PUBLIC DISCLOSURE

May 14, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Teutopolis State Bank
RSSD #134848

106 East Main Street
Teutopolis, Illinois 62467

Federal Reserve Bank of St. Louis

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

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

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

Teutopolis State Bank 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 reasonable given the institution's size, financial condition, and assessment area credit needs.

- A substantial majority of loans and other lending-related activities are in the assessment area.

- The borrower's profile analysis reveals excellent penetration among business and farms of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI) levels.

- The geographic distribution of loans analysis 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 business, small farm, and residential real estate 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 dollar amounts.[1] 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 small business lending, this product 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	March 31, 2014 – March 31, 2018
Assessment Area Concentration	January 1, 2016 – December 31, 2016
Loan Distribution by Borrower's Profile	January 1, 2016 – December 31, 2016
Geographic Distribution of Loans	January 1, 2016 – December 31, 2016
Response to Written CRA Complaints	March 10, 2014 – May 13, 2018

[1] Small business, small farm, and 1–4 family residential real estate loan types were sampled for this review according to CA Letter 01-8, "CRA Sampling Procedures."

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; certain business and farm demographics are based on 2016 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are also 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 within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $156.6 million to $281.4 million on March 31, 2018.

To augment this evaluation, three 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 area. 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 interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Teutopolis State Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Teutopolis Holding Company, a one-bank holding company headquartered in Teutopolis, Illinois. The bank's branch network consists of three offices (including the main office), all of which have full-service automated teller machines on site. All three offices are located in Effingham County. During this review period, the bank opened a new branch in Effingham, Illinois (March 2018). The bank also operates a branch in Sigel, Illinois, under the name Sigel Community Bank. In addition to being full-service facilities, all three locations have drive-up access.

Based on the bank's branch network and other service delivery systems, such as extended banking hours of operation and online banking capabilities, it is well positioned to deliver financial services to its four-county assessment area. Although the bank adequately serves the counties where it lacks a physical presence (Cumberland, Jasper, and Shelby Counties), its ability to more fully serve these areas is limited by its proximity to the distant side of each county. Specifically, it is challenging for the bank to serve the eastern half of Jasper County due to the distance to its nearest branch location, which is further exacerbated by the amount of competition in this area. Jasper County contains the only moderate-income tract in the bank's assessment area. This moderate-income tract, which is located in the city of Newton, is approximately 20 miles from the nearest bank branch. Furthermore, the bank faces significant competition from three banking institutions in Newton, which only had a population of 2,849, according to the 2010 U.S. Census.

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. On March 31, 2018, the bank reported total assets of $227.8 million. On the same date, loans and leases outstanding were $139.2 million (61.1 percent of total assets), and deposits totaled $197.6 million. The bank's loan portfolio composition by credit category is displayed in the following table:

Distribution of Total Loans on March 31, 2018		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$4,873	3.5%
Commercial Real Estate	$51,088	36.7%
1–4 Family Residential	$26,770	19.2%
Farmland	$23,273	16.7%
Farm Loans	$13,406	9.6%
Commercial and Industrial	$13,765	9.9%
Loans to Individuals	$4,834	3.5%
Total Other Loans	$1,162	0.8%
TOTAL	**$139,171**	**100%**

As indicated in the table above, a significant portion of the bank's lending resources is directed to commercial real estate loans, loans secured by 1–4 family residential properties, and farmland.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on March 10, 2014, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank is headquartered in the city of Teutopolis, Illinois, in Effingham County. The bank's assessment area, which has a population of 77,351, is located in a nonmetropolitan statistical area (nonMSA) in central Illinois and comprises the entirety of Cumberland, Effingham, Jasper, and Shelby Counties. Twenty census tracts comprise the four counties: 1 moderate-income, 16 middle-income, and 3 upper-income census tracts. The assessment area does not contain any low-income census tracts. Furthermore, none of the middle-income census tracts have been classified as underserved or distressed due to poverty.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data on June 30, 2017, there are 22 FDIC-insured depository institutions in the assessment area that operate 47 offices. Teutopolis State Bank (operating two offices [4.3 percent] in the assessment area on that same date) ranked sixth in terms of deposit market share, with 7.2

percent of the total assessment area deposit dollars. The bank opened a third branch in Effingham in March 2018.

Discussions with community contacts revealed that small business, agricultural, and real estate lending represent significant credit needs in the community. Unskilled workers and a lack of high-speed Internet were said to be barriers for small business in the assessment area. In addition, the lack of available farmland and inability to provide acceptable down payments were noted as constraints for both new and existing farmers.

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.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0	1	16	3	0	**20**
	0.0%	5.0%	80.0%	15.0%	0.0%	**100%**
Family Population	0	735	16,246	3,917	0	**20,898**
	0.0%	3.5%	77.7%	18.7%	0.0%	**100%**

As shown above, the assessment area's sole LMI census tract represents 5.0 percent of total census tracts in the assessment area. Notably, only 3.5 percent of the assessment area's family population resides in this tract. The majority of the assessment area's family population (77.7 percent) lives in the 16 middle-income census tracts.

Based on 2010 U.S. Census data, the median family income for the assessment area was $56,689. At the same time, the median family income for nonMSA Illinois was $54,499. More recently, the FFIEC estimates the 2016 median family income for nonMSA Illinois to be $58,000. The following table displays population percentages of assessment area families by income level compared to the nonMSA Illinois family population.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	3,822	3,400	4,946	8,730	0	**20,898**
	18.3%	16.3%	23.7%	41.8%	0.0%	**100%**
NonMSA Illinois	78,502	75,456	91,300	162,112	0	**407,370**
	19.3%	18.5%	22.4%	39.8%	0.0%	**100%**

As shown in the table above, 34.6 percent of families within the assessment area were considered LMI, which is lower than the LMI family percentage of 37.8 percent in nonMSA Illinois. The percentage of families living below the poverty threshold in the assessment area, 7.7 percent, is lower than the 9.7 percent level in nonMSA Illinois. Considering these factors, the assessment area appears more affluent than nonMSA Illinois 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 nonMSA Illinois. While the median housing value for the assessment area is $91,054, which is slightly more than the $89,798 for nonMSA Illinois, the assessment area housing affordability ratio of 50.9 percent is above the nonMSA Illinois figure of 48.0 percent. Furthermore, the median gross rent for the assessment area of $536 per month is lower than the $561 per month for nonMSA Illinois.

Industry and Employment Demographics

The assessment area supports a diverse business community, including a robust small business sector. County business patterns indicate that there are 32,222 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are management of companies and enterprises (23.5 percent), followed by manufacturing (14.9 percent) and health care and social assistance (12.7 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to nonMSA Illinois as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**NonMSA Illinois**
2014	6.0%	7.0%
2015	5.3%	6.1%
2016	5.3%	6.1%
2017	4.3%	5.1%

As shown in the table above, unemployment levels for the assessment area, as well as nonMSA Illinois, have shown a decreasing trend. Additionally, unemployment levels in the assessment area have consistently been lower than the unemployment levels in nonMSA Illinois.

Community Contact Information

Information from three community contact interviews 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 affordable housing; one was with a person specializing in small business development; and one was with an individual working with an organization that facilitates small farm lending in the community.

The community contacts categorized the economy as strong, faring very well compared to the rest of Illinois. One contact noted a need for affordable housing options in the area. Another indicated that small business loans were a credit need in the community. Lastly, one community contact noted that there was a high demand for farmland loans/rentals due to an increase in farming operations in the last five to ten years. The contact mentioned that the high demand has made it challenging for farmers to expand or enter the market because of limited land that is available to be acquired. Two of the community contacts indicated a need for further financial education in the community. Overall, the community contacts stated that most institutions are active in the community. Two contacts specifically mentioned Teutopolis State Bank as being particularly responsive to the community's credit needs.

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 compared to that of regional peers. The average LTD ratio represents a 17-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) on March 31, 2018**	**Average LTD Ratio**
Teutopolis State Bank	Teutopolis, Illinois	$227,826	63.3%
Regional Banks	Nokomis, Illinois	$156,646	68.3%
	Shelbyville, Illinois	$239,354	79.2%
	Casey, Illinois	$281,408	79.9%

Based on data from the previous table, the bank's level of lending is below that of other banks in the region. During the review period, the LTD ratio experienced a generally increasing trend, with a 17-quarter average of 63.3 percent. Comparatively, the bank's average LTD ratio during the prior examination period was 53.8 percent. In addition, its average LTD ratio over the previous four quarters was 70.5 percent. Although the average LTD ratios for the regional peers were higher and generally had a more stable trend, the bank's average LTD ratio is considered reasonable given the positive trend in relation to the market competitors.

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, 2016 through December 31, 2016

Loan Type	Inside Assessment Area		Outside Assessment Area		TOTAL	
Small Business	106	93.0%	8	7.0%	**114**	**100%**
	10,077	91.9%	894	8.1%	**$10,971**	**100%**
Small Farm	81	92.0%	7	8.0%	**88**	**100%**
	4,652	87.6%	660	12.4%	**$5,312**	**100%**
1–4 Family Residential Real Estate	63	98.4%	1	1.6%	**64**	**100%**
	3,810	99.5%	22	0.6%	**$3,832**	**100%**
TOTAL LOANS	**250**	**94.0%**	**16**	**6.0%**	**266**	**100%**
	18,539	**92.2%**	**1,575**	**7.8%**	**$20,114**	**100%**

A substantial majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 94.0 percent of the total loans were made inside the assessment area, accounting for 92.2 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 excellent, based on performance from the three loan categories reviewed. While the bank's 1–4 family residential real estate lending is reasonable, the small business and small farm categories reflected excellent penetration. As previously mentioned, greater significance is placed on performance in the small business loan category given the bank's emphasis on small business lending.

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 aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue

January 1, 2016 through December 31, 2016

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	77	72.6%	13	12.3%	5	4.7%	**95**	**89.6%**
Greater than $1 Million/Unknown	4	3.8%	2	1.9%	5	4.7%	**11**	**10.4%**
TOTAL	**81**	**76.4%**	**15**	**14.2%**	**10**	**9.4%**	**106**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**86.8%**	
Small Business Aggregate ≤ $1MM							**44.7%**	

The bank's level of lending to small businesses is excellent. The bank originated the majority of its small business loans (89.6 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 86.8 percent of businesses in the assessment area had annual revenues of $1 million or less, and the aggregate lending level to small businesses is 44.7 percent.

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

Distribution of Loans Inside Assessment Area by Farm Revenue

January 1, 2016 through December 31, 2016

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	65	80.2%	7	8.6%	4	4.9%	**76**	**93.8%**
Greater than $1 Million/Unknown	2	2.5%	2	2.5%	1	1.2%	**5**	**6.2%**
TOTAL	**67**	**82.7%**	**9**	**11.1%**	**5**	**6.2%**	**81**	**100%**
Dun & Bradstreet Farms ≤ $1MM							**99.4%**	
Small Farm Aggregate ≤ $1MM							**64.1%**	

The bank's level of lending to small farms is excellent. The bank originated the vast majority of its small farm loans (93.8 percent) to farms with revenues of $1 million or less. In comparison, assessment area demographics estimate that 99.4 percent of farms in the assessment area had annual revenues of $1 million or less, and the aggregate lending level to small farms is 64.1 percent. As previously mentioned, one community contact stated that the limited availability of farmland has made it challenging for farmers to enter or expand within the market. Considering this factor, the bank's level of lending to small farms with revenues of $1 million or less is excellent.

Lastly, 1–4 family residential real estate loans were reviewed. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC ($58,000 for nonMSA Illinois in 2016). The following table shows the distribution of 1–4 family residential real estate loans by borrower income level compared to family population income demographics for the assessment area, as well as 2016 HMDA aggregate data.

Distribution of Loans Inside Assessment Area by Borrower Income

January 1, 2016 through December 31, 2016

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
1–4 Family Residential Real Estate	4	6.3%	10	15.9%	17	27.0%	32	50.8%	0	0.0%	**63**	**100%**
Family Population	18.3%		16.3%		23.7%		41.8%		0.0%		**100%**	
2016 HMDA Aggregate	7.1%		20.5%		22.4%		39.3%		10.8%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (6.3 percent) is below the low-income family population figure (18.3 percent) but comparable to the aggregate lending level to low-income borrowers (7.1 percent), reflecting reasonable performance. The bank's level of lending to moderate-income borrowers (15.9 percent) is comparable to the moderate-income family population percentage (16.3 percent) but below the aggregate lending level to moderate-income borrowers (20.5 percent). Notably, a community contact stated there was a shortage of available affordable housing options in the area. Considering this factor and performance compared to family population figures, the bank's percentage of lending to moderate-income borrowers reflects reasonable performance. Therefore, the bank's overall distribution of loans by borrower's profile for 1–4 family residential real estate loans to LMI borrowers is reasonable.

Geographic Distribution of Loans

As noted previously, the assessment area does not contain any low-income census tracts and only one moderate-income census tract, representing 5.0 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects poor dispersion throughout the moderate-income census tract, based on performance from the three loan categories reviewed. As with the loan distribution by borrower's profile, performance in the small business loan category carried the most significance in the overall rating of poor for geographic distribution.

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

Distribution of Loans Inside Assessment Area by Geography Income Level
January 1, 2016 through December 31, 2016

	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Business Loans	0	0.0%	0	0.0%	66	62.3%	40	37.7%	0	0.0%	**106**	**100%**
Business Institutions	0.0%		5.9%		73.2%		20.8%		0.0%		**100%**	
2016 Small Business Aggregate	0.0%		3.6%		71.1%		20.8%		4.4%		**100%**	

The bank did not originate any loans to small businesses within the moderate-income census tract. In comparison, 5.9 percent of the estimated businesses operating in the assessment area are located in the moderate-income census tract. Additionally, small business aggregate data shows that aggregate lenders made 3.6 percent of small business loans in the moderate-income census tract, indicating the bank's performance is below that of other lenders. As previously mentioned, the bank has only one moderate-income census tract in its assessment area, which is located in Newton, Illinois. The city of Newton is roughly 20 miles from the nearest Teutopolis State Bank branch. Additionally, there are several banks in and near the city of Newton, which has created a highly competitive market. Notwithstanding these factors, the bank's lack of lending in the moderate-income census tract reflects poor performance.

Similar to small business loans, the bank's geographic distribution of small farm loans was reviewed. The following table displays small farm loan activity by geography income level compared to the location of farms throughout the bank's assessment area, as well as small farm aggregate data.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2016 through December 31, 2016												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Farm Loans	0	0.0%	0	0.0%	59	72.8%	22	27.2%	0	0.0%	**81**	**100%**
Agricultural Institutions	0.0%		1.0%		84.5%		14.5%		0.0%		**100%**	
2016 Small Farm Aggregate	0.0%		0.3%		88.6%		11.1%		0.0%		**100%**	

The bank did not originate any loans to small farms within the moderate-income census tract. In comparison, 1.0 percent of the estimated agricultural institutions operating in the assessment area are located in the moderate-income census tract. Additionally, small farm aggregate data shows that aggregate lenders made 0.3 percent of small farm loans in the moderate-income census tract, indicating that the bank's performance is below that of other lenders. As discussed in the small business loans section above, significant mitigating factors exist relating to this performance. Nonetheless, the bank's lack of lending in the moderate-income census tract reflects poor performance.

Lastly, the geographic distribution of 1–4 family residential real estate loans was reviewed. The following table displays the geographic distribution of 1–4 family residential real estate loans compared to owner-occupied housing demographics and HMDA aggregate data.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2016 through December 31, 2016												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
1–4 Family Residential Real Estate	0	0.0%	0	0.0%	40	63.5%	23	36.5%	0	0.0%	**63**	**100%**
Owner-Occupied Housing	0.0%		3.4%		76.7%		19.9%		0.0%		**100%**	
2016 HMDA Aggregate	0.0%		3.5%		67.5%		28.9%		0.1%		**100%**	

The bank did not originate any 1–4 family residential real estate loans within the moderate-income census tract. In comparison, the owner-occupied housing data shows that 3.4 percent of owner-occupied housing units are located within the moderate-income census tract. Additionally, HMDA aggregate data shows that aggregate lenders made 3.5 percent of 1–4 family residential real estate loans within the moderate-income census tract, indicating that the bank's performance is below that of other lenders. While mitigating factors exist, the bank's lack of lending in this tract reflects poor performance with regard to the geographic distribution of 1–4 family residential real estate loans.

Responses to Complaints

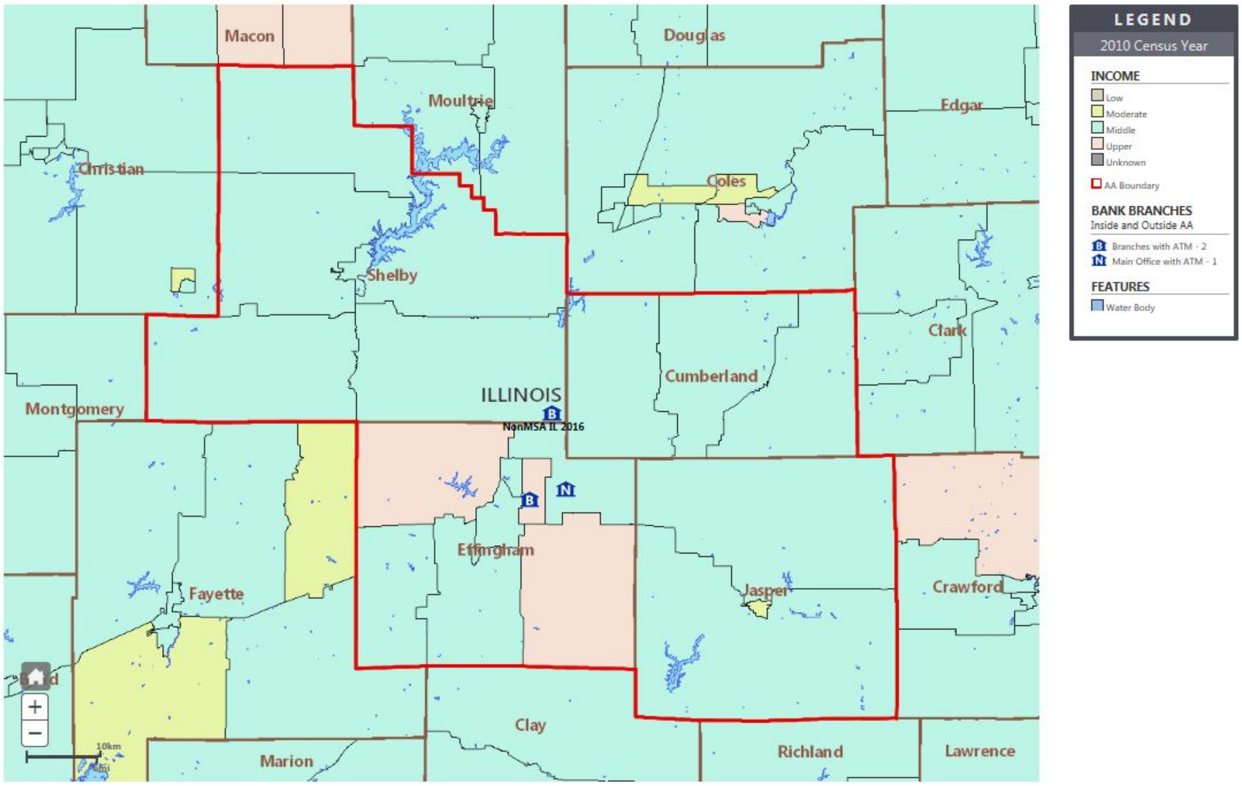
No CRA-related complaints were filed against the bank during this review period (March 10, 2014 through May 13, 2018).

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

Teutopolis State Bank - Teutopolis, IL
NonMSA IL AA 2016



PE Map

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) <u>affordable housing</u> (including multifamily rental housing) for low- and moderate-income (LMI) individuals; (2) <u>community services</u> targeted to LMI individuals; (3) activities that promote <u>economic development</u> 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 <u>revitalize or stabilize</u> 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.