

**PUBLIC DISCLOSURE**

October 23, 2017

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Select Bank

3567269

211 Gristmill Drive

Forest, Virginia 24551

**Federal Reserve Bank of Richmond  
P. O. Box 27622  
Richmond, Virginia 23261**

**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 this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered more than reasonable given its capacity and the demand for credit within the assessment area.
- A majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans considered in the evaluation were originated within the bank's assessment area.
- The bank's borrower distribution performance (lending to low- and moderate-income borrowers and small businesses having annual revenues of \$1 million or less) is considered reasonable overall.
- The bank's geographic distribution performance (lending in low- and moderate-income census tracts) is considered excellent overall.
- There have been no complaints regarding the bank's Community Reinvestment Act (CRA) performance since the previous CRA evaluation.

### **SCOPE OF EXAMINATION**

Select Bank (SB) was evaluated using the interagency examination procedures for small institutions developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, all (103) reported residential mortgage loan originations by the institution during calendar years 2015 and 2016 were reviewed in accordance with the HMDA. Additionally, small business loans are considered to be a primary product line, and all (72) small business originations and purchases in 2015 and 2016 were considered in the evaluation.

### **DESCRIPTION OF INSTITUTION**

SB is headquartered in Forest, Virginia, and operates three full service branches within the Lynchburg, VA assessment area. The bank is a wholly-owned subsidiary of Select Bank Financial Corporation and owns a partial ownership stake in Reliance Title and Settlement. Since the previous evaluation, the bank opened a branch within Bedford County, Virginia expanding its assessment area to include all of Bedford County, Virginia within the Lynchburg, VA assessment area. SB received an Outstanding rating at its prior CRA evaluation dated September 10, 2012. No known legal impediment exists that would prevent the bank from meeting the credit needs of its assessment area.

As of September 30, 2017, SB held assets totaling \$205.1 million, of which 90.2% were net loans. As of the same date, deposits totaled \$185.9 million. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and small business purposes. The composition of the loan portfolio using gross loans, as of September 30, 2017, is represented in the following table.

### **Composition of Loan Portfolio**

Loan Type	9/30/2017	
	\$(000s)	%
Secured by 1-4 Family dwellings	62,299	33.4
Multifamily	2,947	1.6
Construction and Development	14,307	7.7
Commercial & Industrial/ NonFarm NonResidential	100,596	54.0
Consumer Loans and Credit Cards	4,447	2.4
Agricultural Loans/ Farmland	1,784	1.0
All Other	0	0.0
<b>Total</b>	<b>186,380</b>	<b>100.0</b>

*Note, percentages in the table may not equal 100 due to rounding.*

As indicated in the preceding table, SB is an active commercial/small business and residential mortgage lender. The bank also continues to offer other loans, such as consumer and farm loans; however, the volume of such lending is relatively small in comparison to the commercial/small business and residential mortgage lending. As such, the volume of small business lending and reported HMDA loans led to their consideration within the evaluation. While it is an active residential mortgage lender, a large portion of the bank's HMDA lending for both 2015 and 2016 does not have reported income and appears to be for business purposes. This facet of the bank's lending is considered as an element of performance context, particularly in the borrower distribution analysis of HMDA lending.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN LYNCHBURG, VA ASSESSMENT AREA**

SB delineated one assessment area located within a portion of the Lynchburg, VA Metropolitan Statistical Area (MSA). The assessment area is located in the Commonwealth of Virginia and includes the city of Lynchburg, Virginia, and the entire counties of Bedford and Campbell, Virginia. SB operates three full-service branches, including one branch located in a moderate-income census tract. As previously mentioned, since the previous evaluation, the bank opened a branch within Bedford County, Virginia, expanding its assessment area to include the whole county.

As of June 30, 2016, SB ranked 10<sup>th</sup> out of 16 financial institutions in local deposit market share according to data compiled by the Federal Deposit Insurance Corporation and held 3.9% of the assessment area's deposits (credit union deposits are not included). Additionally, according to 2016 aggregate data, the bank ranked 27<sup>th</sup> out of 302 lenders in reported HMDA lending with a .8% market share.

Based on 2010 American Community Survey (ACS) data, the assessment area served by the bank has a total population of 205,308 and a median housing value of \$153,423. Within the assessment area, the owner-occupancy rate is 63.3%, which is higher than the owner-occupancy rate for the Commonwealth of Virginia (61.8%), but slightly lower than the Lynchburg MSA rate (64.3%). The percentage of families living below the poverty level in the assessment area (9.9%) is higher than the percentages in the Commonwealth of Virginia (7.2%) and in the Lynchburg MSA (9.6%). The Lynchburg MSA median family income during 2015 and 2016 equaled \$60,800 and \$60,300, respectively. The following table includes pertinent demographic data for the assessment area.

### Assessment Area Demographics

Lynchburg, VA (Based on 2010 ACS Data and 2016 D&B Information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	3	6.3	1,005	1.9	328	32.6	10,874	20.5
Moderate	11	22.9	9,698	18.3	1,878	19.4	10,025	18.9
Middle	28	58.3	32,677	61.6	2,615	8.0	10,756	20.3
Upper	6	12.5	9,705	18.2	443	4.6	21,430	40.3
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>48</b>	<b>100.0</b>	<b>53,085</b>	<b>100.0</b>	<b>5,264</b>	<b>9.9</b>	<b>53,085</b>	<b>100.0</b>
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	775	1.4	1,969	2.5	781	39.7	19,304	24.2
Moderate	9,757	17.1	16,624	20.8	3,819	23.0	12,889	16.1
Middle	35,861	62.8	48,008	60.2	5,947	12.4	14,293	17.9
Upper	10,756	18.7	13,211	16.5	1,078	8.2	33,326	41.8
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>57,149</b>	<b>100.0</b>	<b>79,812</b>	<b>100.0</b>	<b>11,625</b>	<b>14.6</b>	<b>79,812</b>	<b>100.0</b>
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	484	6.2	411	5.8	65	10.1	8	13.6
Moderate	1,403	17.9	1,238	17.3	160	24.9	5	8.5
Middle	4,304	54.9	3,969	55.6	303	47.1	32	54.2
Upper	1,648	21.0	1,519	21.3	115	17.9	14	23.7
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>7,839</b>	<b>100.0</b>	<b>7,137</b>	<b>100.0</b>	<b>643</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				91.0		8.2		0.8

\*NA-Tracts without household or family income as applicable

Local county government employment opportunities and local county school boards provide a large portion of area employment for residents. In addition, manufacturing, utilities, and health services contain further employment opportunities. The largest employers include Babcock and Wilcox Nuclear (energy), BGF Industries Inc. (materials manufacturer), Centra Health, J. Crew Outfitters, Areva NP Inc. (energy), and GNA Corporation. Recent and historical unemployment rates since the previous evaluation are included in the following table.

Geographic Area	October 2012	October 2013	October 2014	October 2015	October 2016	August 2017
Lynchburg City, VA	7%	7.1%	6.1%	5.1%	5.1%	5.5%
Bedford County, VA	5.5%	5.5%	4.7%	4%	4.1%	4%
Campbell County, VA	5.8%	5.8%	4.9%	4.2%	4.3%	4.4%
Commonwealth of Virginia	5.6%	5.7%	4.8%	4%	4%	3.8%
Lynchburg, VA MSA	6.1%	6.1%	5.2%	4.4%	4.5%	4.6%

Overall, unemployment rates across the assessment area have declined since the previous evaluation, suggesting improving employment opportunities across the assessment area. The city of Lynchburg, Virginia has consistently had the highest unemployment rate within the assessment area due to the high college student population. Additionally, the Lynchburg, VA MSA unemployment rate is regularly higher than that of the Commonwealth.

A local economic development official was contacted during the evaluation to assist in evaluating the bank's CRA performance. The economic development official observed that the growth of small businesses in the area has been an indication of the improvement within the local economy. As such, opportunities exist to assist in funding small businesses and build relationships in the area. In addition, the contact stated that banks are reasonably meeting the financial needs of the local community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

HMDA and small business loan data from calendar years 2015 and 2016 were fully analyzed and considered in this evaluation. When evaluating the bank's HMDA performance, relevant area demographic data from the 2010 ACS is used as a proxy for demand. While ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years. Dun & Bradstreet (D&B) business demographic data from 2015 and 2016 is also considered when evaluating the bank's small business performance.

Aggregate HMDA and small business data are also used and are from calendar years 2015 and 2016. Aggregate data used as a proxy for the bank's HMDA lending includes all activity reported by lenders subject to reporting HMDA data that originated such loans within the bank's assessment area. Similarly, the aggregate small business lending data includes all lenders subject to reporting small business data. Because SB is not subject to data collection and reporting for the CRA, its small business lending activity is not included in the small business loan aggregate data; however, the data nonetheless serves as a meaningful proxy for demand.

To evaluate the geographic and borrower distribution for a specific loan category within the assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans. To arrive at an overall institutional level conclusion regarding the distribution of lending, performance in each loan category is generally weighted by dollar volume of such loans made in the assessment area. While HMDA loan data and small business data from calendar years 2015 and 2016 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2016 are presented in the assessment area analysis tables. In instances where the 2015 performance varies significantly from the performance noted during 2016, such variances and the corresponding impact on the overall performance are discussed.

Within SB's assessment area, a high level of small business lending activity was reported by specialized lenders, who often originate or purchase small business loans in the form of credit cards. The loans, however, tend to be much smaller in size than traditional small business bank loans, and a substantial majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of \$1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.

## **Loan-To-Deposit Ratio**

The bank's loan-to-deposit ratio as of September 30, 2017, equaled 99.5% and averaged 96.2% for the 21-quarter period ending September 30, 2017. In comparison, the quarterly average loan-to-deposit ratios of a peer group operating in a similar area to SB ranged from 66.5% to 89.4% for a recent 20-quarter period ending June 30, 2017. Since June 30, 2012, assets, net loans, and deposits have increased by 94%, 105.5%, and 97.1%, respectively. From a CRA perspective, the bank's loan-to-deposit ratio is considered more than reasonable given the institution's size, financial condition, and local credit needs.

## Lending In Assessment Area

To determine the institution's volume of lending within its assessment area, the geographic location of the bank's 2015 and 2016 HMDA and small business loans were considered. The lending distribution inside and outside of the bank's assessment area is represented in the following table.

**Comparison of Credit Extended Inside and Outside of Assessment Area(s)**

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	52	76.5	8,742	73.1	16	23.5	3,223	26.9
Home Improvement	0	0.0	0	0.0	0	0.0	0	0.0
Refinancing	26	86.7	5,646	68.3	4	13.3	2,619	31.7
Multi-Family Housing	4	80.0	1,572	87.7	1	20.0	220	12.3
<b>Total HMDA related</b>	<b>82</b>	<b>79.6</b>	<b>15,960</b>	<b>72.5</b>	<b>21</b>	<b>20.4</b>	<b>6,062</b>	<b>27.5</b>
Small Business	48	66.7	4,986	58.8	24	33.3	3,488	41.2
<b>TOTAL LOANS</b>	<b>130</b>	<b>74.3</b>	<b>20,946</b>	<b>68.7</b>	<b>45</b>	<b>25.7</b>	<b>9,550</b>	<b>31.3</b>

As indicated in the preceding table, a majority of the total number (74.3%) and dollar amount (68.7%) of HMDA and small business loans were extended within the bank's assessment area. Overall, the institution's level of lending within its assessment area is considered responsive to community credit needs.

## Lending to Borrowers of Different Incomes and To Businesses of Different Sizes

While the bank's borrower distribution performance varied between years for each product, overall, the borrower distribution performance is considered reasonable for both HMDA and small business lending.

**Distribution of HMDA Loans by Income Level of Borrower**

Lynchburg, VA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
<b>HMDA Totals</b>								
Low	8	29.6	338	6.7	442	9.0	36,619	4.4
Moderate	0	0.0	0	0.0	1,060	21.7	126,543	15.3
Middle	1	3.7	195	3.9	1,279	26.2	195,780	23.6
Upper	18	66.7	4,528	89.4	2,108	43.1	470,790	56.7
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>5,061</b>	<b>100.0</b>	<b>4,889</b>	<b>100.0</b>	<b>829,732</b>	<b>100.0</b>
Unknown	25		6,176		1,231		291,102	

*Percentages (%) are calculated on all loans where incomes are known*

During 2016, the bank's level of lending to low-income borrowers (29.6%) was significantly greater than the percentage of low-income families within the assessment area (20.5%) and the aggregate lending level to such borrowers (9%) and is considered excellent. SB did not originate any HMDA loans to moderate-income borrowers; however, the percentage of moderate-income families (18.9%) and aggregate lending levels (21.7%) indicate that there are lending opportunities to these borrowers and is considered very poor. Additionally, the table indicates that nearly one half of the bank's total HMDA originations in 2016 did not have a reported income, which, as previously mentioned, indicates that they were likely for business purposes. Those loans represented more dollar volume (\$6.2 million) than consumer purpose HMDA loans (\$5.1 million) in 2016. Given these factors, and based on the strength of SB's lending to low-income borrowers, overall, its performance is considered reasonable.

In 2015, SB originated 19 loans totaling \$3.2 million, for which the borrowers' incomes were known. Of the 19 originations, none were extended to low-income borrowers and only one loan (5.3%) totaling \$50,000 (1.6%) was extended to a moderate-income borrower. SB's lack of lending significantly lagged the aggregate lending level to low-income borrowers (9%) and percentage of low-income families (20.3%). Similarly, the bank's level of lending to moderate-income borrowers significantly lagged aggregate lending to such borrowers (22.4%) and the percentage of moderate-income families (18.5%) within the assessment area. The bank's performance during 2015 is considered poor.

On a combined basis, total HMDA lending performance to borrowers is considered reasonable. In reaching this conclusion, greater weight is given to the bank's 2016 performance due to the larger dollar volume associated with loans where income was known (\$5.1 million to \$3.2 million).

### **Distribution of Lending by Loan Amount and Size of Business**

Lynchburg, VA (2016)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	16	59.3	1,583	60.2	1,582	51.0	56,587	41.7
Over \$1 Million	11	40.7	1,045	39.8	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$100,000 or less	19	70.4	960	36.5	2,817	90.8	44,553	32.8
\$100,001-\$250,000	7	25.9	1,246	47.4	174	5.6	30,602	22.5
\$250,001-\$1 Million	1	3.7	422	16.1	111	3.6	60,634	44.7
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>2,628</b>	<b>100.0</b>	<b>3,102</b>	<b>100.0</b>	<b>135,789</b>	<b>100.0</b>

\* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data from 2016 indicates that 91% of all local businesses have revenues that do not exceed \$1 million per year. According to 2016 aggregate small business data, 51% of reported loans were to businesses with annual revenues of \$1 million or less. Excluding large credit card lenders, 59.4% of the remaining reported small business loans were to businesses having revenues of \$1 million or less. Of the small business loans reported by SB, originations to businesses having annual revenues of \$1 million or less equaled 59.3%. Given these contextual factors, the bank's small business lending performance is considered reasonable.

In 2015, SB originated 21 loans totaling \$2.4 million. The bank's level of lending to businesses having revenues that do not exceed \$1 million per year (71.4%) was lower than D&B comparison (92.2%), but significantly exceeded aggregate bank lending levels to businesses having annual revenues of \$1 million or less (48.2%) and when excluding large credit card lenders (53.7%). This level of lending is considered to be excellent.

On a combined basis, SB's small business lending performance is considered reasonable overall when taking into account the slightly larger number and dollar volume of SB's lending during 2016 and the relative performance levels in each year.

### **Geographic Distribution of Loans**

The bank's geographic distribution performance is considered excellent for HMDA lending and reasonable for small business lending within the assessment area. Overall, SB's geographic distribution performance is considered excellent based upon the strength of the bank's total HMDA lending in low- and moderate- income census tracts when compared to its small business lending in such areas.



**Distribution of HMDA Loans by Income Level of Census Tract**

Lynchburg, VA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(36) Home Purchase				(3,436)			
Low	5	13.9	177	2.8	31	0.9	3,371	0.5
Moderate	8	22.2	1,072	16.7	531	15.5	67,791	10.7
Middle	16	44.4	1,902	29.6	1,962	57.1	325,453	51.3
Upper	7	19.5	3,278	50.9	912	26.5	238,363	37.5
	(12) Refinance				(2,284)			
Low	0	0.0	0	0.0	12	0.5	1,699	0.4
Moderate	1	8.3	51	1.6	264	11.6	32,580	7.9
Middle	4	33.3	611	18.9	1,383	60.6	237,216	57.8
Upper	7	58.4	2,574	79.5	625	27.3	138,701	33.9
	(0) Home Improvement				(373)			
Low	0	0.0	0	0.0	4	1.1	207	0.9
Moderate	0	0.0	0	0.0	66	17.7	2,740	12.1
Middle	0	0.0	0	0.0	238	63.8	11,646	51.6
Upper	0	0.0	0	0.0	65	17.4	7,964	35.4
	(4) Multi-Family				(27)			
Low	2	50.0	225	14.3	5	18.5	7,380	13.9
Moderate	1	25.0	672	42.7	10	37.0	16,128	30.4
Middle	1	25.0	675	43.0	7	25.9	25,219	47.5
Upper	0	0.0	0	0.0	5	18.6	4,376	8.2
	HMDA Totals							
Low	7	13.5	402	3.6	52	0.8	12,657	1.1
Moderate	10	19.2	1,795	16.0	871	14.2	119,239	10.6
Middle	21	40.4	3,188	28.4	3,590	58.7	599,534	53.5
Upper	14	26.9	5,852	52.0	1,607	26.3	389,404	34.8
NA *	NA	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>52</b>	<b>100.0</b>	<b>11,237</b>	<b>100.0</b>	<b>6,120</b>	<b>100.0</b>	<b>1,120,834</b>	<b>100.0</b>

NA \*-Tracts without household or family income as applicable

During 2016, home purchase loans, followed by refinance loans, accounted for the majority of the volume of HMDA lending for both the bank and aggregate lenders. SB's home purchase and multi-family lending are considered excellent, while refinance lending is considered reasonable during 2016. The bank did not extend any home improvement loans during 2016.

SB's level of lending of lending in low- and moderate-income census tracts (13.5% and 19.2%, respectively) exceeded both the owner-occupied housing units located in such census tract (1.4% and 17.1%, respectively) and the level of aggregate lending in low- and moderate-income census tracts (.8% and 14.2%, respectively) and is considered excellent. SB's performance during 2015 is substantially similar, and also considered excellent.

**Distribution of Small Business Loans by Income Level of Census Tract**

Lynchburg, VA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	0	0.0	0	0.0	171	5.6	7,915	5.9
Moderate	6	22.2	467	17.8	612	20.1	24,284	18.1
Middle	8	29.6	784	29.8	1,600	52.4	71,323	53.1
Upper	13	48.2	1,378	52.4	669	21.9	30,822	22.9
NA*	NA	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>2,629</b>	<b>100.0</b>	<b>3,052</b>	<b>100.0</b>	<b>134,344</b>	<b>100.0</b>

\*NA- Tracts without household or family income as applicable

Loans where the geographic location is unknown are excluded from this table.

D&B data from 2016 indicates that 6.2% and 17.9% of all area businesses are located in low- and moderate-income census tracts, respectively. During 2016, aggregate lenders reported extending 5.6% and 20.1% of small business loans in low- and moderate-income census tracts, respectively. When comparing the bank's lack of lending in low-income census tracts with relevant demographic and aggregate data, the level of lending is considered very poor. Lending performance in moderate- income census tracts (22.2%) is considered reasonable when compared to relevant demographic and contextual aggregate data. SB's level of small business lending is considered reasonable overall when taking into consideration the level of lending within moderate-income census tracts. The bank's performance in 2015 is similar and also considered reasonable.

**Fair Lending or Other Illegal Credit Practices Review**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

## 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.

**Census tract:** A small subdivision of metropolitan and other densely populated 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 upon 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 development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; 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; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - (A) Rates of poverty, unemployment, and population loss; or
  - (B) Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Loans, investments, and services that-

- (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
- (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; and
- (iii) Benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or areas outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**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.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, 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 Test (and if applicable, consideration of investments and services) is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, 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 refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending Test (and if applicable, consideration of investments and services) is analyzed using only quantitative factors (for example, 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.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A 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. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a 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.

**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.

**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 loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report 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 either secured by 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):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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