PUBLIC DISCLOSURE

December 2, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank of Jackson
RSSD #2577739

420 Oil Well Road
Jackson, Tennessee 38305

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

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

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

The Bank of Jackson meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending activity. The factors supporting the institution's rating are as follows:

- The loan-to-deposit (LTD) ratio is less than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the assessment area.
- The borrower's profile analysis reveals reasonable penetration among individuals of different income levels, including low- and moderate (LMI) levels, and businesses of different revenue sizes.
- The geographic distribution of loans reflects an excellent dispersion throughout the assessment area.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) Examination Procedures for Small Institutions. Residential real estate and small business loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, as the bank has a particular emphasis on home mortgage lending, performance based on the Home Mortgage Disclosure Act (HMDA) loan category carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	December 31, 2015 – September 30, 2019
Assessment Area Concentration	January 1, 2018 – December 31, 2018
Loan Distribution by Borrower's Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	October 5, 2015 – December 1, 2019

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 American Community Survey (ACS) data; certain business demographics are based on 2018

Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $129.5 million to $163.9 million as of September 30, 2019.

To augment this evaluation, two community contact interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment areas. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

The Bank of Jackson is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by WestTenn Bancorp, Inc., a one-bank holding company headquartered in Jackson, Tennessee. WestTenn Bancorp is partially owned by Security Bancorp of Tennessee, Inc. (Security Bancorp), a multibank holding company headquartered in Halls, Tennessee. In addition to The Bank of Jackson, Security Bancorp has ownership interest in Security Bank, Newbern, Tennessee; Bank of Crockett, Bells, Tennessee; Bank of Halls, Halls, Tennessee; Gates Banking and Trust Company, Gates, Tennessee; and Patriot Bank, Millington, Tennessee.

The bank's branch network consists of three full-service offices (including the main office), all of which have full-service automated teller machines (ATMs) and drive-up accessibility. All three offices are located within a few miles of one another in the northwestern portion of the city of Jackson, in Madison County, Tennessee. The bank's main office and one branch are located in upper-income census tracts, while the bank's southernmost branch is located in a moderate-income census tract. The bank operates one stand-alone cash-dispensing ATM at a local gas station. The bank did not open or close any branch offices during this review period. Based on the main office location and other service delivery systems, such as online banking services, the bank is adequately positioned to deliver financial services to its entire assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of September 30, 2019, the bank reported total assets of $191.4 million. As of the same date, loans and leases outstanding were $60.5 million (31.6 percent of total assets), and deposits totaled $159.4 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2019		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$ 8,609	14.2%
Commercial Real Estate	$ 16,361	27.1%
Multifamily Residential	$ 44	0.1%
1–4 Family Residential	$ 18,222	30.1%
Farmland	$ 1,554	2.6%
Farm Loans	$ 5	0.0%
Commercial and Industrial	$ 11,404	18.9%
Loans to Individuals	$ 2,777	4.6%
Total Other Loans	$ 1,488	2.5%
TOTAL	**$ 60,464**	**100%**

As indicated by the table above, a significant portion of the bank's lending resources is directed to loans secured by 1–4 family residential properties, commercial real estate loans, and commercial and industrial loans. The bank also originates and subsequently sells residential real estate loans on the secondary market shortly after origination; as a result, this activity is not captured in the table above. In the 12-month period ending June 30, 2019, The Bank of Jackson originated 45 loans totaling $7.9 million, which were sold into the secondary market.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on October 5, 2015, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area is located in western Tennessee and is comprised of the entirety of Madison County, Tennessee, one of two counties that encompass the Jackson, Tennessee, Metropolitan Statistical Area (Partial Jackson MSA). While the MSA consists of two counties, Madison County makes up 75.5 percent of the MSA population. Based on 2015 ACS data, the assessment area population was 98,184.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2019, there are 13 FDIC-insured depository institutions in Madison County, operating 32 offices. The Bank of Jackson (operating three, or 9.4 percent of offices in the assessment area) ranked sixth in terms of deposit market share, with 8.1 percent of the total assessment area deposit dollars.

Single and multifamily affordable housing for LMI individuals, including rental housing and home improvement loans, and financial education programs represent significant needs in the assessment area, as noted primarily from community contacts. The contacts also described a high level of opportunity for financial institutions to participate in community outreach and workforce development activities in the assessment area, as many economic and community development groups are active in the Jackson MSA.

<u>Income and Wealth Demographics</u>

The following table summarizes the distribution of assessment area census tracts by income level and the family population within those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	3	7	8	8	1	**27**
	11.1%	25.9%	29.6%	29.6%	3.7%	**100%**
Family Population	1,533	5,565	8,479	8,981	124	**24,682**
	6.2%	22.6%	34.4%	36.4%	0.5%	**100%**

As shown above, 37.0 percent of the census tracts in the assessment area are LMI geographies, but only 28.8 percent of the family population resides in these tracts. These LMI areas are primarily concentrated in and around downtown Jackson, Tennessee.

Based on 2015 ACS data, the median family income for the assessment area was $55,519. At the same time, the median family income for the state of Tennessee was $56,110. More recently, the FFIEC estimates the 2018 median family income for the state of Tennessee to be $50,100. The following table displays population percentages of assessment area families by income level compared to the state of Tennessee family population as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	5,260	4,211	4,465	10,746	0	**24,682**
	21.3%	17.1%	18.1%	43.5%	0.0%	**100%**
Tennessee	364,195	289,254	326,152	685,844	0	**1,665,445**
	21.9%	17.4%	19.6%	41.2%	0.0%	**100%**

The assessment area appears to have similar affluence to the state of Tennessee. As shown in the table above, 38.4 percent of families within the assessment area were considered LMI, which is in line with the LMI family percentage of 39.1 percent in the state of Tennessee. The percentage of families living below the poverty threshold in the assessment area, 14.6 percent, only slightly exceeds the 13.2 percent level in all of Tennessee.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than in the state of Tennessee. The median housing value for the assessment area is $117,300, which is below the figure for the state of Tennessee, $142,100. The assessment area housing affordability ratio of 36.3 percent is above the state of Tennessee figure of 31.8 percent, also indicating greater affordability. In spite of assessment area housing being more affordable, one community contact noted that income segmentation has affected the development and availability of housing for LMI individuals. The contact stated that new home development has been concentrated in the affluent, northern region of Madison County and, to a lesser extent, the LMI census tracts in downtown Jackson. In addition, one community contact stated that rental housing supply has not met demand in the assessment area and, as a result, 54.3 percent of assessment area renters pay rental costs exceeding 30 percent of their income, compared to 45.2 percent for the state of Tennessee. The community contacted also discussed the lack of energy-efficient, affordable rental units within the assessment area, stating that tenants often pay more for their utilities than their rent. Combined, these factors create significant barriers for LMI individuals seeking to attain homeownership in the assessment area.

Industry and Employment Demographics

The assessment area supports a large and diverse business community, including a strong small business sector as evidenced by Dun & Bradstreet data, which indicates that 88.9 percent of assessment area businesses have gross annual revenues of less than $1 million. County business patterns indicate that there are 52,687 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are healthcare and social assistance (23.7 percent), manufacturing (17.9 percent), and retail trade (13.6 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to the state of Tennessee as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**Tennessee**
2016	4.8%	4.7%
2017	4.0%	3.8%
2018	3.8%	3.5%

As shown in the table above, unemployment levels for the assessment area and the state of Tennessee have been declining, while unemployment levels in the assessment area are similar to the state of Tennessee levels.

Community Contact Information

Information from two community contacts was used to provide context to the bank's performance in the assessment area. Both contacts indicated that the economy in the Jackson MSA generally, and Madison County specifically, has grown over the last few years. However, despite the economic growth, population levels have remained stagnant. The two contacts also mentioned that while the unemployment rate has trended downward in the region, poverty levels have remained constant.

One of the community contacts was an individual who specializes in affordable housing. The contact stated that the Madison County population is relatively segmented by income, with more affluent residents living in the northern region of the county, while LMI residents live in and around downtown Jackson. The contact indicated a growing need for quality, affordable single, multifamily, and rental housing in the city of Jackson because new housing construction is not affordable for LMI residents. While there are a few market-rate housing options for LMI residents or in LMI geographies, these homes often need significant repairs before they are habitable. Compounding these concerns, the contact indicated that many LMI individuals do not qualify for traditional credit products from financial institutions due to credit and financial issues. As such, there is a need for financial education programs targeted to LMI residents of Madison County.

The second community contact was an individual specializing in economic development. The contact highlighted several area employers in the healthcare and manufacturing industries that have made substantial investments in the region by expanding their physical footprint and creating more jobs. While business investment has traditionally occurred in the northern part of Madison County, the contact said due to a community improvement plan, several companies have sought to grow in the central and southern areas as well, bringing new job opportunities to LMI residents and geographies in the assessment area. In order to continue to see economic growth, the contact said Madison County needs to address workforce development and infrastructure needs. As previously mentioned, population levels in the region have remained stagnant, which has led to a shortage of workers and a need to either attract young professionals to the area or train/retrain local residents for employment opportunities. In addition, the contact said there is a need to develop area infrastructure to attract new businesses. Specifically, Madison County needs more move-in-ready business parks for manufacturers and distributors.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The chart below displays the bank's average LTD ratio in comparison to those of regional peers. The average LTD ratio represents a 16-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of September 30, 2019**	**Average LTD Ratio**
The Bank of Jackson	Jackson, Tennessee	$191,409	38.5%
Regional Banks	Lexington, Tennessee	$163,929	92.4%
	Decaturville, Tennessee	$132,003	72.9%
	McKenzie, Tennessee	$129,547	58.9%

Based on data from the previous table, the bank's level of lending is below that of other banks in the region. Regional peers were chosen to find similarly situated banks based on asset size, proximity to the bank's assessment area, and loan portfolio composition by credit category. During the review period, the LTD ratio fluctuated quarter-to-quarter but generally remained in the vicinity of the 38.5 percent average, with a low of 35.8 percent and a high of 40.4 percent. This LTD ratio is well below those of regional peers, and the average has decreased substantially since the last evaluation, when the bank's average LTD ratio measured 48.9 percent. Therefore, based on regional peers and prior performance, the bank's LTD ratio is considered less than reasonable.

Assessment Area Concentration

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside and outside the bank's assessment area.

Lending Inside and Outside of Assessment Area January 1, 2018 through December 31, 2018						
Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
HMDA	49	79.0%	13	21.0%	**62**	**100%**
	$7,470	75.3%	$2,453	24.7%	**$9,923**	**100%**
Small Business	45	97.8%	1	2.2%	**46**	**100%**
	$5,887	99.7%	$15	0.3%	**$5,902**	**100%**
TOTAL LOANS	**94**	**87.0%**	**14**	**13.0%**	**108**	**100%**
	$13,357	**84.4%**	**$2,468**	**15.6%**	**$15,825**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 87.0 percent of the total loans were made inside the assessment area, accounting for 84.4 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from both loan categories reviewed. While the bank's HMDA loan distribution by borrower's profile is reasonable and performance under the small business category is excellent, greater significance is placed on performance in the HMDA loan category given the bank's emphasis on HMDA lending and the needs of the assessment area identified by community contacts.

Borrowers are classified into low-, moderate-, middle- and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC ($50,100 for the state of Tennessee as of 2018). The following table shows the distribution of HMDA-reported loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2018 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income

January 1, 2018 through December 31, 2018

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	2.6%	9	23.1%	8	20.5%	21	53.8%	0	0.0%	**39**	**100%**
Refinance	0	0.0%	0	0.0%	3	37.5%	5	62.5%	0	0.0%	**8**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**1**	**2.1%**	**9**	**19.1%**	**11**	**23.4%**	**26**	**55.3%**	**0**	**0.0%**	**47**	**100%**
Family Population	21.3%		17.1%		18.1%		43.5%		0.0%		**100%**	
2018 HMDA Aggregate	5.8%		17.1%		19.8%		37.7%		19.6%		**100%**	

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (2.1 percent) is substantially below the low-income family population figure (21.3 percent) and below the 2018 aggregate lending level to low-income borrowers (5.8 percent), reflecting poor performance. However, the bank’s level of lending to moderate-income borrowers (19.1 percent) is above the moderate-income family population percentage (17.1 percent) and the aggregate lending level to moderate-income borrowers (17.1 percent), reflecting excellent performance. Therefore, considering performance to both income categories, the bank’s overall distribution of HMDA loans by borrower’s profile is reasonable.

Next, small business loans were reviewed to determine the bank’s lending levels to businesses of different sizes. The following table shows the distribution of 2018 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue

January 1, 2018 through December 31, 2018

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	28	62.2%	13	28.9%	4	8.9%	**45**	**100.0%**
Greater Than $1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
TOTAL	**28**	**62.2%**	**13**	**28.9%**	**4**	**8.9%**	**45**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**88.9%**	
2018 CRA Aggregate Data							**47.4%**	

The bank's level of lending to small businesses is excellent. The bank originated the majority of its small business loans (100 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 88.9 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2018 aggregate lending level to small businesses is 47.4 percent.

Geographic Distribution of Loans

As noted previously, the assessment area includes three low-income and seven moderate-income census tracts, representing 37.0 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects excellent penetration throughout these LMI census tracts, based on the HMDA and small business loan categories. As previously stated, performance in the HMDA loan category carried the most significance in the overall rating of excellent for geographic distribution.

The following table displays the geographic distribution of 2018 HMDA loans compared to owner-occupied housing demographics and aggregate performance for the assessment area.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2018 through December 31, 2018												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	12	30.8%	8	20.5%	19	48.7%	0	0.0%	**39**	**100%**
Refinance	0	0.0%	4	50.0%	0	0.0%	4	50.0%	0	0.0%	**8**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**0**	**0.0.%**	**16**	**34.0%**	**8**	**17.0%**	**23**	**48.9%**	**0**	**0.0%**	**47**	**100%**
Owner-Occupied Housing	4.0%		18.2%		38.0%		39.5%		0.3%		**100%**	
2018 HMDA Aggregate	0.9%		15.7%		33.5%		49.6%		0.4%		**100%**	

The analysis of HMDA loans revealed reasonable lending performance to borrowers residing in low-income geographies. Although the bank made no loans in low-income census tracts, which is below the percentage of owner-occupied housing units in low-income census tracts (4.0 percent), this performance is in line with that of other lenders in the assessment area. Based on 2018 HMDA aggregate data, 0.9 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in low-income geographies. Community contacts noted a lack of affordable housing stock in the area's low-income census tracts, further supporting a performance conclusion of reasonable.

Bank performance in moderate-income census tracts was significantly above comparison data and deemed excellent. The bank's total penetration of moderate-income census tracts by number of loans (34.0 percent) is well above the percentage of owner-occupied housing units in moderate-income census tracts (18.2 percent) and the performance of other lenders based on aggregate lending data, which indicate that 15.7 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. Combined, the bank's geographic distribution of HMDA loans in LMI geographies, 34.0 percent, is excellent.

The bank's geographic distribution of small business loans was also reviewed. The following table displays 2018 small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area and 2018 small business aggregate data.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2018 through December 31, 2018												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Business Loans	1	2.2%	18	40.0%	9	20.0%	17	37.8%	0	0.0%	**45**	**100%**
Business Institutions	3.0%		29.3%		29.9%		29.5%		8.3%		**100%**	
2018 Small Business Aggregate	2.6%		26.0%		28.6%		33.6%		9.2%		**100%**	

The bank's level of lending in low-income census tracts (2.2 percent) is in line with the estimated percentage of businesses operating inside these census tracts (3.0 percent) and the 2018 aggregate lending levels in low-income census tracts (2.6 percent), reflecting reasonable performance. The bank's percentage of loans in moderate-income census tracts (40.0 percent) is significantly higher than the 2018 aggregate lending percentage in moderate-income census tracts (26.0 percent) and the percentage of small businesses in moderate-income census tracts (29.3 percent), representing excellent performance. Combined, the bank's overall geographic distribution of small business loans in LMI census tracts is excellent.

Lastly, based on reviews from both loan categories, The Bank of Jackson had loan activity in 77.8 percent of its assessment area census tracts. While not all census tracts contained lending activity, the bank originated loans in one of three low-income census tracts and five of seven moderate-income census tracts. While some low-income and moderate-income census tracts did not contain loans in 2018, the bank's loans were dispersed through the assessment area consistent with its branching structure. Therefore, no conspicuous lending gaps were noted in the LMI areas. This information supports the conclusion that the bank's overall geographic distribution of loans is excellent.

Responses to Complaints

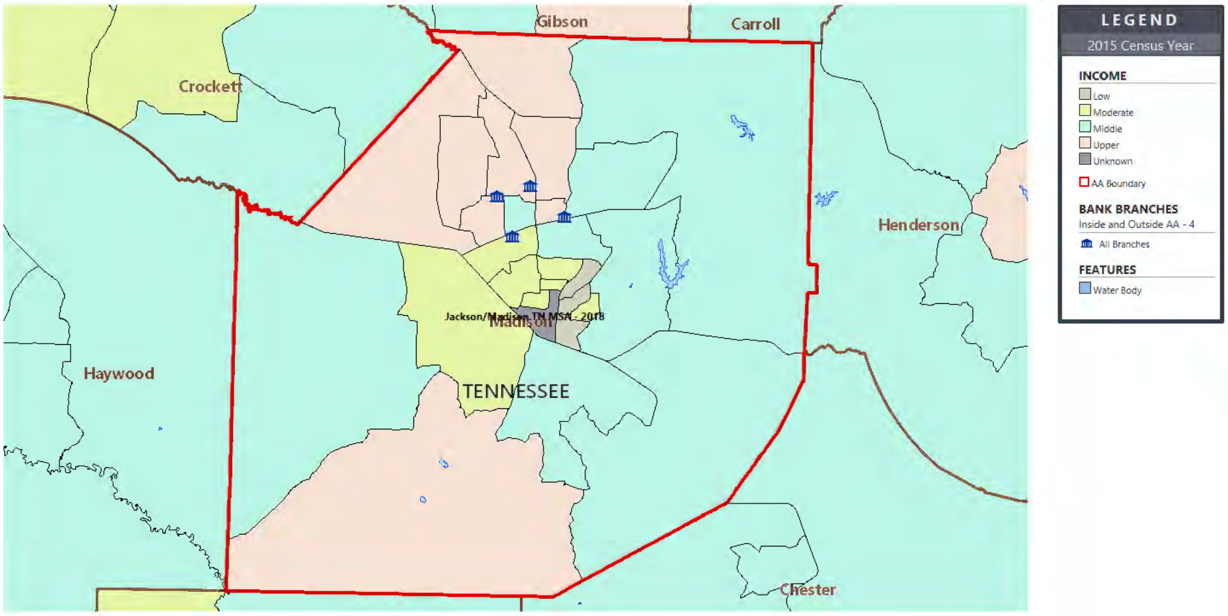
No CRA-related complaints were filed against the bank during this review period (October 5, 2015, through December 1, 2019).

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements, conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

ASSESSMENT AREA DETAIL

Bank of Jackson - Jackson, TN 2019
Jackson/Madison TN MSA



GLOSSARY

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

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

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

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

Community development: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- and moderate-income (LMI) individuals; (2) community services targeted to LMI individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

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

Demographics: The statistical characteristics of human populations (e.g., age, race, sex, and income) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

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

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

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

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

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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