

# **PUBLIC DISCLOSURE**

**May 21, 2018**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First State Bank of St. Peter  
RSSD #426141**

**200 East Third Street  
Saint Peter, Illinois 62880**

**Federal Reserve Bank of St. Louis**

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

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

## TABLE OF CONTENTS

Institution's CRA Rating .....	1
Scope of Examination .....	1
Description of Institution .....	2
Description of Assessment Area .....	4
Conclusions with Respect to Performance Criteria .....	7
Appendix A: Assessment Area Detail .....	12
Appendix B: Glossary .....	13

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

First State Bank of St. Peter 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 majority of loans and other lending-related activities are in the assessment area.
- The distribution of loans to borrowers reflects excellent penetration among individuals of different income levels (including low- and moderate-income [LMI]) levels and farms of different sizes.
- The geographic distribution of loans reflects a 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) small bank procedures. Small farm and consumer motor vehicle secured loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, as the bank has a particular emphasis on agricultural lending, performance based on the small farm loan category carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	June 30, 2014 – March 31, 2018
Assessment Area Concentration	January 1, 2017 – December 31, 2017
Loan Distribution by Borrower's Profile	January 1, 2017 – December 31, 2017
Geographic Distribution of Loans	January 1, 2017 – December 31, 2017
Response to Written CRA Complaints	March 24, 2014 – May 20, 2018

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 2015 U.S. Census data; certain business and farm demographics are based on 2017 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 \$38.1 million to \$46.1 million as of 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. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

## **DESCRIPTION OF INSTITUTION**

First State Bank of St. Peter is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by St. Peter Bancshares, Inc., a one-bank holding company headquartered in Saint Peter, Illinois. The bank's main office is located in Fayette County and has been its sole location since the financial institution opened. The main office has drive-up accessibility and a cash-dispensing automated teller machine. Saint Peter is in a rural part of Fayette County and is located approximately 19 miles from the city of Vandalia, the largest city in the county and the county seat. Based on the bank's single location in a rural part of the county, the bank has difficulty serving the entire assessment area; therefore, greater weight was placed on the analysis of lending to individual of different income levels and farms of different sizes.

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. On March 31, 2018, the bank reported total assets of \$30.3 million. On the same date, loans and leases outstanding were \$10.0 million (32.9 percent of total assets), and deposits totaled \$25.7 million. The bank's loan portfolio composition by credit category is displayed in the following table:

<b>Distribution of Total Loans as of March 31, 2018</b>		
<b>Credit Category</b>	<b>Amount (\$000s)</b>	<b>Percentage of Total Loans</b>
Commercial Real Estate	\$280	2.8%
1-4 Family Residential	\$1,501	15.1%
Farmland	\$4,432	44.5%
Farm Loans	\$2,003	20.1%
Commercial and Industrial	\$332	3.3%
Loans to Individuals	\$1,385	13.9%
Total Other Loans	\$20	0.2%
<b>TOTAL</b>	<b>\$9,953</b>	<b>100%</b>

As indicated in the table above, a significant portion of the bank's lending resources is directed to loans secured by farmland, farm loans, loans secured by 1-4 family residential properties, and loans to individuals. Although 1-4 family residential lending is a significant product by dollar amount, the bank has not originated enough of these loans during this review period to provide a meaningful analysis under the Lending Test; therefore, the product was not analyzed during this evaluation.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on March 24, 2014, by this Reserve Bank.

## DESCRIPTION OF ASSESSMENT AREA

### General Demographics

First State Bank of St. Peter is headquartered in the village of Saint Peter, Illinois, in Fayette County. The bank's assessment area includes the entirety of Fayette County and portions of Effingham and Marion Counties. The delineated assessment area includes four moderate-income census tracts and eight middle-income census tracts. At the previous examination, the assessment area included three moderate-income census tracts and nine middle-income census tracts. There are no low- or upper-income census tracts within the assessment area and none of the middle-income census tracts are classified as distressed or underserved. Based on 2015 U.S. Census data, the assessment area had a population of 39,713 people.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2017, there are 26 FDIC-insured depository institutions in the assessment area that operate 52 offices. First State Bank of St. Peter operating one (or 1.9 percent) office in the assessment area ranked 24<sup>th</sup> in terms of deposit market share, with 0.9 percent of the total assessment area deposit dollars.

The majority of the assessment area is rural, and agricultural loans represent an important credit need in the community, in addition to the need for a standard blend of consumer loan products. Discussions with community contacts revealed that affordable housing, small business loans, financial literacy programs, counseling services, and guaranteed loans for first-time small farmers also represent significant credit needs in the community.

### 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	4	8	0	0	12
	0.0%	33.3%	66.7%	0.0%	0.0%	100%
Family Population	0	2,512	7,521	0	0	10,033
	0.0%	25.0%	75.0%	0.0%	0.0%	100%

As shown above, the assessment area's LMI census tracts represent 33.3 percent of total census tracts in the assessment area. Three of the moderate-income census tracts are located in Fayette County, while the other is located in Marion County. In addition, 25.0 percent of the assessment area's family population reside in these moderate-income census tracts. The majority of the assessment area's family population (75.0 percent) lives in the eight middle-income census tracts.

Based on 2015 U.S. Census data, the median family income for the assessment area was \$53,697. At the same time, the median family income for nonmetropolitan statistical area (nonMSA) Illinois was \$59,121. More recently, the FFIEC estimates the 2017 median family income for nonMSA Illinois to be \$60,400. 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	2,262	2,100	2,102	3,569	0	<b>10,033</b>
	22.5%	20.9%	21.0%	35.6%	0%	<b>100%</b>
NonMSA Illinois	79,055	71,275	84,204	155,344	0	<b>389,878</b>
	20.3%	18.3%	21.6%	39.8%	0%	<b>100%</b>

As shown in the table above, 43.4 percent of families within the assessment area were considered LMI, which is higher than the LMI family percentage of 38.6 percent in nonMSA Illinois. Though not shown in the table above, the percentage of families living below the poverty threshold in the assessment area, 12.4 percent, is higher than the 10.4 percent level in nonMSA Illinois. Considering these factors, the assessment area appears less 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. The median housing value for the assessment area is \$80,273, which is below the \$92,863 nonMSA Illinois figure. The assessment area housing affordability ratio of 55.1 percent, which calculates the extent to which a family earning the median assessment area household income can afford a median-price home, is above the nonMSA Illinois figure of 49.0 percent. Furthermore, the median gross rent for the assessment area of \$578 per month is lower than the \$604 per month for nonMSA Illinois.

### **Industry and Employment Demographics**

The assessment area supports a diverse business community. County business patterns indicate that there are 40,533 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 (18.5 percent), healthcare and social assistance (15.8 percent), and manufacturing (15.0 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	6.7%	7.0%
2015	5.9%	6.1%
2016	5.8%	6.1%
2017	4.9%	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 been consistently lower than unemployment levels in nonMSA Illinois.

### **Community Contact Information**

Information from three community contacts was used to help shape the performance context in which the bank's activities in the assessment area were evaluated. Of these community contact interviews, one was with an individual specializing in small farm lending, one was with a representative of an organization that provides community services and affordable housing, and one was with an individual specializing in small business development. The community contacts categorized the economy as strong, with moderate growth. One contact stated people are spending and buying more as jobs have come back and people have been hired in the transportation, logistics, and agricultural industries. As far as major credit needs in the assessment area, the contacts mentioned additional affordable housing, small business loans, financial literacy programs, counseling services, and guaranteed loans for the startup of small farms. All three contacts stated that banking competition in the area is high. In addition, one contact mentioned many farmers utilize the service of Farm Credit Services, a strong competitor to banks due to its ability to offer pricing incentives.



## 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 16-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	Headquarters	Asset Size (\$000s) as of March 31, 2018	Average LTD Ratio
First State Bank of St. Peter	Saint Peter, Illinois	\$30,264	42.1%
Regional Banks	Kinmundy, Illinois	\$46,139	85.9%
	Sandoval, Illinois	\$46,029	54.1%
	Brownstown, Illinois	\$38,107	54.2%

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 bank's LTD ratio ranged from a low of 38.3 percent to a high of 47.3 percent, with an average LTD of 42.1 percent. This represents a slight increase in the bank's average LTD ratio from its previous CRA evaluation of 38.3 percent. Although lower than its regional peers, the bank's LTD ratio is considered reasonable given the bank's size and assessment area credit needs.

### Assessment Area Concentration

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside and outside the bank's assessment area.

Lending Inside and Outside of Assessment Area January 1, 2017 through December 31, 2017						
Loan Type	Inside Assessment Area		Outside Assessment Area		TOTAL	
Small Farm	19	95.0%	1	5.0%	20	100%
	\$1,752	99.2%	\$14	0.8%	\$1,766	100%
Consumer Motor Vehicle	58	81.7%	13	18.3%	71	100%
	\$553	87.5%	\$79	12.5%	\$632	100%
TOTAL LOANS	77	84.6%	14	15.4%	91	100%
	\$2,305	96.2%	\$93	3.9%	\$2,398	100%

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 84.6 percent of the total loans were made inside the assessment area, accounting for 96.2 percent of the dollar volume of total loans. In addition, as the bank has a particular emphasis on agricultural lending, 95.0 percent of total agricultural loans were made inside the assessment area, accounting for 99.2 percent by dollar volume.

### **Loan Distribution by Borrower's Profile**

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from both loan categories reviewed. Performance for both small farm and consumer motor vehicle secured loan categories are considered excellent. As previously stated, greater significance is placed on performance in the small farm loan category given the bank's emphasis on agricultural lending.

Small farms 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, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	11	57.9%	7	36.8%	0	0.0%	18	94.7%
Greater than \$1 Million/Unknown	0	0.0%	1	5.3%	0	0.0%	1	5.3%
TOTAL	11	57.9%	8	42.1%	0	0.0%	19	100%
Dun & Bradstreet Farms ≤ \$1MM							99.5%	
Small Farm Aggregate ≤ \$1MM							63.6%	

The bank's level of lending to small farms is excellent. All but one of the bank's small farm loans was made to farms with annual revenues of \$1 million or less. In comparison, assessment area demographics estimate that 99.5 percent of farms in the assessment area had annual revenues of \$1 million or less, and the aggregate lending level to small farms is 63.6 percent. Furthermore, 61.1 percent of the bank's small farm loans were in amounts of \$100,000 or less.

Next, the bank's distribution of consumer motor vehicle secured loans was reviewed. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure estimated by the FFIEC (\$60,400 for nonMSA Illinois in 2017). The following table shows the distribution of consumer motor vehicle secured loans by borrower's income level compared to household population income demographics for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Borrower												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle	40	69.0%	10	17.2%	4	6.9%	4	6.9%	0	0.0%	58	100%
Household Population	24.3%		17.3%		18.3%		40.0%		0.0%		100%	

The bank's percentage of lending to low-income borrowers (69.0 percent) is significantly above the percentage of low-income households within the assessment area (24.3 percent) and is considered excellent. Bank lending to moderate-income borrowers also indicates reasonable performance. The bank's percentage of lending to moderate-income borrowers (17.2 percent) is comparable to the percentage of moderate-income households within the assessment area (17.3 percent) reflecting reasonable performance. Overall, the distribution of lending for consumer motor vehicle secured loans reflects excellent penetration among individuals of different income levels.

### Geographic Distribution of Loans

As noted previously, the assessment area includes four moderate-income census tracts, representing 33.3 percent of total assessment area census tracts. The remaining eight census tracts are classified as middle-income. Overall, the bank's geographic distribution of loans reflects poor penetration throughout the assessment area, based on the small farm and consumer motor vehicle secured loan categories. Once again, performance in the small farm loan category carried the most significance in the overall rating of poor for geographic distribution.

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, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Farm Loans	0	0.0%	1	5.3%	18	94.7%	0	0.0%	0	0.0%	19	100%
Agricultural Institutions	0.0%		15.3%		84.7%		0.0%		0.0%		100%	
2017 Small Farm Aggregate	0.0%		14.8%		84.1%		0.0%		1.1%		100%	

The bank's percentage of lending to farms located in moderate-income census tracts (5.3 percent) is below the aggregate lending percentage (14.8 percent). Furthermore, 15.3 percent of the estimated agricultural institutions operating in the assessment area are located in moderate-income census tracts. Therefore, the bank's overall geographic distribution for small farm loans is poor.

Similarly, the bank's geographic distribution of consumer motor vehicle secured loans was reviewed. The following table displays consumer motor vehicle secured loan activity by geography income level compared to the household population demographics in the assessment area.

Distribution of Loans Inside Assessment Area by Geography Income Level												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle	0	0.0%	11	19.0%	47	81.0%	0	0.0%	0	0.0%	58	100%
Household Population	0.0%		26.4%		73.6%		0.0%		0.0%		100%	

The analysis of consumer motor vehicle loans revealed reasonable lending performance. Although bank performance in moderate-income census tracts was below comparison data, three of the four moderate-income census tracts in the bank's assessment area are located in parts of Fayette County that are over 8 miles from the bank's office, and the other is located in Salem, Illinois, which is 25 miles from the bank's office. Despite this distance, the bank was able to make at least one consumer motor vehicle secured loan in each of these census tracts. In addition, community contacts stated banking competition in the area is extremely competitive. Therefore, the bank's overall geographic distribution of consumer motor vehicle secured loans is reasonable.

Lastly, based on reviews from both loan categories, First State Bank of St. Peter had loan activity in 75.0 percent of all assessment area census tracts. There were no conspicuous lending gaps noted in LMI areas of the bank's assessment area.

### **Responses to Complaints**

No CRA-related complaints were filed against the bank during this review period (March 24, 2014 through May 20, 2018).

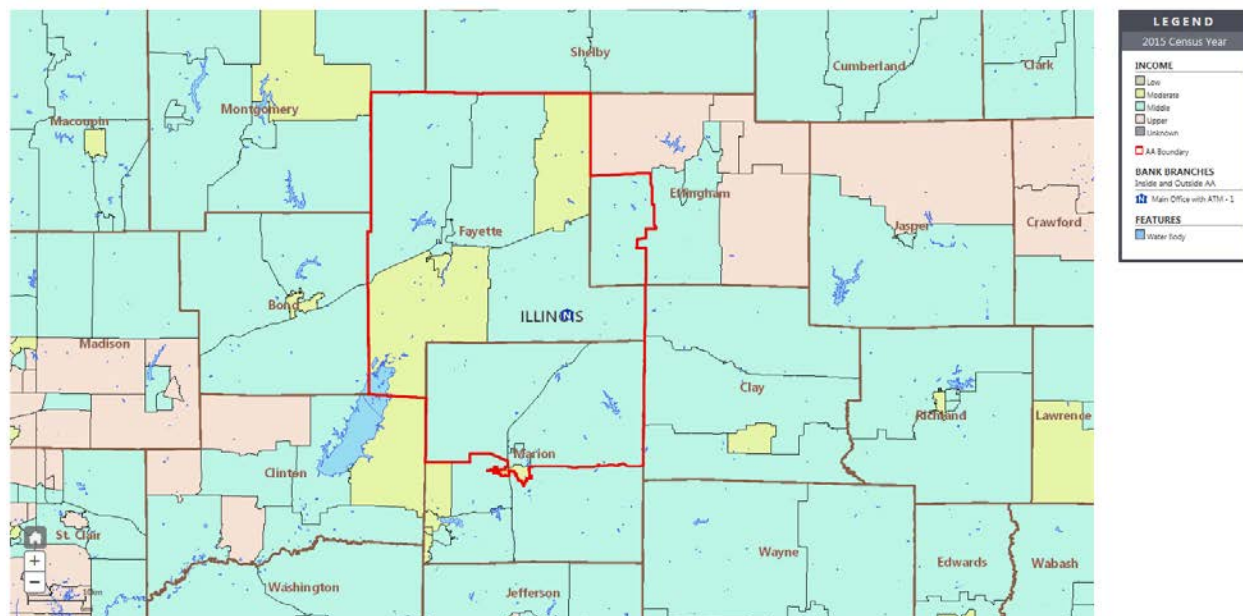
### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

### First State Bank - St. Peter, IL

Tract Income 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) affordable housing (including multifamily rental housing) for LMI individuals; (2) community services targeted to LMI individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; (4) activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Demographics:** The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

**Distressed nonmetropolitan middle-income geography:** A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders who do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

**Household:** One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

**Housing affordability ratio:** 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.