PUBLIC DISCLOSURE

June 11, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Frontier Community Bank

Waynesboro, Virginia

Federal Reserve Bank of Richmond
Richmond, Virginia

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3627109

400 Lew Dewitt Boulevard

Waynesboro, Virginia 22980

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 size, financial condition, and assessment area credit needs.
- A majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans were originated within the assessment area.
- Lending to borrowers of different income levels and to businesses of different sizes is reasonable when considering the various proxies for demand.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The institution has not received any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation.

SCOPE OF EXAMINATION

The institution was evaluated using the interagency evaluation procedures for a small bank developed by the Federal Financial Institutions Council (FFIEC). Frontier Community Bank (FCB) is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, FCB's 2016 and 2017 HMDA loan originations were considered in the evaluation. In addition, small business lending was identified as a significant product line and was also considered in the evaluation. The analysis includes all small business loans originated by FCB during the 2016 calendar year.

DESCRIPTION OF INSTITUTION

FCB is headquartered in Waynesboro, Virginia, and operates two full-service branches and one loan production office in the western portion of Virginia. The bank has no holding company nor any affiliates. The institution received an Outstanding rating at the prior CRA evaluation dated May 5, 2013. No known legal impediments exist that would constrain the bank from meeting the credit needs of its assessment area.

As of March 31, 2018, the bank's assets totaled $117.7 million, of which 81% were net loans. Deposits totaled $100.3 million during this same period. Various deposit and loan products are available through the institution including residential mortgage, business, and consumer purpose loans. The composition of the loan portfolio (reflecting gross loans) is depicted in the following table.

Composition of Loan Portfolio

Loan Type	3/31/2018	
	$(000s)	%
Secured by 1-4 Family dwellings	38,156	39.5
Multifamily	3,353	3.5
Construction and Development	6,724	7.0
Commercial & Industrial/ NonFarm NonResidential	37,235	38.6
Consumer Loans and Credit Cards	1,441	1.5
Agricultural Loans/ Farmland	9,574	9.9
All Other	0	0.0
Total	***96,483***	***100.0***

As indicated in the preceding table, the bank is an active residential mortgage and commercial/small business lender. Although the bank offers a variety of lending products other than residential mortgage and commercial/small business loans, such lending represents a smaller portion of overall lending activity. Due to the relative size and increased concentration compared to other loan products, residential mortgage and commercial/small business loan products were used for this evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN STAUNTON-WAYNESBORO, VA MSA ASSESSMENT AREA

FCB operates two full-service branches in the Staunton-Waynesboro, VA Metropolitan Statistical Area (MSA). The bank's delineation encompasses the entire MSA, which includes all census tracts contained in Augusta County and the cities of Staunton and Waynesboro in Virginia. The bank has not opened or closed any branches since the previous evaluation.

As of June 30, 2017, FCB ranked 6th out of 14 financial institutions in local deposit market share according to data collected by the Federal Deposit Insurance Corporation and held 6.4% of the assessment area's deposits (excluding credit union deposits).

According to 2010 ACS data, the assessment area has a population of 118,502 and a median housing value of $179,173. The owner-occupancy rate for the assessment area (65.5%) is greater than the owner-occupancy rate for the Commonwealth of Virginia (61.8%). The percentage of families living below the poverty level in the assessment area (8.9%) is greater than the rate in the commonwealth. The 2016 HUD estimated median family income in the assessment area equals $62,300. The following table includes pertinent demographic data for the assessment area in 2016.

Assessment Area Demographics

Staunton-Waynesboro, VA MSA (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	1	4.2	201	0.6	41	20.4	6,216	19.7
Moderate	3	12.5	3,205	10.1	691	21.6	5,586	17.7
Middle	16	66.7	21,985	69.6	1,717	7.8	7,479	23.7
Upper	4	16.6	6,202	19.7	351	5.7	12,312	38.9
NA	0	0.0	0	0.0	0	0.0		
Total	*24*	*100.0*	*31,593*	*100.0*	*2,800*	*8.9*	*31,593*	*100.0*
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	137	0.4	534	1.1	155	29.0	11,434	24.4
Moderate	2,722	8.0	5,459	11.6	1,230	22.5	7,403	15.8
Middle	24,404	71.8	32,497	69.3	3,491	10.7	8,904	19.0
Upper	6,730	19.8	8,373	18.0	677	8.1	19,122	40.8
NA	0	0.0	0	0.0	0	0.0		
Total	*33,993*	*100.0*	*46,863*	*100.0*	*5,553*	*11.8*	*46,863*	*100.0*
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = $1 Million		Over $1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	211	4.7	184	4.6	24	6.5	3	9.4
Moderate	326	7.3	278	6.9	44	11.9	4	12.5
Middle	2,874	64.7	2,635	65.2	217	58.5	22	68.8
Upper	1,032	23.3	943	23.3	86	23.1	3	9.3
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	*4,443*	*100.0*	*4,040*	*100.0*	*371*	*100.0*	*32*	*100.0*
Percentage of Total Businesses:				90.9		8.4		0.7

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

ACS data was updated in 2017 resulting in demographic differences between 2016 and 2017. As such, the following information is based upon the updated survey data for the 2017 analysis.

According to 2015 ACS data, the assessment area has a population of 119,396 and a median housing value of $183,408. The owner-occupancy rate for the assessment area (62.7%) is slightly greater than the owner-occupancy rate for the Commonwealth of Virginia (59.2%). The percentage of families living below the poverty level in the assessment area (8.9%) is greater than the rate in the Commonwealth of Virginia (8.2%). The 2017 HUD estimated median family income in the assessment area equals $64,500. The following table includes pertinent demographic data for the assessment area in 2017.

Assessment Area Demographics

Staunton-Waynesboro, VA MSA (Based on 2015 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	1	4.2	267	0.8	136	50.9	6,351	19.7
Moderate	3	12.5	3,440	10.7	786	22.8	5,913	18.4
Middle	18	75.0	26,209	81.3	1,831	7.0	7,316	22.7
Upper	2	8.3	2,305	7.2	122	5.3	12,641	39.2
NA	0	0.0	0	0.0	0	0.0		
Total	*24*	*100.0*	*32,221*	*100.0*	*2,875*	*8.9*	*32,221*	*100.0*
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	82	0.2	561	1.2	238	42.4	10,883	22.9
Moderate	3,078	9.2	4,991	10.5	1,071	21.5	8,273	17.4
Middle	27,818	83.1	38,777	81.5	4,529	11.7	8,992	18.9
Upper	2,478	7.5	3,239	6.8	215	6.6	19,420	40.8
NA	0	0.0	0	0.0	0	0.0		
Total	*33,456*	*100.0*	*47,568*	*100.0*	*6,053*	*12.7*	*47,568*	*100.0*
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = $1 Million		Over $1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	211	4.7	184	4.6	24	6.5	3	9.4
Moderate	264	5.9	243	6.0	15	4.0	6	18.8
Middle	3,577	80.5	3,254	80.5	300	80.9	23	71.8
Upper	391	8.9	359	8.9	32	8.6	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	*4,443*	*100.0*	*4,040*	*100.0*	*371*	*100.0*	*32*	*100.0*
Percentage of Total Businesses:			90.9			8.4		0.7

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

The assessment area is located in the western portion of the Commonwealth of Virginia. The cities of Staunton and Waynesboro are located within the boundaries of Augusta County. Large portions of Augusta County are national forest and national park. Major employers include the Augusta County School Board, Western State Hospital, the Waynesboro School Board, Augusta Medical Center, Staunton City School Board, Walmart, McKee Foods Corporation, Mary Baldwin College, and Private Limited Company.

Recent and historical unemployment rates since the previous evaluation are included in the following table.

Unemployment Rate Trend					
Geographic Area	June 2014	June 2015	June 2016	June 2017	April 2018
Augusta County	4.8%	4.3%	3.7%	3.6%	2.5%
City of Staunton	5.4%	4.6%	4%	3.9%	2.7%
City of Waynesboro	5.4%	4.9%	4.3%	4.2%	3.1%
Commonwealth of Virginia	5.4%	4.7%	4.3%	3.9%	2.8%

As indicated by the data included in the preceding table, unemployment rates for the assessment area were consistent with the unemployment rates across the Commonwealth, suggesting normal labor conditions within the assessment area.

An economic development organization was recently contacted to discuss local economic conditions and community credit needs. The contact indicated that the business population of the county is growing and cited the low cost of living as a driver for the recent growth. The contact was unable to identify any specific credit needs within the community. However, the contact did state that community banks appear to be actively participating and meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Reported HMDA data from the 2016 and 2017 calendar years as well as small business loan origination data from the 2016 calendar year were fully analyzed and considered in the evaluation. While American Community Survey (ACS) data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this evaluation is based on ACS data updated every five years. The most recent update occurred in 2017. As such, when evaluating the bank's performance, relevant area demographic data from both the 2010 and 2015 ACS is used as a proxy for loan demand. Dun & Bradstreet (D&B) business demographic data from 2016 is also considered when evaluating the bank's performance.

Aggregate HMDA data and small business data are from the 2016 calendar year. Aggregate HMDA data from the 2017 calendar year is not available to the public as of the date of this evaluation. Aggregate data used as a proxy for the bank's HMDA lending includes all lending 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. As FCB is not subject to data and reporting for CRA, its small business lending activity is not included in the small business loan aggregate data. Nevertheless, the aggregate data serves as a meaningful proxy for small business loan demand.

For the evaluation of the bank's borrower and geographic distribution performance for a given loan category, primary emphasis is placed on the number of loans originated. To form an overall conclusion of the bank's borrower and geographic distribution of lending activity, performance in each loan category is generally weighted by dollar volume of such loans. In 2016, FCB originated $4.3 million in HMDA loans and $4.4 million in small business loans inside the assessment area. Due to the similar dollar volumes of lending, the products were equally weighted.

While HMDA data from the 2016 and 2017 calendar years, as well as, small business data from 2016 were fully analyzed and considered in the evaluation, bank and aggregate data from only 2016 are presented in the assessment area tables. In instances where the 2017 HMDA performance varies significantly from the performance in 2016, such variance and the corresponding impact on the overall performance is discussed.

Within FCB's assessment area, a high level of small business lending activity has been reported by specialized lenders, who often originate small business loans in the form of credit cards. Such loans tend to be much smaller in size than traditional small business bank loans, and a substantial majority of these loans do not have reported revenue data. The presence of these specialized 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. Consequently, the presence of these lenders was considered as an aspect of performance context when evaluating the level and distribution of bank lending. Therefore, to better measure performance, FCB's lending is compared to a group of traditional small business lenders exclusive of credit card/specialty lenders.

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio is considered more than reasonable given the bank's size, financial condition and assessment area credit needs. To assess the adequacy of FCB's loan-to-deposit performance, two institutions of similar asset size, branching structure, and headquarter location were selected for this evaluation. FCB's current (as of March 31, 2018) loan-to-deposit ratio is 95% and averaged 92.8% for the 20-quarter period ending March 31, 2018. The 20 quarter average for the two peer institutions operating in the bank's assessment area ranged from 74.7% to 114.4% during the same period. Since March 31, 2013, bank assets, net loans, and deposits have grown by 34.3%, 35.5%, and 29%, respectively.

Lending in Assessment Area

To determine the institution's volume of lending within its assessment area, the geographic location of the bank's 2016 and 2017 HMDA loans as well as 2016 small business loans was considered. The lending distribution inside and outside of the bank's assessment area is depicted in the following table.

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

Loan Type	Inside				Outside			
	#	%	$(000)	%	#	%	$(000)	%
Home Purchase	34	70.8	5,383	62.5	14	29.2	3,230	37.5
Home Improvement	5	83.3	134	93.1	1	16.7	10	6.9
Refinancing	10	71.4	3,214	66.4	4	28.6	1,625	33.6
Multi-Family Housing	0	0.0	0	0.0	0	0.0	0	0.0
Total HMDA related	**49**	**72.1**	**8,731**	**64.2**	**19**	**27.9**	**4,865**	**35.8**
Small Business*	31	68.9	4,355	70.5	14	31.1	1,821	29.5
TOTAL LOANS	**80**	**70.8**	**13,086**	**66.2**	**33**	**29.2**	**6,686**	**33.8**

**The number and dollar amount of loans reflects a sample of such loans originated during the evaluation period and does not reflect loan data collected or reported by the institution.*

As indicated in the preceding table, a majority of the total number (70.8%) and dollar amount (66.2%) of HMDA and small business loans were originated 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

FCB's HMDA borrower distribution is considered poor, while small business lending is considered excellent. Overall, the bank's combined HMDA and small business lending revealed reasonable penetration among individuals of different incomes and businesses of different sizes, given the equal weighting of the products based on dollar volume.

Distribution of HMDA Loans by Income Level of Borrower

Staunton-Waynesboro, VA MSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
	HMDA Totals							
Low	3	12.0	417	10.2	312	10.5	28,941	6.0
Moderate	1	4.0	60	1.5	779	26.3	99,415	20.7
Middle	6	24.0	1,094	26.8	860	29.0	134,722	28.1
Upper	15	60.0	2,504	61.5	1,014	34.2	216,270	45.2
Total	***25***	***100.0***	***4,075***	***100.0***	***2,965***	***100.0***	***479,348***	***100.0***
Unknown	*2*		*183*		*862*		*160,938*	

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

The bank's overall HMDA borrower distribution in 2016 is considered poor. Although FCB's lending to low-income borrowers (12%) lagged the percentage of low-income families within the assessment area (19.7%), it exceeded the aggregate level of lending (10.5%) to such borrowers. However, the institution's lending to moderate-income borrowers (4%) substantially lagged the percentage of moderate-income families within the assessment area (17.7%) and the aggregate level of lending (26.3%) to such borrowers. FCB's 2017 HMDA lending was similar and also considered poor.

Distribution of Lending by Loan Amount and Size of Business

Staunton-Waynesboro, VA MSA (2016)								
	Bank				Aggregate*			
by Revenue	#	%	$(000s)	% $	#	%	$(000s)	% $
$1 Million or Less	21	67.7	2,305	52.9	975	45.6	34,089	39.4
Over $1 Million	9	29.0	1,945	44.7	NA	NA	NA	NA
Unknown	*1*	*3.3*	*105*	*2.4*	*NA*	*NA*	*NA*	*NA*
by Loan Size								
$100,000 or less	18	58.1	699	16.1	1,971	92.2	30,103	34.8
$100,001-$250,000	9	29.0	1,422	32.7	92	4.3	16,001	18.5
$250,001-$1 Million	4	12.9	2,234	51.2	75	3.5	40,314	46.7
Total	***31***	***100.0***	***4,355***	***100.0***	***2,138***	***100.0***	***86,418***	***100.0***

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

FCB's lending distribution to local businesses with annual revenues of $1 million or less is considered excellent. D&B data from 2016 indicates that 90.9% of all local businesses generate annual revenues of $1 million or less. According to aggregate small business data, 45.6% of reported loans were made to businesses with annual revenues of $1 million or less. The remaining portion of aggregate business lending in the assessment area was made to businesses either with annual revenues exceeding $1 million or to businesses with unknown annual revenues. As part of performance context, the aggregate lending data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 55.5% of reported small business loans were to businesses having revenues of $1 million or less. FCB's lending to businesses within the assessment area generating annual revenues of $1 million or less equaled 67.7%.

Geographic Distribution of Loans

FCB's geographic distribution performance is considered reasonable for HMDA lending and poor for small business lending. When considering the relative strengths of performance and equal weighting based on dollar volume of the two products, overall, FCB's borrower distribution performance is considered reasonable.

Distribution of HMDA Loans by Income Level of Census Tract

Staunton-Waynesboro, VA MSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
	(19)			Home Purchase		(2,175)		
Low	0	0.0	0	0.0	10	0.5	963	0.3
Moderate	2	10.5	108	3.2	241	11.1	29,940	8.1
Middle	10	52.6	1,759	51.9	1,470	67.6	251,277	67.9
Upper	7	36.9	1,522	44.9	454	20.8	87,625	23.7
	(6)			Refinance		(1,455)		
Low	0	0.0	0	0.0	7	0.5	639	0.3
Moderate	2	33.3	328	39.6	134	9.2	15,615	6.5
Middle	2	33.3	80	9.7	1,039	71.4	172,860	72.2
Upper	2	33.3	421	50.7	275	18.9	50,452	21.0
	(2)			Home Improvement		(184)		
Low	0	0.0	0	0.0	3	1.6	75	0.7
Moderate	0	0.0	0	0.0	17	9.2	465	4.2
Middle	1	50.0	5	12.5	137	74.5	9,051	82.5
Upper	1	50.0	35	87.5	27	14.7	1,379	12.6
	(0)			Multi-Family		(9)		
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	2	22.2	905	4.7
Middle	0	0.0	0	0.0	3	33.3	3,231	16.8
Upper	0	0.0	0	0.0	4	44.4	15,092	78.5
				HMDA Totals				
Low	0	0.0	0	0.0	20	0.5	1,677	0.3
Moderate	4	14.8	436	10.2	394	10.3	46,925	7.3
Middle	13	48.1	1,844	43.3	2,649	69.3	436,419	68.2
Upper	10	37.1	1,978	46.5	760	19.9	154,548	24.2
*NA**	NA	NA	NA	NA	NA	NA	NA	NA
Total	***27***	***100.0***	***4,258***	***100.0***	***3,823***	***100.0***	***639,569***	***100.0***

NA-Tracts without household or family income as applicable*

As depicted in the table above, the majority of both FCB's and the aggregate reporter's HMDA lending in 2016 were concentrated in home purchase mortgage loans, followed by refinance mortgage loans. Due to the nominal volume of home improvement and multi-family lending extended by the bank and aggregate lenders, these loan categories were not considered for this analysis. FCB's home purchase lending during 2016 is considered reasonable, while its refinance lending is excellent.

The bank's HMDA geographic distribution in 2016 is considered excellent, driven primarily by its lending penetration into moderate-income census tracts. While FCB's lack of mortgage lending in low-income census tracts (0%) lagged the level of owner-occupied housing units located in low-income census tracts (0.4%) and the aggregate level of lending (0.5%) in such tracts, there is minimal demand in the one low-income census tract as evidenced by the aggregate and demographic figures. However, FCB's mortgage lending in moderate-income census tracts (14.8%) substantially exceeded the level of owner-occupied housing units located in moderate-income census tracts (8%) and the aggregate level of lending (10.3%) in such tracts.

The bank's HMDA geographic distribution in 2017 is considered poor. During 2017, FCB originated 22 HMDA loans totaling approximately $4.5 million. Of these loans, no loans (0%) were extended in a low-income census tract and one loan (4.5%) totaling $53,000 (1.2%) was to a resident in a moderate-income census tract. ACS data from 2015 indicates that .2% and 9.2% of owner-occupied housing units are located in low- and moderate-income tracts, respectively. Furthermore, as part of performance context, 2016 aggregate data is utilized since the 2017 aggregate figures are not yet available. Thus, aggregate reporters during 2016 extended .5% and 10.3% of their HMDA loans in low- and moderate-income tracts, respectively. FCB's mortgage lending substantially lagged that of the aggregate and demographic proxies for demand.

Overall, the bank's HMDA geographic lending distribution during 2016 and 2017 is considered reasonable based on the relative performance for each year, and the similar dollar volume of loans originated each year.

Distribution of Small Business Loans by Income Level of Census Tract

Staunton-Waynesboro, VA MSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
Low	1	3.2	100	2.3	68	3.3	2,480	2.9
Moderate	1	3.2	300	6.9	158	7.6	8,058	9.5
Middle	12	38.7	1,946	44.7	1,317	63.6	50,621	59.5
Upper	17	54.9	2,008	46.1	528	25.5	23,982	28.1
*NA**	NA	NA	NA	NA	NA	NA	NA	NA
Total	***31***	***100.0***	***4,354***	***100.0***	***2,071***	***100.0***	***85,141***	***100.0***

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

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

FCB's small business geographic distribution performance during 2016 is considered poor. D&B data from 2016 indicates that 4.7% and 7.3% of all businesses in the assessment area are located within low- and moderate-income census tracts, respectively. FCB's lending to businesses located in low-income census tracts (3.2%) slightly lagged the percentage of businesses located in low-income census tracts and aggregate lending to businesses (3.3%) located in such tracts. FCB's lending to businesses located in moderate-income census tracts (3.2%) lagged the percentage of businesses located in moderate-income census tracts and aggregate lending to businesses (7.6%) located in such tracts.

Assessment Area Delineation

A review of the bank's assessment area determined the bank's delineation was in compliance with the requirements of Regulation BB. The assessment area delineation included all of the bank's branches and deposit taking automated teller machines. The assessment area contains whole geographies, does not reflect illegal discrimination (e.g. exclusion of majority-minority census tracts), and did not arbitrarily exclude low- or moderate-income census tracts.

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.

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.