3	272	62.2	24,408	44.3
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>437</b>	<b>100.0</b>	<b>55,081</b>	<b>100.0</b>
<i>Source 2021 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### ***Home Mortgage Loans***

The distribution of loans reflects reasonable penetration among individuals of different income levels. In 2021, MVBs lending to low-income borrowers exceeded aggregate performance by more than double.

The bank's lending to moderate-income borrowers was below aggregate and demographics data in 2021. Market share data helps support the bank's reasonable performance. In 2020, the bank ranked 113<sup>th</sup> among 143 lenders that made a home mortgage loan to moderate-income borrowers, outperforming all but a single local community bank. Considering these comparisons and market rank data, the bank demonstrates reasonable performance.

The table that follows reflects the distribution of home mortgage loans by borrower income level.



Distribution of Home Mortgage Loans by Borrower Income Level						
State of Pennsylvania Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	18.6	6.4	9	15.5	935	6.5
Moderate						
2021	19.9	18.4	7	12.1	1,229	8.6
Middle						
2021	22.3	20.6	9	15.5	1,501	10.5
Upper						
2021	39.2	30.1	22	37.9	7,353	51.3
Not Available						
2021	0.0	24.5	11	19.0	3,327	23.2
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>58</b>	<b>100.0</b>	<b>14,343</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

## COMMUNITY DEVELOPMENT TEST

MVB demonstrates adequate responsiveness to the community development needs of this assessment area. The adequate volume of community development loans, qualified investments, and community development services supports this conclusion. Examiners considered the institution's capacity and the need and availability of community development opportunities within the State of Pennsylvania assessment area.

### Community Development Loans

MVB made one community development loans totaling \$1.5 million in Chambersburg, PA within the assessment area. The loan provided financing to a business operating in a moderate-income area, which supports stabilization through the retention of an existing business.

### Qualified Investments

MVB made seven donations totaling \$7,000 during the evaluation period, 3 donations totaling \$3,806 in 2021 and 4 donations totaling \$3,400 in 2022. The donations supported organizations that provide community services to low- and moderate-income individuals. The bank did not make any qualified investments in this assessment area.

**Community Development Services**

MVB staff participated in five qualifying community development services during the evaluation period. Services primarily supported affordable housing-related activities and organizations. The following table reflects 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>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2019 (partial)	0	0	0	0	<b>0</b>
2020	1	0	0	0	<b>1</b>
2021	1	0	0	0	<b>1</b>
2022	1	1	0	0	<b>2</b>
YTD 2023	1	0	0	0	<b>1</b>
<b>Total</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>5</b>
<i>Source Bank Data</i>					

Below are notable examples of the bank’s community development services.

- Each year during the evaluation period, a VP served on the Board and the Finance and Investment Committees of a Community Development organization providing technical assistance and financing expertise. This organization builds affordable housing projects and communities in Franklin County.
- An employee served as a Board member of a local community organization that provide services that support low- and moderate-income students, such as educational youth programs, after school programs, and crisis assistance. The employee provides financial and marketing guidance as a Board member.

## 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.

## SUMMARY OF RATINGS FOR RATED AREAS

<b>Rated Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>	<b>Rating</b>
State of Maryland	Satisfactory	Satisfactory	Satisfactory
State of Pennsylvania	Satisfactory	Satisfactory	Satisfactory

## 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.

**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.