

# **PUBLIC DISCLOSURE**

**June 3, 2019**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bank of Crockett  
RSSD #324854**

**111 East Main Street  
Bells, Tennessee 38006**

**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.

## TABLE OF CONTENTS

Institution's CRA Rating .....	1
Scope of Examination .....	1
Description of Institution .....	2
Description of Assessment Area .....	3
Conclusions with Respect to Performance Criteria .....	7
Appendix A: Assessment Area Detail .....	12
Appendix B: Glossary .....	13

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

Bank of Crockett 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 farms and businesses of different revenue sizes.
- The geographic distribution of loans reflects poor 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. Small farm 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.<sup>1</sup> 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 agricultural lending, performance based on the small farm 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	June 30, 2015 – March 31, 2019
Assessment Area Concentration	January 1, 2017 – December 31, 2018
Loan Distribution by Borrower's Profile	January 1, 2017 – December 31, 2018
Geographic Distribution of Loans	January 1, 2017 – December 31, 2018
Response to Written CRA Complaints	April 13, 2015 – June 2, 2019

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; certain farm and business demographics are based on 2017 and 2018 Dun & Bradstreet data.

<sup>1</sup> Small farm and small business loan types were sampled for this review according to CA Letter 01-8, "CRA Sampling Procedures."

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 \$84.9 million to \$229.9 million as of March 31, 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 and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

## **DESCRIPTION OF INSTITUTION**

Bank of Crockett is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Security Bancorp of Tennessee, Inc., a six-bank holding company headquartered in Halls, Tennessee. The bank's branch network consists of the main office and four branches, all of which have cash-dispensing only automated teller machines on site. The main office and one branch are located in Bells, Tennessee. The bank also operates two branches in the city of Alamo (one of which is located in a grocery store) and one branch in the city of Gadsden. Of these locations, three are located in moderate-income census tracts, while the remaining two offices are located in middle-income census tracts. Drive-up accessibility is limited to the branch located in Bells, and loans are originated only at the main office in Bells and at the South Bells Street branch in Alamo. While the bank did not open any branches since the previous CRA evaluation, the bank did close the branch located in a middle-income census tract in Crockett Mills, Tennessee, on March 4, 2016. Based on this branch network and other service delivery systems such as online and mobile banking capabilities, the bank is 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 March 31, 2019, the bank reported total assets of \$168.8 million. As of the same date, loans and leases outstanding were \$60.7 million (36.0 percent of total assets), and deposits totaled \$149.5 million. The bank's loan portfolio composition by credit category is displayed in the following table:

<b>Distribution of Total Loans as of March 31, 2019</b>		
<b>Credit Category</b>	<b>Amount (\$000s)</b>	<b>Percentage of Total Loans</b>
Construction and Development	\$4,509	7.4%
Commercial Real Estate	\$4,921	8.1%
Multifamily Residential	\$358	0.6%
1-4 Family Residential	\$7,599	12.5%
Farmland	\$20,834	34.3%
Farm Loans	\$6,489	10.7%
Commercial and Industrial	\$11,741	19.3%
Loans to Individuals	\$4,005	6.6%
Total Other Loans	\$278	0.5%
<b>TOTAL</b>	<b>\$60,734</b>	<b>100%</b>

As indicated by the table above, a significant portion of the bank's lending resources is directed to agricultural purpose loans (farmland and farm loans) and commercial purpose loans (commercial and industrial and commercial real estate loans).

The bank received a Satisfactory rating at its previous CRA evaluation conducted on April 13, 2015, by this Reserve Bank.

## **DESCRIPTION OF ASSESSMENT AREA**

### **General Demographics**

The bank's assessment area includes the entirety of Crockett County and the easternmost census tract (9301.00) of Haywood County. The assessment area, which has a population of 17,008, is located in the central west portion of Tennessee, primarily within the Jackson, Tennessee, metropolitan statistical area (Jackson MSA). Crockett County is one of four counties that comprises the Jackson MSA, while Haywood County is located in contiguous nonMSA Tennessee.<sup>2</sup> The bank's assessment area is primarily rural and contains two moderate- and four middle-income census tracts. The single census tract located in Haywood County is designated as distressed due to poverty.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2018, there are 9 FDIC-insured depository institutions with a presence in Crockett and Haywood Counties that operate 16 offices. Bank of Crockett (operating five, or

<sup>2</sup> While just outside of the Jackson MSA, Haywood County is a part of the Brownsville, Tennessee micropolitan area, which is a component of the Jackson, Tennessee combined statistical area. Thus, Crockett County and Haywood County were reviewed as a single assessment area for this CRA evaluation.

31.3 percent, offices in the assessment area) ranked first in terms of deposit market share, with 30.1 percent of the total assessment area deposit dollars.

Because a significant portion of the community is rural, agricultural lending products represent a significant credit need in the assessment area, along with the need for a standard blend of consumer and business loan products. According to community contacts, small business lending needs include loans for equipment costs, operating lines of credit, and startup costs of new businesses. Similarly, contacts specified that agricultural-related needs include loans to assist new farmers with startup costs.

### **Income and Wealth Demographics**

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

<b>Assessment Area Demographics by Geography Income Level</b>						
<b>Dataset</b>	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>	<b>TOTAL</b>
Census Tracts	0	2	4	0	0	<b>6</b>
	0.0%	33.3%	66.7%	0.0%	0.0%	<b>100%</b>
Family Population	0	1,471	2,741	0	0	<b>4,212</b>
	0.0%	34.9%	65.1%	0.0%	0.0%	<b>100%</b>

As shown above, the bank's assessment area contains two-moderate income census tracts, both of which are located in Crockett County. The table also reveals that the percentage of families located in moderate- and middle-income census tracts is closely aligned with the distribution of moderate- and middle-income census tracts.

Based on 2010 U.S. Census data, the median family income for the assessment area was \$45,547. At the same time, the median family income for the Jackson MSA was \$53,433. More recently, the FFIEC estimates the 2017 and 2018 median family income for the Jackson MSA to be \$52,400 and \$57,700, respectively. The following table displays population percentages of assessment area families by income level compared to the Jackson MSA family population as a whole.

<b>Family Population by Income Level</b>						
<b>Dataset</b>	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>	<b>TOTAL</b>
Assessment Area	924	971	931	1,386	0	<b>4,212</b>
	21.9%	23.1%	22.1%	32.9%	0.0%	<b>100%</b>
Jackson MSA	7,220	5,819	6,089	13,495	0	<b>32,623</b>
	22.1	17.8	18.7	41.4	0.0%	<b>100%</b>

As shown in the table above, 45.0 percent of families within the assessment area were considered low- and moderate-income (LMI), which is higher than the LMI family percentage of 39.9 percent in the Jackson MSA. Furthermore, a smaller percentage of the population of upper-income families (32.9 percent) reside in the assessment area when compared to the Jackson MSA (41.4 percent). In addition, although the percentage of families living below the poverty threshold in the assessment area (12.9 percent) is slightly less than the 14.8 percent level in the Jackson MSA, community contacts indicated the poverty level in the assessment area is still significant, fueled by seasonality and low wages associated with agricultural jobs. Despite lower poverty levels, the assessment area appears less affluent overall than the MSA as a whole.

### **Housing Demographics**

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than in the Jackson MSA. The median housing value for the assessment area is \$94,765, which is below the figure for the Jackson MSA of \$112,861. In addition, the assessment area housing affordability ratio of 38.5 percent is slightly above the Jackson MSA figure of 36.7 percent, indicating greater affordability. Furthermore, the median gross rent for the assessment area of \$647 per month is lower than the \$734 per month for the Jackson MSA.

### **Industry and Employment Demographics**

The assessment area economy is diverse and is supported by a mixture of manufacturing and service-oriented sectors. According to 2016 county business patterns data, the assessment area supports 7,000 paid employees. By percentage of employees, manufacturing jobs dominate the area (35.6 percent), followed by retail trade (13.1 percent) and healthcare and social assistance (12.8 percent). Although not considered one of the top industries by number of paid employees, community contacts mentioned the importance of agriculture, particularly cotton, soybean, corn, and wheat production, to the local economy. Furthermore, business demographic estimates indicate that 94.9 percent of assessment area farms and 89.5 percent of businesses have gross annual revenues of \$1 million or less.

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 Jackson MSA as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	Assessment Area	Jackson MSA
2015	7.5%	5.9%
2016	5.9%	4.9%
2017	4.7%	4.0%
2018	4.6%	3.8%

As shown in the table above, unemployment levels for the assessment area, as well as the Jackson MSA, have consistently decreased since 2015. Additionally, unemployment levels in the assessment area are higher than the Jackson MSA levels. According to community contacts, job opportunities have decreased unemployment in the assessment area; however, with low wage and seasonal agricultural-related jobs being more prevalent, poverty remains a concern.

### **Community Contact Information**

Information from two community contacts was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. Of these community contact interviews, one was with an individual specializing in rural development, and one was with an employee of a farm services organization.

The community contact interviewees categorized the economy as relatively stable, driven by agriculture and agribusinesses related to the production of the main crops in the county, which include cotton, soybean, corn, and wheat. However, both contacts indicated that economic conditions can fluctuate due to agriculture prices for the major commodities. Outside of the farming industry, contacts mentioned the county's economy is dependent on manufacturing and retail trade. One of the contacts indicated that the majority of residents working outside of the farm industry and local government travel to the nearby cities of Dyer, Humboldt, and Jackson to work. The other contact indicated that jobs are readily available but agricultural-related work tends to be seasonal with low wages. Furthermore, the contact specializing in farm services voiced a concern relating to an aging population, indicating that many younger residents are moving out of the area for higher paying job opportunities, and for those residents that have ties to family farm operations, it has contributed to the loss of small farming operations in the county that are being absorbed by larger farming operations.

Regarding banking services, both contacts indicated the entire county, including all income types, was being served. However, the contact specializing in rural development noted that some residents still utilize the services of payday lenders, because these individuals either feel as though they would not qualify for banking products or have had bad experiences with banks in the past. Specific to small business development, this contact mentioned that the environment overall was positive with most small businesses being located close to town squares. The most highly needed credit products of small businesses include loans for equipment, operating lines of credit, and startup costs of new businesses. Additionally, the contact indicated an opportunity for banks to become more involved included becoming certified to offer loans with guarantees through either the Small Business Administration or the United States Department of Agriculture. Specific to the agricultural environment, the contact specializing in farm services highlighted several barriers to entry for new farmers. These barriers include obtaining large acreage, having use of adequate equity and collateral, being able to demonstrate experience in farming operations, and having high debt-to-income ratios. The contact went on to say that while Farm Service Agency (FSA) offers micro loans to help new farmers get started, the funding can fall short. As such, the contact indicated credit needs and opportunities in the community include a need for more of the banks to become certified under the FSA loan program and for banks to work together to develop a local revolving fund for beginning farmers.



## 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 March 31, 2019	Average LTD Ratio
Bank of Crockett	Bells, Tennessee	\$168,768	35.0%
Regional Banks	Dyer, Tennessee	\$101,015	37.3%
	Halls, Tennessee	\$84,865	52.4%
	Ripley, Tennessee	\$229,942	42.4%

During the review period, the bank's LTD ratio ranged from a high of 40.0 percent in March 2019 to a low of 30.0 percent in December 2016. 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. Furthermore, regional peers that make a significant amount of agricultural loans were chosen to help account for the economic factors in agricultural lending. Agricultural lending has significant fluctuations based on seasons and the needs of local farms. As such, the bank's LTD ratio generally exhibits similar fluctuations as other agricultural lenders in the region. However, the bank's LTD ratio is below its regional peers, and the average has not changed substantially since the last evaluation when performance was 33.7 percent. Therefore, based on regional peers, lending opportunities, and economic factors in the assessment area, 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, 2017 through December 31, 2018						
Loan Type	Inside Assessment Area		Outside Assessment Area		TOTAL	
Small Farm	46	83.6%	9	16.4%	55	100%
	5,407	83.3%	1,083	16.7%	\$6,490	100%
Small Business	50	78.1%	14	21.9%	64	100%
	3,785	83.0%	775	17.0%	\$4,560	100%
TOTAL LOANS	96	80.7%	23	19.3%	119	100%
	9,192	83.2%	1,858	16.8%	\$11,050	100%

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 80.7 percent of the total loans were made inside the assessment area, accounting for 83.2 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.

Small farm and small business loans are classified based on revenue levels. Specifically, loans are categorized for small farms or small businesses if their respective revenues are less than \$1 million. The following table shows the distribution of small farm loans by gross annual revenue and loan amount, compared to demographics for the assessment area. Additionally, 2017 aggregate lending data<sup>3</sup> for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Farm Revenue								
January 1, 2017 through December 31, 2018								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	<\$100		>\$100 and <=\$250		>\$250 and <=\$500			
\$1 Million or Less	22	47.8%	7	15.2%	2	4.3%	31	67.4%
Greater than \$1 Million/Unknown	9	19.6%	4	8.7%	2	4.3%	15	32.6%
TOTAL	31	67.4%	11	23.9%	4	8.7%	46	100%
Dun & Bradstreet Farms ≤ \$1MM							94.9%	
2017 Small Farm Aggregate < \$1MM							40.2%	

<sup>3</sup> Lending data used in the analysis covers the two year period of January 1, 2017–December 31, 2018. As of the examination date, 2018 aggregate lending data was not available for analysis. Therefore, only 2017 aggregate lending data is included in the borrower and geographic distribution analyses.

As displayed in the preceding table, the bank's percentage of lending to small farms with gross annual revenues of \$1 million or less is 67.4 percent. While demographic data indicate that 94.9 percent of agricultural institutions inside the assessment area are small farms, aggregate lending to small farms in 2017 was just 40.2 percent. Based on the analysis, Bank of Crockett's level of lending to small farms 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 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and 2017 aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue									
January 1, 2017 through December 31, 2018									
Gross Revenue	Loan Amounts in \$000s						TOTAL		
	<\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000				
\$1 Million or Less	34	68.0%	6	12.0%	1	2.0%	41	82.0%	
Greater than \$1 Million/Unknown	5	10.0%	2	4.0%	2	4.0%	9	18.0%	
TOTAL	39	78.0%	8	16.0%	3	6.0%	50	100%	
Dun & Bradstreet Businesses ≤ \$1MM							89.5%		
2017 Small Business Aggregate < \$1MM							60.8%		

The bank originated 82.0 percent of its business loans to businesses with revenues of \$1 million or less. While the bank's performance falls short of the demographic estimate of assessment area businesses with annual revenues of \$1 million or less (89.5 percent), the performance of aggregate lenders in 2017 was 60.8 percent. In addition, the fact that 82.9 percent of loans to small businesses were in amounts of \$100,000 or less further indicates the bank's willingness to meet the credit needs of small businesses. Therefore, the bank's level of lending to small businesses is reasonable.

### **Geographic Distribution of Loans**

As noted previously, the bank's assessment area contains no low- or upper-income census tracts, two moderate-income census tracts, and four middle-income census tracts. The analysis in this section illustrates the distribution of the bank's loan activity across these geographies. The following table displays the geographic distribution of small farm loans in comparison with the estimated percentages of small farms located in each geography income category. In addition, 2017 aggregate lending data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2018												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Farm Loans	0	0.0%	10	21.7%	36	78.3%	0	0.0%	0	0.0%	46	100%
Agricultural Institutions	0.0%		42.4%		57.6%		0.0%		0.0%		100%	
2017 Small Farm Aggregate	0.0%		32.1%		67.9%		0.0%		0.0%		100%	

As displayed in the table above, the bank originated 21.7 percent of small farm loans to farms within the moderate-income census tracts. In comparison, demographic data indicate that 42.4 percent of assessment area farms are located in the moderate-income census tracts, while aggregate performance for 2017 was 32.1 percent. However, there is a branch of a competitor bank in the main population center of one of the moderate-income census tracts in Maury City, which makes lending in the area more challenging. Despite this, the geographic distribution of the bank's small farm loans reflects poor dispersion throughout the assessment area.

As with the previous loan category, the bank's geographic distribution of small business loans was also reviewed. The following table displays the results of this review, along with the estimated percentages of small business institutions located in each geography income category for comparison purposes.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2018												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	13	26.0%	37	74.0%	0	0.0%	0	0.0%	50	100%
Business Institutions	0.0%		47.0%		53.0%		0.0%		0.0%		100%	
2017 Small Business Aggregate	0.0%		35.7%		63.3%		0.0%		1.0%		100%	

The bank's level of lending in moderate-income census tracts (26.0 percent) is below demographic data which indicates that 47.0 percent of assessment area businesses are located in moderate-income census tracts. Additionally, aggregate performance in 2017 was 35.7 percent. Similar to small farm lending, the bank faces the same competitive challenges with small business lending. However, the bank's overall performance reflects poor dispersion of small business loans throughout the assessment area.

Lastly, Bank of Crockett had loan activity in all assessment area census tracts. As such, there were no conspicuous lending gaps noted in LMI areas. Nevertheless, primarily based on performance for both products reviewed, the bank's overall geographic distribution of loans is poor.

### **Responses to Complaints**

No CRA-related complaints were filed against the bank during this review period (April 13, 2015 through June 2, 2019).

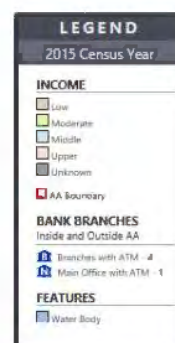
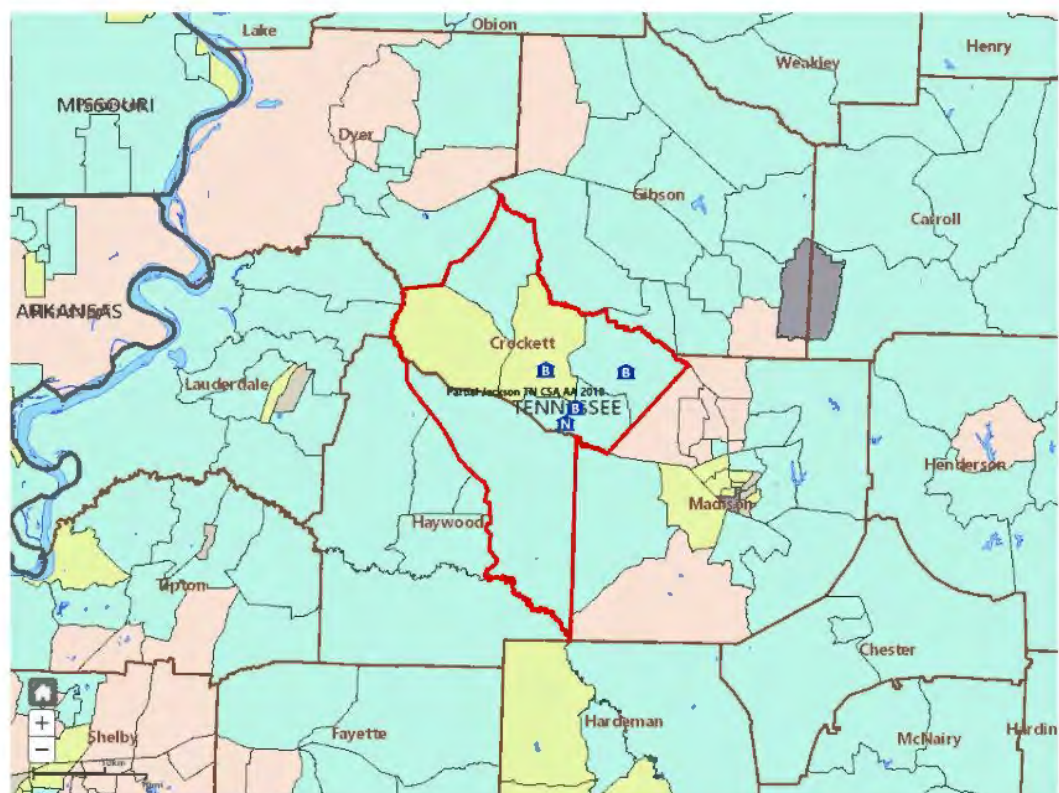
### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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 Crockett - Bells, TN 2019**

Partial Jackson TN CSA AA



## 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 (such as age, race, sex, income, etc.) 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 the income of applications, 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:** Is 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.