

PUBLIC DISCLOSURE

January 6, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WaterStone Bank, SSB
Certificate Number: 28513

11200 West Plank Court
Wauwatosa, Wisconsin 53226

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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

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INSTITUTION RATING

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

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

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

The Lending Test is rated Low Satisfactory.

- Lending levels reflect excellent responsiveness to the credit needs in the assessment area.
- A small percentage of loans are made in the assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes.
- The bank exhibits an adequate record of serving the needs of the most economically disadvantaged areas of the assessment area, low-income individuals, and businesses with gross annual revenues of \$1 million or less, consistent with safe and sound operations.
- The bank makes little use of innovative or flexible lending practices in order to serve assessment area credit needs.
- The bank is a leader in making community development loans.

The Investment Test is rated High Satisfactory.

- The bank made a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those not routinely provided by private investors.

- The bank exhibits adequate responsiveness to credit and community development needs.
- The bank occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated Low Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the assessment area.
- The bank has not opened or closed any locations since the last evaluation, and therefore, the bank's record opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Business hours and services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The bank provides a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

WaterStone Bank SSB (WSB) is a commercial bank with its corporate headquarters in Wauwatosa, Wisconsin. WSB operates 14 full-service branches located in Southeastern Wisconsin. WSB is owned by Waterstone Financial, Inc. a one-bank holding company, which is publicly traded on the NSDAQ (WSBF). The bank has the following wholly owned subsidiaries: Waterstone Mortgage Corporation, a mortgage subsidiary located in Pewaukee, Wisconsin, and Wauwatosa Investments, Inc., an investment subsidiary located in Las Vegas, Nevada. Branches are located in Brookfield, Fox Point, Franklin, Germantown, Greenfield, Milwaukee, Oak Creek (2), Oconomowoc, Pewaukee, Waukesha, Wauwatosa, and West Allis (2). In addition, one limited-service drive-up location is located in Wauwatosa. The bank's corporate headquarters is a separate location and does not offer banking services. There have been no changes to the bank's locations since the prior evaluation, and the bank has not had any acquisition or merger activities during this period. WSB received a Satisfactory rating at its previous FDIC Performance Evaluation dated January 10, 2022, based on Interagency Large Institution CRA Examination Procedures.

WSB offers a variety of commercial and consumer loan products. The primary focus continues to be home mortgage loans, specifically multifamily properties, non-owner-occupied (NOO) properties, and 1-4 family investment properties, followed by small business lending. The bank's mortgage subsidiary offers 1-4 family, owner-occupied loans, and provides long term financing on the secondary market.

The bank offers several deposit products, including checking, savings, money market, and certificates of deposit. In addition, the bank's investment subsidiary offers investment and insurance products. Alternative banking services include internet banking, mobile and text banking, mobile check deposit, 24-hour telephone banking, online account opening, electronic bill pay, person-to-person funds transfer service, ATMs, prepaid cards, credit cards, and merchant deposit and check capture.

According to the Consolidated Report of Condition and Income (Call Report) dated September 30, 2024, the bank reported total assets of \$2.2 billion, total loans of \$1.8 billion, total securities of

\$213.2 million, total equity capital of \$327.0 million, and total deposits of \$1.3 billion. There have been no material changes to the bank's financial condition or the loan portfolio composition since the previous evaluation. The following table illustrates WSB's loan portfolio.

Loan Portfolio Distribution as of 9/30/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	75,403	4.1
Secured by Farmland	-	-
Secured by 1-4 Family Residential Properties	705,307	38.1
Secured by Multifamily (5 or more) Residential Properties	723,237	39.1
Secured by Nonfarm Nonresidential Properties	313,953	16.9
Total Real Estate Loans	1,817,900	98.2
Commercial and Industrial Loans	34,484	1.9
Agricultural Production and Other Loans to Farmers	-	-
Consumer Loans	990	0.0
Obligations of State and Political Subdivisions in the U.S.	-	-
Other Loans	-	-
Lease Financing Receivable (net of unearned income)	-	-
Less: Unearned Income	(2,126)	(0.1)
Total Loans	1,851,248	100.0
<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 needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. WSB has designated a single assessment area, which consists of the entire Milwaukee-Waukesha Metropolitan Statistical Area (MSA). This meets the CRA requirements and does not arbitrarily exclude any geographies. The following sections discuss economic and demographic information for the assessment area, identify competition for loans and deposits, detail community contact data, and describe the community development needs and opportunities.

Economic and Demographic Data

The assessment area includes all 452 census tracts in Milwaukee, Ozaukee, Washington, and Waukesha counties (Milwaukee MSA). Based on the June 2020 census data, the census tracts have the following income designations:

- 81 low-income census tracts;
- 79 moderate-income census tracts;
- 152 middle-income census tracts;
- 130 upper-income census tracts; and

- 10 census tracts with no income designation.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	452	17.9	17.5	33.6	28.8	2.2
Population by Geography	1,574,731	12.8	15.6	35.9	34.6	1.1
Housing Units by Geography	680,891	12.7	16.1	37.6	32.6	0.9
Owner-Occupied Units by Geography	379,661	5.4	12.0	39.8	42.6	0.2
Occupied Rental Units by Geography	254,775	20.7	22.0	36.2	19.4	1.7
Vacant Units by Geography	46,455	28.3	17.7	27.6	23.6	2.8
Businesses by Geography	165,847	10.9	15.2	33.6	39.7	0.7
Farms by Geography	3,514	7.3	9.7	36.0	46.9	0.1
Family Distribution by Income Level	385,268	22.4	16.8	20.5	40.3	0.0
Household Distribution by Income Level	634,436	24.9	15.7	17.2	42.1	0.0
Median Family Income MSA - 33340 Milwaukee-Waukesha, WI MSA		\$84,829	Median Housing Value			\$209,991
			Median Gross Rent			\$949
			Families Below Poverty Level			8.7%
Sources: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

All low-income census tracts are located in Milwaukee County, with most in the City of Milwaukee. The moderate-income census tracts are also primarily in Milwaukee County, with four located in Waukesha County, in downtown Waukesha.

Examiners use FFIEC-updated median family income levels of the assessment area to analyze home mortgage loans under the Borrower Profile criterion. The table below provides the low-, moderate-, middle-, and upper-income categories and corresponding ranges for each year of the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Milwaukee-Waukesha, WI MSA Median Family Income (33340)				
2022 (\$96,100)	<\$48,050	\$48,050 to <\$76,880	\$76,880 to <\$115,320	≥\$115,320
2023 (\$100,600)	<\$50,300	\$50,300 to <\$80,480	\$80,480 to <\$120,720	≥\$120,720
<i>Source: FFIEC</i>				

According to the Department of Workforce Development, all four counties in the Milwaukee MSA have realized population growth since the last evaluation. Milwaukee County continues to have the largest population, reporting 939,407 residents, and Waukesha County remains the third most populous county in the State, reporting a population of 410,739. Washington County reported a population of 138,229, and the least populated county in the assessment area is Ozaukee County, with 92,623 residents.

There are 680,891 housing units in the assessment area. Of these, 76.9 percent are 1-4 family units, 22.4 percent are multifamily units, and the remaining are mobile home units. Approximately 55.8 percent of the units are owner-occupied, 22.4 percent are occupied rental units, and 6.8 percent are vacant units. This data provides insight into the potential credit needs and opportunities for various types of residential lending.

Housing prices differ greatly between the four counties in the assessment area. Housing prices rose considerably throughout the evaluation period. See the following table with data from the Wisconsin Realtors Association for each county.

Median Sale Price			
County	2022 (\$)	2023 (\$)	Increase (%)
Milwaukee County	\$222,500	\$238,000	6.9
Ozaukee County	\$407,500	\$425,000	4.3
Washington County	\$335,000	\$360,000	7.5
Waukesha County	\$405,000	\$431,000	6.4
<i>Source: Wisconsin Realtors Association</i>			

Unemployment rates have stabilized since the prior evaluation when rates increased due to the Covid-19 pandemic. Ozaukee, Washington, and Waukesha Counties are below state and national levels; however, Milwaukee County remains above both. See the following table for specific unemployment rates.

Unemployment Rates		
Area	2022 (%)	2023 (%)
Milwaukee County	3.7	3.8
Ozaukee County	2.4	2.6
Washington County	2.4	2.6
Waukesha County	2.5	2.6
State of Wisconsin	2.9	3.0
National Average	3.6	3.6
<i>Source: Wisconsin Department of Workforce Development</i>		

Service industries make up the largest portion of businesses in the assessment area, representing 35.2 percent, followed by non-classified establishments at 24.8 percent, and Finance, Insurance, and Real Estate at 10.6 percent. Some of the largest employers in the assessment area include General Mitchell International Airport, Aurora Medical (with several hospital and clinic locations

throughout the assessment area), Kohl's Corporation (including corporate offices and retail locations), and Northwestern Mutual Life Insurance.

Competition

There is a highly competitive market for financial services throughout the assessment area. The FDIC Deposit Market Share data, as of June 30, 2024, reports 45 financial institutions, with 429 office locations serving the assessment area. WSB ranks 12th, holding a 1.7 percent market share. Three national banks, with 128 office locations represent the top three financial institutions, maintaining a combined market share of 57.7 percent.

Competition for home mortgage loans is also high within the assessment area. Based on 2023 Home Mortgage Disclosure Act (HMDA) data, 555 lending institutions originated 52,298 home mortgage loans in the Milwaukee MSA. WSB ranked 79th, with a market share of 0.2 percent. The top three lenders in the assessment area include three large credit unions, holding a combined market share of 28.7 percent.

According to the 2022 CRA Small Business loan data, which is the most recent data available, there were 143 small business lenders operating in the assessment area, originating 34,694 small business loans. WSB ranked 30th, with a 0.3 percent market share. Three national banks, with a combined market share of 56.1 percent were the top producers.

Community Contact

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

Examiners gathered information from two recently completed community contact interviews. Both provide economic and workforce development in the Milwaukee MSA and offered insight into the credit needs of and opportunities for small businesses and individuals in the assessment area.

The first contact works with employers to enable growth and business expansion, as well as increase staffing. This contact stated a primary need is to expand the workforce in the assessment area, however, due to a lack of affordable and workforce housing, this has been difficult. The contact further stated that the ongoing increases in home prices, high mortgage rates, and rental costs have diminished the pool of accessible housing for these portions of the population.

The second contact works in a similar capacity with capital investments and job creation. This contact stressed the need for financial institutions to become more involved with minority-owned businesses, and to help expand opportunities for growth within this business sector. The contact stated the Milwaukee Metropolitan Area is lagging nationally when compared to similar metropolitan cities. This contact also stressed the need for affordable housing throughout the assessment area.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and economic and demographic data, examiners determined primary needs and opportunities are affordable housing, business investment, particularly with minority-owned businesses, and workforce expansion.

Throughout the evaluation period, affordable housing loans, particularly those that benefit low- and moderate-income families, were in high demand. The significant number and percentage of families in the low- and moderate-income categories support this conclusion. Furthermore, as indicated by economic and demographic data, the assessment area has community development opportunities in economic development and community services.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated January 10, 2022, to the current evaluation dated January 6, 2025. Examiners utilized Interagency Large Institution Examination Procedures to evaluate WSB's CRA performance. These procedures include the following three tests: the Lending Test, the Investment Test, and the Service Test, as detailed in the Appendix. This evaluation does not include any lending activity performed by affiliates, as the bank opted not to include those lending activities by WaterStone Mortgage Corporation.

Examiners relied on various sources when conducting this evaluation including 2020 U.S. Census data, records provided by the bank, D&B business demographic data, Wisconsin Department of Workforce Development, Wisconsin Realtors Association, community contacts, and loan information reported under HMDA and CRA. WSB's CRA performance was analyzed in relation to the bank's performance context, which includes (but is not limited to) bank size and structure, financial condition, loan mix, resources, limitations, assessment area demographics, economic factors, competition, loan demand, and available opportunities.

Activities Reviewed

Examiners determined major product lines include home mortgage loans, primarily multifamily and NOO 1-4 family investment property lending, and small business loans. This conclusion considers the bank's business strategy as well as the number and dollar volume of loans originated during the evaluation period.

WSB's record of originating multifamily and NOO 1-4 family loans, as well as purchasing 1-4 family owner-occupied home mortgage loans from their subsidiary, contributed more weight to overall conclusions due to the number and volume of these loans when compared to the small business lending during this period. No other loan type, such as consumer or small farm loans, represent a major product line; therefore, they provide no material support for conclusions or ratings and are not included in the evaluation.

Examiners considered all home mortgage loans reported on the bank's 2022 and 2023 HMDA Loan Application Registers (LAR). Home mortgage loans include home purchase, home improvement, home refinance, and multifamily loans reported pursuant to the HMDA requirements. In 2022, WSB reported 638 loans totaling \$478.6 million. Mortgage lending declined in 2023 to 334 loans totaling \$216.9 million. Due to the bank's significant portfolio of multifamily and NOO 1-4 family investment property lending, examiners conducted separate analyses of these portfolios under the Geographic Distribution and Borrower Profile criteria. Aggregate data for 2022 and 2023, and 2020 U.S. Census demographic data provided standards of comparison for the HMDA-reportable loans, with greater focus placed on the comparisons to aggregate data, as this data provides an insight into the demand for the home mortgage products analyzed.

Examiners considered all small business loans reported on the bank's CRA LARs for 2022 and 2023. Small business loans are defined as loans made to businesses with a loan size of \$1 million or less. In 2022, WSB reported 124 loans totaling \$38.4 million. This volume declined to 89 loans totaling \$25.8 million in 2023. Aggregate data and D&B data provided standards of comparison for the bank's small business loans.

For the Lending Test, the geographic distribution of loans and community development lending criteria carry more weight when drawing conclusions, as the assessment area contains a significant number of low- and moderate-income census tracts. Because the bank's primary focus is on multifamily and NOO 1-4 family investment properties, and HMDA rules do not require banks to collect income for these loans or for reported purchased loans, there are few loans reported with income on the HMDA LAR. Therefore, with home mortgage being the primary focus, the Borrower Profile criterion carries less weight than the Geographic Distribution criterion. Examiners reviewed and presented the number and dollar volume of loans. Examiners emphasized performance by number of loans, because the number of loans is a better indicator of the number of individuals and businesses served.

This evaluation includes all qualified community development loans, qualified community development investments and grants, and qualified community development services since January 10, 2022, through December 31, 2024. Examiners include prior period investments that remained outstanding as of the current evaluation. These are reported with December 31, 2024, book values. All community development activities are evaluated, considering the quantitative levels of community development loans, qualified investments, and community development services based on WSB's financial capacity, as well as the qualitative impact to the assessment area.

Examiners reviewed the delivery systems for providing retail banking services. This review includes bank office locations and alternative delivery systems. Lastly, examiners considered retail banking products and services targeted towards low- and moderate-income individuals or small businesses and/or tailored to meet specific needs within the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated “Low Satisfactory.” WSB’s lending performance reflects adequate responsiveness to the credit needs of the assessment area. WSB’s excellent lending levels, small percentage of loans originated in the assessment area, adequate geographic distribution of loans, adequate penetration among borrowers of different income levels and businesses of different sizes, adequate responsiveness to credit needs, little use of innovative and/or flexible lending practices, and being a leader in making community development loans support this rating.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. The bank’s net loan-to-deposit ratio averaged 133.3 percent over the 11 quarters since the prior evaluation. The ratio has fluctuated from a high of 148.6 percent in June 2024 to low of 106.0 percent in March 2022.

Similarly situated institutions’ ratios during this same period averaged 64.2 percent to 96.8 percent. The similarly situated institutions include four financial institutions operating in the Milwaukee MSA with comparable loan products and asset size. The bank purchases some owner-occupied 1-4 family loans from its subsidiary, Waterstone Mortgage Corporation. All NOO 1-4 family investment home mortgage loans and all multifamily housing loans are made directly by the bank. See the following table for additional information.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 9/30/2024 (\$000s)	Average Net LTD Ratio (%)
Waterstone Bank, SSB	2,241	133.3
Similarly Situated Institution #1	2,181	96.8
Similarly Situated Institution #2	2,619	86.6
Similarly Situated Institution #3	1,982	64.2
Similarly Situated Institution #4	1,481	79.5
<i>Source: Reports of Condition and Income 3/31/2022 – 9/30/2024</i>		

WSB’s lending market share demonstrates adequate performance within the assessment area. For 2023 HMDA-reported data, the bank ranked 79th out of 555 lenders with a 0.2 percent market share by number of loans, and 0.5 percent market share by dollar volume. WSB ranked 30th, out of 143 lenders with a 0.3 percent market share by number of small business loans, and 2.5 percent market share by dollar volume.

Assessment Area Concentration

WSB made a small percentage of loans in the assessment area. The bank’s record of originating home mortgage loans in and out of the assessment area carries more weight than small business

lending in arriving at this conclusion. The poor home mortgage performance is due in part to the high level of loans purchased from the bank's subsidiary, which are located outside of the assessment area. When excluding these purchased loans, the bank's ratios of loans originated within the assessment area improves to 53.2 percent in 2022 and 61.5 percent in 2023. These ratios are similar to those realized at the last evaluation, when excluding purchased loans, the ratios were 50.6 percent in 2019 and 57.7 percent in 2020. Management decided to purchase fewer loans from the subsidiary in late 2023. Examiners reviewed the not yet submitted 2024 HMDA LAR and confirmed that the portion of loans originated and purchased within the assessment area improves to 50.5 percent. Excluding purchased loans further improves performance to 70.0 percent. In addition to the purchasing of loans, the bank's prominent multifamily lending has also affected these ratios, as many of these loans were also outside of the assessment area.

The bank originated a majority of small business loans within the assessment area; however, home mortgage performance carries the greatest weight due to volume.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2022	129	20.2	509	79.8	638	128,152	26.8	350,420	73.2	478,572
2023	75	22.5	259	77.5	334	51,769	23.9	165,116	76.1	216,885
Subtotal	204	21.0	768	79.0	972	179,921	25.9	515,536	74.1	695,457
Small Business										
2022	115	92.7	9	7.3	124	36,597	95.2	1,838	4.8	38,435
2023	77	86.5	12	13.5	89	21,406	83.1	4,362	16.9	25,768
Subtotal	192	90.1	21	9.9	213	58,003	90.3	6,200	9.7	64,203
Total	396	33.4	789	66.6	1,185	237,924	31.3	521,736	68.7	759,660
Source: Bank Data										

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. WSB's adequate performance in multifamily, NOO 1-4 family investment properties, and small business loans supports this rating. Due to the bank's primary lending focus, more weight is given to the multifamily loan performance, which represents 46.5 percent of the home mortgage loans in the assessment area, followed by NOO 1-4 family investment properties, at 22.5 percent, and then owner occupied 1-4 family loans, 31.0 percent (of which 70 percent are loan purchases and 30 percent are originations). Examiners focus on the number of loans in low- and moderate-income census tracts.

Home Mortgage – Multifamily loans

As depicted in the following table, WSB’s geographic distribution of multifamily home mortgage loans reflects adequate dispersion throughout the assessment area. In the low-income census tracts for both 2022 and 2023, the bank’s performance is above the demographic data; however, is somewhat lower than the aggregate performance. The bank’s performance in the moderate-income census tracts surpasses both the demographics as well as aggregate performance in both years. Based on the performance in both the low- and moderate-income census tracts, geographic distribution of WSB’s multifamily home mortgage loans is adequate.

Geographic Distribution of Home Mortgage Loans – Multifamily						
Tract Income Level	% of Multifamily Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	12.5	21.4	11	18.3	5,001	4.6
2023	12.5	24.0	9	23.7	4,811	11.6
Moderate						
2022	17.6	20.2	14	23.3	12,520	11.4
2023	17.6	18.6	11	28.9	4,588	11.0
Middle						
2022	40.5	39.0	27	45.0	55,772	50.9
2023	40.5	34.5	13	34.2	28,527	68.6
Upper						
2022	26.7	18.5	8	13.3	36,282	33.1
2023	26.7	20.1	5	13.2	3,637	8.8
Not Available						
2022	2.7	1.0	0	0.0	0	0.0
2023	2.7	2.8	0	0.0	0	0.0
Totals						
2022	100.0	100.0	60	100.0	109,575	100.0
2023	100.0	100.0	38	100.0	41,563	100.0
Sources: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Home Mortgage – NOO 1-4 family investment loans

WSB’s geographic distribution of NOO 1-4 family investment home mortgage loans is adequate. The bank’s distribution in low-income census tracts significantly trails both demographics and aggregate lender performance for both years. However, performance in the moderate-income census tracts exceeded both aggregate and demographic data in 2022 and is comparable to aggregate data in 2023. Stronger moderate-income census tract performance mitigates weaker performance in the low-income census tracts. Based on the overall distribution, performance is adequate.

Geographic Distribution of Home Mortgage Loans – NOO 1-4 family investment						
Tract Income Level	% of Occupied Rental Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	20.7	23.3	3	10.3	373	6.0
2023	20.7	30.2	1	6.7	226	6.8
Moderate						
2022	22.0	25.1	11	37.9	1,996	32.0
2023	22.0	25.7	4	26.7	542	16.2
Middle						
2022	36.2	33.5	12	41.4	2,786	44.7
2023	36.2	28.1	6	40.0	1,404	42.0
Upper						
2022	19.4	17.0	2	6.9	977	15.7
2023	19.4	14.8	4	26.7	1,170	35.0
Not Available						
2022	1.7	1.0	1	3.4	100	1.6
2023	1.7	1.2	0	0.0	0	0.0
Totals						
2022	100.0	100.0	29	100.0	6,231	100.0
2023	100.0	100.0	15	100.0	3,343	100.0
Sources: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Home Mortgage – 1-4 family loans (originated and purchased)

The following table depicts the distribution of originated and purchased 1-4 family owner-occupied loans. The majority of these (28) are loans WSB purchased from their subsidiary, Waterstone Mortgage Corporation. The bank's geographic distribution of these loans reflects poor distribution, in both the low- and moderate-income census tracts in both years. The bank's performance is significantly lower than both demographics as well as the aggregate lender performance.

Geographic Distribution of Home Mortgage Loans – Owner Occupied						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	5.4	4.4	1	2.5	360	2.9
2023	5.4	4.9	0	0.0	0	0.0
Moderate						
2022	12.0	11.7	3	7.5	549	4.4
2023	12.0	12.0	1	4.5	360	5.2
Middle						
2022	39.8	39.2	14	35.0	3,301	26.7
2023	39.8	39.9	9	40.9	2,185	31.8
Upper						
2022	42.6	44.6	22	55.0	8,136	65.9
2023	42.6	43.0	12	54.5	4,320	62.9
Not Available						
2022	0.2	0.1	0	0.0	0	0.0
2023	0.2	0.2	0	0.0	0	0.0
Totals						
2022	100.0	100.0	40	100.0	12,346	100.0
2023	100.0	100.0	22	100.0	6,865	100.0
Sources: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business Loans

The bank's small business lending performance is adequate. As shown in the following table, WSB's performance in the low-income census tracts is slightly below both demographics and aggregate lending performance. However, in the moderate-income census tracts, performance is comparable to aggregate and demographic data in 2022 and increases in 2023.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	10.6	7.4	6	5.2	1,710	4.7
2023	10.9	--	4	5.2	387	1.8
Moderate						
2022	15.4	13.6	15	13.0	3,513	9.6
2023	15.2	--	16	20.8	4,242	19.8
Middle						
2022	34.7	34.2	47	40.9	15,527	42.4
2023	33.6	--	33	42.9	8,090	37.8
Upper						
2022	38.6	44.3	46	40.0	15,678	42.8
2023	39.7	--	24	31.2	8,687	40.6
Not Available						
2022	0.7	0.5	1	0.9	169	0.5
2023	0.7	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	115	100.0	36,597	100.0
2023	100.0	--	77	100.0	21,406	100.0
Sources: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the bank, adequate penetration among borrowers of different income levels and businesses of different sizes. WSB's home mortgage and small business lending performance is adequate. Considering the low volume of home mortgage loans reported with income information (11 loans), examiners placed more weight on the small business performance for this criterion.

Home Mortgage Loans

As stated above, financial institutions are not required to collect and report income information on any multifamily, NOO investment properties, or purchased loans. Consequently, there are only 11 loans reported in 2022 and 5 in 2023 with reported income to analyze. Of the total loans, none were originated to those borrowers designated as low-income in either year, compared to 10.9 percent and 8.8 percent originated by aggregate lenders. In 2022, two of eleven loans (18.2 percent) were made to moderate-income borrowers, and in 2023, one of five loans originated were to moderate-income borrowers. These ratios are comparable to aggregate lenders, reporting 23.4 percent in 2022, and 23.1 percent in 2023, however, the low number of loans somewhat distorts the

percentages. Based on the combined penetration to both low- and moderate-income borrowers during the evaluation period, performance is adequate, however, this performance does not have a large impact on the overall assessment of home mortgage lending performance.

Small Business Loans

The bank's distribution of small business loans reflects adequate penetration of loans to businesses with revenues of \$1 million or less. As depicted in the following table, WSB's performance is below demographic and trails aggregate data, however, the percentage has increased in 2023. Examiners compared WSB's performance with other banks serving the Milwaukee MSA. Two banks rated adequate for this criterion reported similar ratios, at 44.3 percent and 56.5 percent. Additionally, one bank reported performance at 31.4 percent and 21.8 percent for 2022 and 2023 and received a poor rating for the criterion. These comparisons lend support for the adequate performance rating.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	85.8	53.5	46	40.0	12,723	34.8
2023	88.0	--	34	44.2	7,953	37.2
>\$1,000,000						
2022	5.6	--	69	60.0	23,874	65.2
2023	4.2	--	43	55.8	13,453	62.8
Revenue Not Available						
2022	8.6	--	0	0.0	0	0.0
2023	7.7	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	115	100.0	36,597	100.0
2023	100.0	--	77	100.0	21,406	100.0
Sources: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Innovative or Flexible Lending Practices

The institution makes little use of innovative and/or flexible lending practices in order to serve assessment area credit needs. WSB funded one loan, in the amount of \$130,000 since the last evaluation using an innovative or flexible loan product. This product is an adjustable-rate mortgage loan, offering a flexible amortization of 40 years.

Community Development Loans

WSB continues to be a leader in making community development loans. During the evaluation period, the bank originated 250 community development loans, totaling \$483.2 million. This level equates to 22.7 percent of the bank's average assets and 28.6 percent of the average net loans for the 11 quarters ending September 30, 2024.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2022	128	265,201	-	-	-	-	-	-	128	265,201
2023	70	123,320	2	3,261	-	-	-	-	72	126,581
2024	49	71,399	-	-	1	20,000	-	-	50	91,399
Total	247	459,920	2	3,261	1	20,000	-	-	250	483,181
<i>Source: Bank Data</i>										

The table above includes 130 loans, totaling \$182 million, representing 52.0 percent by number and 37.7 percent by dollar volume, originated within the bank's assessment area. The remaining 120 loans, totaling \$301 million, representing 48.0 percent by number and 62.3 percent by dollar volume, are loans originated in the broader state or regional area. The bank has been responsive to the community development needs within the assessment area; therefore, examiners include these qualifying loans outside of the assessment area as well.

Examiners compared WSB's performance with other Wisconsin banks evaluated under the Interagency Large Institution CRA Examination Procedures during the evaluation period. The bank's performance exceeds banks with performance rated adequate and is in line with another bank regarded as being a leader in community development loans. This comparison supports the overall conclusion.

INVESTMENT TEST

The Investment Test is rated "High Satisfactory". The bank has made a significant level of qualified community development investments and grants, exhibits adequate responsiveness to credit and community development needs, and occasionally uses innovative and/or complex investments to support community development initiatives.

Investment and Grant Activity

WSB made a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those not routinely provided by private investors. During the evaluation period, the bank reported 188 qualifying investments, totaling \$19.7 million. This performance equates to 0.9 percent of average assets, 9.8 percent of average securities, and 6.0 percent of average equity capital for the 11 quarters ending September 30, 2024, throughout the assessment area and the broader statewide and regional area.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	18	9,758	-	-	-	-	-	-	18	9,758
2022	5	1,900	-	-	-	-	-	-	5	1,900
2023	5	2,738	-	-	-	-	-	-	5	2,738
2024	7	3,705	1	1,000	-	-	-	-	8	4,705
Subtotal	35	18,101	1	1,000	-	-	-	-	36	19,101
Qualified Grants & Donations	7	35	137	493	6	36	2	7	152	571
Total	42	18,136	138	1,493	6	36	2	7	188	19,672
<i>Source: Bank Data</i>										

Totals include prior period community development investments remaining on the bank's books, of which 17 are investments in mortgage-backed securities, secured by home mortgage loans to low- and moderate-income borrowers, and one is an investment in a CRA Qualified Investment Fund.

Examiners compared the bank's performance with other Wisconsin banks evaluated under the Investment Test using Interagency Large Institution Examination Procedures. Of the three comparable institutions, two were deemed to have adequate performance, with 0.5 percent and 0.4 percent of average assets, 4.6 percent and 2.9 percent of average securities, and both reporting 4.1 percent of average equity capital. One bank was determined to have excellent performance, reporting 1.6 percent of average assets, 20.4 percent of average securities, and 17.1 percent of average equity capital. These comparisons support the conclusion that WSB's performance is significant.

Responsiveness to Credit and Community Development Needs

WSB exhibits adequate responsiveness to credit and community development needs, as evidenced by the following.

- 92.2 percent of WSB's investment and grant activity supports affordable housing to low- and moderate-income persons throughout the assessment area and broader statewide and regional area. This includes \$8.3 million in new investments in state housing authority bonds in Wisconsin, Indiana, Iowa, Minnesota, and North Dakota. As indicated previously, affordable housing is a crucial need identified by community contacts.
- In addition to the qualified investments, WSB made 152 qualifying donations and grants, totaling \$571 thousand. All donations and grants directly served the bank's assessment area.
- Notable donations include \$55,000 over the course of the evaluation period to the Hunger Task Force, an organization providing assistance to various food banks throughout the assessment area, and \$61,000 to several different veteran organizations that assist homeless as well as other low- and moderate-income veterans with financial assistance, substance abuse assistance, job training, counseling, and other core programs.

- Of the total \$571,000 in donations and grants, 58.0 percent were to organizations with a primary purpose of serving low- and-moderate income persons. Some examples of these organizations include The Women’s Center, Habitat for Humanity, The Hope Center, and St. Vincent De Paul of Waukesha.

Community Development Initiatives

WSB occasionally uses innovative and/or complex investments to support community development initiatives. This conclusion is supported by the \$8.3 million investments in the CRA State Housing Authorities bonds and the \$9.5 million maintained in mortgage-backed securities, secured by mortgages to low- and moderate-income borrowers.

SERVICE TEST

The Service Test is rated “Low Satisfactory”. WSB’s delivery systems are reasonably accessible to essentially all portions of the assessment area, and services and business hours do not vary in a way that inconveniences portions of the assessment area. WSB provides a relatively high level of community development services in the assessment area.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the assessment area. WSB continues to operate 14 full-service office locations, as well as one drive-up location. The bank owns 15 ATMs, one at each branch location, as well as one located at the corporate headquarters. In addition, the bank participates in the ATM Access Network, allowing customers to use participating ATMs throughout Wisconsin and Minnesota free of charge.

The bank does not have any office locations in low-income census tracts; however, three offices and three ATMs are located in moderate-income census tracts, representing 21.4 percent of their office locations in the assessment area, which compares well to locations of other institutions. See the following table for additional information.

Distribution of Bank Offices and ATMs by Geography Income Level In the Assessment Area								
Census Tract Income Category	Bank Offices of Other Lenders		Population		Bank Offices		Bank ATMs	
	#	%	#	%	#	%	#	%
Low	20	4.7	201,528	12.8	-	-	-	
Moderate	60	14.1	245,721	15.6	3	21.4	3	20.0
Middle	176	41.2	565,808	35.9	5	35.7	6	40.0
Upper	168	39.3	545,084	34.6	6	42.9	6	40.0
NA	3	0.7	16,590	1.1	-	-	-	-
Total	427	100.0	1,574,731	100.0	14	100.0	15	100.0
<i>Sources: 2020 ACS data; Bank Data</i>								

WSB also offers several alternative delivery systems in addition to brick and mortar locations and ATMs. Debit cards are available for use at ATMs and point of sale transactions. Further, the bank offers mobile wallet access, linking their debit cards with Google Pay, Apple Pay, and Samsung Pay. The bank offers a variety of banking services via online banking platforms and telebanking. Digital and mobile banking allows customers to access their accounts from anywhere, with no fees for these services. Services include balance account information, account transfers, person-to-person payments, bill pay, mobile deposits, and loan payments.

Since the last evaluation, the bank began offering the Stepping Stone Checking account aimed at those establishing financial literacy skills. The account offers low opening deposit amount, no minimum balance requirements, no fees, and no overdrafts permitted. The account does not have paper check capabilities, rather all transactions are conducted via digital means or debit cards. The bank also offers a corresponding Stepping Stone Savings account. This account may only be established with a Stepping Stone Checking account with a \$25 opening deposit account and no minimum balance requirements. WSB also continues to offer a no-fee checking account, with a minimum of five point-of-sale debit card transactions, and a \$300 direct deposit per statement cycle. In addition, the bank offers low- or no-cost savings accounts, and a Purpose Certificate of Deposit, which allows customers to save for 12 months for a specified purpose with a low \$100 deposit. Furthermore, the bank continues to offer the Business Rewards and Valuable Opportunities (BRAVO) program for employers and employees. The BRAVO program is a way to reach the unbanked and underbanked through their employers.

The bank maintains a list of bilingual staff to help customers when an interpreter is needed. The current list includes nine employees fluent in Spanish and one employee fluent in Albanian, Arabic, and Italian.

Changes in Branch Locations

The bank has not opened or closed any locations since the last evaluation. Therefore, opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income census tracts and/or individuals. Operating hours and services are consistent among branches, and consistent with hours and services offered by other banks operating within the assessment area. All offices have standard hours of 9 a.m. to 5 p.m. on Monday through Friday, and Saturday hours of 9 a.m. to noon. Drive-up facilities have consistent hours of 8:30 a.m. to 5:30 p.m. on Monday through Friday, with Saturday hours from 8:30 a.m. to noon. Residential Loan officers are available by appointment at each of the 14 branches. Business hours are convenient and comparable to other local financial institutions.

Community Development Services

WSB provides a relatively high level of community development services in the assessment area. During the evaluation period, bank staff provided 122 instances of financial expertise or technical assistance, spending 866 hours on these activities. Examiners compared the bank's levels of community development services with three other Wisconsin banks evaluated under the Service Test using Interagency Large Institution Examination Procedures during the evaluation period. One comparable institution, determined to be a Leader in providing community development services, reported 2,234 hours spent on 201 services. WSB's performance is more comparable to two other institutions considered to provide a relatively high level of community development services. These institutions performed 76 and 97 services, for 2,549 and 2,968.5 hours, which is comparable to WSB's performance. See the following tables for more information.

Community Development Services				
Activity Year	Affordable Housing	Community Services	Economic Development	Totals
	#	#	#	#
2022	11	29	4	44
2023	5	37	4	46
2024	3	26	3	32
Total	19	92	11	122
<i>Source: Bank Data</i>				

Community Development Services – Hours				
Activity Year	Affordable Housing	Community Services	Economic Development	Totals
	#	#	#	#
2022	53	141	16	210
2023	52	346	19	417
2024	29	193	17	239
Total	134	680	52	866
<i>Source: Bank Data</i>				

Examples of notable qualifying community development services follow:

- One employee serves on the Board of JFS Housing Inc., an organization that develops affordable housing for low- and moderate-income individuals, families, seniors, and people with disabilities.
- Several employees volunteer with Employ Milwaukee, conducting mock interviews for the agencies' clients. This organization helps unemployed and underemployed persons with connections to employers to find suitable employment.
- One staff member serves as Treasurer for the Hope Center, which is an organization in the assessment area that provides financial assistance, food, and clothing in Waukesha County.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

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

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

Investment Test

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

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

Service Test

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

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

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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