

PUBLIC DISCLOSURE

July 21, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Farmers Bank
RSSD #524757**

**29 East Main Street
Parsons, Tennessee 38363**

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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this bank 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 COMMUNITY REINVESTMENT ACT RATING

Farmers Bank (the bank) is rated **Satisfactory**. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's loan-to-deposit (LTD) ratio is *reasonable* given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans and other lending-related activities are originated inside the AA.
- The borrower's profile analysis reveals excellent distribution among individuals of different income levels, including low- and moderate-income (LMI).
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's (FFIEC's) Interagency Examination Procedures for Small Institutions were utilized to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy, and market competition, as well as AA demographic and economic characteristics and credit needs. Lending performance was assessed within the bank's AA.

The bank's lending performance was evaluated using 1–4 family residential real estate and consumer motor vehicle loans, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. The following table includes the corresponding time period for each performance category.

Performance Criterion	Time Period
LTD Ratio	March 31, 2021 – March 31, 2025
AA Concentration	January 1, 2023 – December 31, 2023
Geographic Distribution of Loans	
Loan Distribution by Borrower's Profile	
Response to Written CRA Complaints	January 11, 2021 – July 20, 2025

Lending Test analyses often entail comparisons of bank performance to AA demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, AA demographics are based on 2020 American Community Survey (ACS) 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 AA. 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 \$111.0 million to \$147.6 million as of March 31, 2025.

To augment this evaluation, one community contact interview was utilized with a member of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's AA. Key details from this community contact interview are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Farmers Bank is an intrastate community bank headquartered in Parsons, Tennessee. The bank's characteristics include:

- The bank is a wholly owned subsidiary of Townsend Financial Corporation of Parsons, Tennessee.
- The bank has total assets of \$67.9 million as of March 31, 2025. That represents an increase of 61.2 percent since the last evaluation.
- The bank operates exclusively from its office in Parsons, which is located in a middle-income, underserved census tract in Decatur County, Tennessee.
- The bank's office has one cash-dispensing automated teller machine on site.
- As shown in the following table, the bank's primary business focus is 1–4 family residential real estate loans. While not reflected in the table, it is worth noting that by number of loans originated, loans to individuals, such as consumer motor vehicle loans, represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other products.

Composition of Loan Portfolio as of March 31, 2025		
Loan Type	Amount \$ (000s)	Percentage of Total Loans (%)
1-4 Family Residential	30,388	57.7
Construction and Development	10,381	19.7
Commercial Real Estate	5,569	10.6
Loans to Individuals	4,132	7.9
Commercial and Industrial	1,389	2.6
Farmland	799	1.5
Multifamily Residential	0	0.0
Farm Loans	0	0.0
Total Other Loans	0	0.0
TOTAL	52,658	100.0
<i>Note: Percentages may not total 100.0% due to rounding.</i>		

The bank was rated Satisfactory under the CRA at its January 11, 2021 performance evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank's Decatur County AA consists of the entirety of Decatur County (see Appendix A for an AA map).

- There have been no changes to the AA delineation since the prior evaluation.
- According to the June 30, 2024 Federal Deposit Market Share report, the bank has a market share of 11.9 percent, which ranks fourth out of four Federal Deposit Insurance Corporation-insured depository institutions operating in the AA.
- According to U.S. Department of Labor Bureau of Labor Statistics Quarterly Census of Employment and Wages data, the three largest nongovernmental industries in the AA, determined by number of employees, are health care and social assistance (23.3 percent), manufacturing (18.6 percent), and retail trade (12.4 percent).
- One community contact interview was conducted with an individual from an organization whose purpose is to develop and implement programs to support economic development in rural communities.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown-	TOTAL
Census Tracts	0	1	4	0	0	5
	0.0%	20.0%	80.0%	0.0%	0.0%	100%
Family Population	0	541	2,655	0	0	3,196
	0.0%	16.9%	83.1%	0.0%	0.0%	100%

- At the previous CRA evaluation, the bank's AA included four middle-income census tracts and no low- and moderate-income tracts. However, as a result of census tract changes due to the release of 2020 ACS data, the AA now has one moderate-income census tract in the center of Decatur County.
- The middle-income census tracts in the AA were considered underserved from 2022 to 2025 due to their remote, rural nature.

Population Change			
Area	2015 Population	2020 Population	Percent Change (%)
Assessment Area	11,686	11,435	-2.1
NonMSA Tennessee	1,453,776	1,492,702	2.7
Tennessee	6,499,615	6,910,840	6.3
Source: 2020 U.S. Census Bureau: Decennial Census 2011–2015 U.S. Census Bureau American Community Survey			

- As shown in the table above, the AA experienced a declining population trend, while non-metropolitan statistical area (nonMSA) Tennessee and the state of Tennessee as a whole experienced increasing trends.
- The community contact noted that the AA is a relatively small county compared to most others in the state and that population decline is partially due to a lack of economic opportunity.

Median Family Income Change			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change (%)
Assessment Area	\$50,805	\$51,534	1.4
NonMSA Tennessee	\$50,331	\$56,418	12.1
Tennessee	\$61,304	\$68,793	12.2
Source: 2011–2015 U.S. Census Bureau: American Community Survey 2016–2020 U.S. Census Bureau: American Community Survey Note: Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.			

- As shown in the table above, the median family income growth in the AA was significantly lower than that of nonMSA Tennessee and Tennessee overall.

Unemployment Rates (%)				
Area	2021	2022	2023	2024
Assessment Area	6.2	4.6	4.4	4.3
NonMSA Tennessee	4.6	3.8	3.7	3.9
Tennessee	4.5	3.4	3.2	3.4
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics				

- The unemployment rate in the AA has experienced declining trends since 2021 but has been consistently higher than the levels of nonMSA Tennessee and Tennessee overall.

- All areas experienced a spike in unemployment in 2021 due to the COVID-19 pandemic; however, unemployment subsequently declined.

Housing Cost Burden						
Area	Cost Burden – Renters			Cost Burden – Owners		
	Low-Income	Moderate-Income	All Renters	Low-Income	Moderate-Income	All Owners
Assessment Area	47.7%	30.4%	31.4%	52.7%	12.7%	16.2%
NonMSA Tennessee	64.2%	31.3%	34.5%	48.3%	23.9%	15.5%
Tennessee	72.4%	45.0%	40.9%	55.2%	28.8%	16.7%
<i>Cost burden is housing cost that equals 30% or more of household income.</i>						
<i>Source: 2017–2021 U.S. Department of Housing and Urban Development (HUD): Comprehensive Housing Affordability Strategy</i>						

- All renters within the AA have similar, yet slightly lower, cost burden levels compared to renters in nonMSA Tennessee and Tennessee overall.
- A similar percentage of low-income homeowners within the AA are cost burdened when compared to those in nonMSA Tennessee and Tennessee overall, while significantly fewer moderate-income homeowners within the AA are cost burdened when compared to those in nonMSA Tennessee and Tennessee overall.

Home Mortgage Loan Trends			
Area	2021	2022	2023
Assessment Area	313	180	153
NonMSA Tennessee	46,758	32,909	23,717
Tennessee	294,529	175,312	121,077
<i>Source: FFIEC Home Mortgage Disclosure Act Aggregate Data</i>			

- The AA experiences very low levels of mortgage loan lending activity compared to nonMSA Tennessee and Tennessee overall. This data aligns with information provided by the community contact, who noted aging and limited available housing stock in the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall performance under the Lending Test is Satisfactory.

Loan-to-Deposit (LTD) Ratio

This performance criterion evaluates the bank's average LTD ratio to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on location, asset size, and loan portfolio.

Comparative LTD Ratios March 31, 2021 – March 31, 2025			
Institution	Location	Asset Size \$ (000s)	LTD Ratio (%)
			17-Quarter Average
Farmers Bank	Parsons, Tennessee	67,822	58.5
Similarly Situated Institutions			
Regional Banks	Savannah, Tennessee	139,608	65.2
	Sardis, Tennessee	110,961	71.1
	Selmer, Tennessee	147,628	45.0

The bank's LTD ratio is reasonable. The bank's LTD ratio has increased significantly over the course of the review period, from 40.7 percent in the first quarter of 2021 to 85.6 percent in the first quarter of 2025. Additionally, while the bank's 17-quarter average LTD ratio lags two of its peers, it is above the third, and the bank's LTD ratio for the first quarter of 2025 exceeds that of those same institutions.

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	# %	\$ (000s)	\$ %	#	# %	\$ (000s)	\$ %
1–4 Family Residential Real Estate	13	20.3	1,899	13.2	51	79.7	12,526	86.8
Consumer Motor Vehicle	49	68.1	893	63.2	23	31.9	520	36.8
TOTAL LOANS	62	45.6	2,793	17.6	74	54.4	13,047	82.4
<i>Note: Percentages may not total 100.0% due to rounding.</i>								

A majority of the bank's loans are originated inside the AA. The bank purchased a substantial number of 1–4 family residential real estate loans outside of its AA in 2023, which was not reflective of the bank's lending practice throughout the review period. Thus, an additional analysis of the bank's AA concentration was conducted with the exclusion of these loans. Based on this analysis, a majority (57.5 percent) of the bank's loans, by number, are originated inside the AA.

Loan Distribution by Borrower's Profile

This performance criterion evaluates the bank's lending to borrowers of different income levels. The bank's lending has an excellent distribution among individuals of different income levels, with respect to both 1–4 family residential real estate borrowers and consumer motor vehicle borrowers.

Residential Real Estate Lending

The bank's 1–4 family residential real estate loan distribution to LMI borrowers is excellent. The bank's percentage of lending to low-income borrowers (15.4 percent) significantly exceeds the aggregate (3.4 percent) but trails the demographic comparator (22.1 percent), reflecting reasonable performance. The bank's lending to moderate-income borrowers (46.2 percent) significantly exceeds both the aggregate (17.2 percent) and the demographic comparator (20.9 percent), reflecting excellent performance.

Distribution of 2023 Residential Real Estate Lending by Borrower Income Level Assessment Area: Decatur County							
Borrower Income Level	Bank Loans		Aggregate HMDA Data	Bank Loans		Aggregate HMDA Data	Families by Family Income
	#	# %	# %	\$	\$ %	\$ %	%
Low	2	15.4%	3.4%	\$230	12.1%	1.4%	22.1%
Moderate	6	46.2%	17.2%	\$396	20.8%	10.9%	20.9%
Middle	1	7.7%	25.6%	\$150	7.9%	22.9%	21.4%
Upper	4	30.8%	35.5%	\$1,123	59.1%	43.3%	35.5%
Unknown	0	0.0%	18.2%	\$0	0.0%	21.5%	0.0%
TOTAL	13	100.0%	100.0%	\$1,899	100.0%	100.0%	100.0%
<i>Source: 2023 FFIEC Census Data 2016–2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0% due to rounding.</i>							

Consumer Motor Vehicle

The borrower distribution of consumer motor vehicle lending is excellent. The bank's lending to low-income borrowers (28.6 percent) is comparable to the percentage of low-income households in the AA (26.8 percent), reflecting reasonable performance, while the bank's lending to moderate-income borrowers (32.7 percent) significantly exceeds the household comparator (19.8 percent), reflecting excellent performance.

Distribution of 2023 Consumer Motor Vehicle Lending by Borrower Income Level Assessment Area: Decatur County					
Borrower Income Level	Bank Loans				Households by Household Income
	#	# %	\$ (000s)	\$ %	%
Low	14	28.6%	\$212	23.7%	26.8%
Moderate	16	32.7%	\$333	37.3%	19.8%
Middle	7	14.3%	\$124	13.9%	15.6%
Upper	12	24.5%	\$224	25.1%	37.8%
Unknown	0	0.0%	\$0	0.0%	0.0%
TOTAL	49	100.0%	\$893	100.0%	100.0%
<i>Source: 2023 FFIEC Census Data 2016–2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0% due to rounding.</i>					

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tracts, with consideration given to the dispersion of loans throughout the AA. The AA includes no low-income and one moderate-income census tract, representing 20.0 percent of all census tracts within the AA. The bank’s geographic distribution of loans reflects reasonable distribution among the different census tracts and dispersion throughout the AA. The bank’s performance was contextualized by 2023 FFIEC data on poverty levels within the moderate-income census tract; 13.1 percent of the families and 29.5 percent of the households in the moderate-income census tract are below the poverty level.

Residential Real Estate Lending

The geographic distribution of home mortgage lending is reasonable. The bank’s distribution of residential real estate loans throughout the moderate-income census tract (15.4 percent) is comparable to that of the aggregate (16.3 percent) and trails the demographic figure (19.0 percent), representing reasonable performance. Furthermore, a lack of construction and available housing stock in the area, as noted by the community contact, supports the bank’s reasonable performance.

Distribution of 2023 Residential Real Estate Lending by Income Level of Geography Assessment Area: Decatur County							
Geographic Income Level	Bank Loans		Aggregate HMDA Data	Bank Loans		Aggregate HMDA Data	Owner- Occupied Units
	#	# %	# %	\$ (000s)	\$ %	\$ %	%
Low	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Moderate	2	15.4%	16.3%	\$115	6.1%	14.3%	19.0%
Middle	11	84.6%	83.7%	\$1,784	93.9%	85.7%	81.0%
Upper	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
TOTAL	13	100.0%	100.0%	\$1,899	100.0%	100.0%	100.0%
<i>Source: 2023 FFIEC Census Data 2016–2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0% due to rounding.</i>							

Consumer Motor Vehicle

The geographic distribution of consumer motor vehicle lending is reasonable. The bank's distribution of consumer motor vehicle loans to the moderate-income census tract (12.2 percent) is lower than the demographic comparator (20.9 percent). As previously referenced, a significant percentage of households in this geography are below the poverty level, and a portion of that population may have difficulty qualifying for credit. Considering this performance context, the bank's lending is reasonable.

Distribution of 2023 Consumer Motor Vehicle Lending by Income Level of Geography Assessment Area: Decatur County					
Geographic Income Level	Bank Loans				Households
	#	# %	\$ (000s)	\$ %	%
Low	0	0.0%	\$0	0.0%	0.0%
Moderate	6	12.2%	\$85	9.5%	20.9%
Middle	43	87.8%	\$809	90.5%	79.1%
Upper	0	0.0%	\$0	0.0%	0.0%
Unknown	0	0.0%	\$0	0.0%	0.0%
TOTAL	49	100.0%	\$894	100.0%	100.0%
<i>Source: 2023 FFIEC Census Data 2016–2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0% due to rounding.</i>					

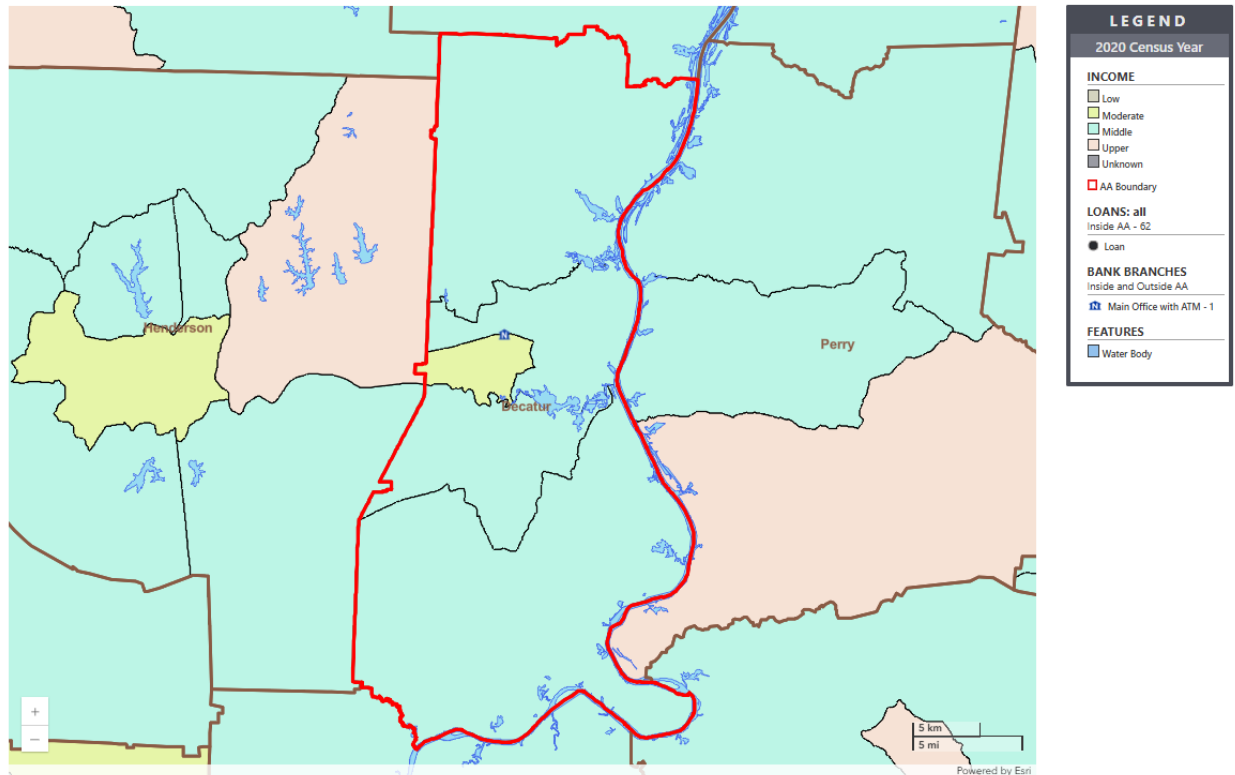
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Concurrent CA/CRA examinations conducted, no fair lending issues: 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.

APPENDIX A – MAP OF THE ASSESSMENT AREA

Decatur County Assessment Area

Farmers Bk - Parsons, TN 2025
Decatur County AA



APPENDIX B – 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- or moderate-income individuals; (2) community services targeted to low- or moderate-income 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 low- or moderate-income 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.