PUBLIC DISCLOSURE

February 11, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Hardin County Bank
RSSD #526854

235 Wayne Road
Savannah, Tennessee 38372

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.

The Lending Test is rated: Satisfactory
The Community Development Test is rated: Satisfactory

The Hardin County Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending and community development activities. 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 borrower's profile analysis reveals reasonable penetration among businesses of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI) levels.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.
- The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas, considering the bank's capacity and the need and availability of such opportunities for community development in its assessment areas. The bank has responded to these needs through community development loans, qualified investments, and community development services.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) intermediate small bank procedures, which entail two performance tests: the Lending Test and the Community Development Test. Residential real estate and small business loans were used to evaluate the bank's lending performance, as these loans categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy.[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

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

particular emphasis on commercial lending, performance based on the small business lending 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	March 31, 2016 – December 31, 2018
Assessment Area Concentration	January 1, 2017 – December 31, 2017
Geographic Distribution of Loans	January 1, 2017 – December 31, 2017
Loan Distribution by Borrower's Profile	January 1, 2017 – December 31, 2017
Response to Written CRA Complaints	February 8, 2016 – February 10, 2019
Community Development Activities	February 8, 2016 – February 10, 2019

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 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 updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $311.7 million to $617.3 million as of December 31, 2018.

As part of the Community Development Test, the bank's performance was evaluated using the following criteria, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

- The number and dollar amount of community development loans.
- The number and dollar amount of qualified investments and grants.
- The extent to which the bank provides community development services.

The review included community development activities initiated from the date of the bank's previous CRA evaluation to this review date. In addition, investments made prior to the date of the previous CRA evaluation, but still outstanding as of this review date, were also considered.

To augment this evaluation, two community contact interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions in the bank's assessment areas. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

The Hardin County Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is a wholly owned subsidiary of Hardin County Bancshares, Inc., located in Savannah, Tennessee. The bank's branch network consists of five branches, all of which have cash-dispensing only automated teller machines on site. Four branches, including the main branch, are located in Hardin County, while the fifth branch is located just across the border in neighboring McNairy County. The main office and one branch are located in upper-income census tracts, two branches are located in a moderate-income census tract, and one branch is located in an underserved middle-income census tract. Four of the branches are full-service (including the main office) and one is a limited-service branch with drive-up capabilities only. The bank has not opened or closed any branches since the previous evaluation. While the population core of the assessment area is located among the bank's branch network, the assessment area counties are large. Due to the bank's sole branch in far eastern McNairy County, the bank may face difficulties in serving the western portions of the county.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of December 31, 2018, the bank reported total assets of $493.8 million. As of the same date, loans and leases outstanding were $407.3 million (82.5 percent of total assets), and deposits totaled $432.5 million. The bank's loan portfolio composition by credit category is displayed in the following table:

Distribution of Total Loans as of December 31, 2018		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$51,558	12.7%
Commercial Real Estate	$83,502	20.5%
Multifamily Residential	$600	0.1%
1–4 Family Residential	$93,659	23.0%
Farmland	$25,161	6.2%
Farm Loans	$523	0.1%
Commercial and Industrial	$134,096	32.9%
Loans to Individuals	$18,230	4.5%
TOTAL	**$407,329**	**100%**

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

The bank received a Satisfactory rating at its previous CRA evaluation conducted on February 8, 2016, by the Federal Deposit Insurance Corporation (FDIC).

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, is comprised of the entirety of Hardin and McNairy Counties, which are located in the nonmetropolitan statistical area (nonMSA) portion of southwest Tennessee, bordering Mississippi. Although mostly a rural area, there is still ample opportunity for offering commercial and consumer lending products. However, community development opportunities are limited due to the small number of nonprofits and community service organizations in the bank's assessment area. The total assessment area population is 52,003, with the population nearly split evenly between Hardin County and McNairy County. Geographically, Hardin County is divided into east and west sections by the Tennessee River, which creates opportunities for waterway industry and tourism but also creates transportation difficulties with few bridges in the county crossing the river. Conversely, McNairy County is located near several major east-west and north-south highways, which creates more opportunity for development and growth through the transportation of goods and overall accessibility. Hardin County is comprised of one moderate-, three middle-, and two upper-income census tracts, and McNairy County is comprised of one moderate- and six middle-income census tracts.

According to the FDIC Deposit Market Share Report data as of June 30, 2018, there are nine FDIC-insured depository institutions in the assessment area that operate 22 offices. The Hardin County Bank (which operates five, or 22.7 percent of total offices in the assessment area) ranked first in terms of deposit market share, with 46.8 percent of the total assessment area deposit dollars.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0	2	9	2	0	**13**
	0.0%	15.4%	69.2%	15.4%	0.0%	**100%**
Family Population	0	1,969	9,506	1,878	0	**13,353**
	0.0%	14.7%	71.2%	14.1%	0.0%	**100%**

As shown in the preceding table, the portion of assessment area census tracts that are moderate-income (15.4 percent) aligns closely with the family population in those tracts (14.7 percent). Furthermore, of the middle-income census tracts in the assessment area, all nine were designated by the FFIEC as distressed due to poverty during the review period.

Based on 2015 U.S. Census data, the median family income for the assessment area was $42,932. At the same time, the median family income for nonMSA Tennessee was $46,254.

More recently, the FFIEC estimates the 2017 median family income for nonMSA Tennessee to be $47,900. The following table displays population percentages of assessment area families by income level compared to the nonMSA Tennessee family population as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	3,028	2,710	2,532	5,083	0	**13,353**
	22.7%	20.3%	19.0%	38.1%	0.0%	**100%**
NonMSA Tennessee	83,574	72,665	80,142	163,464	0	**399,845**
	20.9%	18.2%	20.0%	40.9%	0.0%	**100%**

When compared with the first table in this section, a significantly higher percentage of families in the assessment area are LMI (43.0 percent) than reside in LMI census tracts (14.7 percent). As shown in the preceding table, the percentage of families in the assessment area that are LMI is slightly higher than the LMI family population in nonMSA Tennessee as a whole (39.1 percent). Additionally, the percentage of families living below the poverty line in the assessment area (15.3 percent) mirrors that of nonMSA Tennessee (15.4 percent). Based on these factors, the assessment area is slightly less affluent than nonMSA Tennessee as a whole.

Housing Demographics

The following table displays housing demographics, including the affordability ratio, which measures the extent to which families earning the median family income can afford a median-priced home in the assessment area, compared to nonMSA Tennessee as a whole.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (Monthly)**
Assessment Area	$89,092	37.4%	$577
NonMSA Tennessee	$106,548	34.0%	$600

While income levels in the assessment area align fairly closely with that of nonMSA Tennessee, housing in the assessment area is more affordable than in nonMSA Tennessee, as reflected by a lower median housing value, lower median gross rent, and higher affordability ratio in the assessment area than in nonMSA Tennessee as a whole. Median housing values varied between the two counties in the assessment area, with McNairy County ($85,000) significantly lower than Hardin County ($96,900). As a result of these higher housing values, housing is less affordable in Hardin County, evidenced by an affordability ratio of 36.4 percent compared to the 38.3 percent affordability ratio for McNairy County.

Based on the information above and community contact interviews, homeownership may be difficult for LMI individuals. The barriers LMI individuals face are two-fold. First, there is a lack of affordable single-family housing. Second, both contacts mentioned that with few jobs paying a living wage, most LMI families do not have the financial flexibility to save for a down payment.

Industry and Employment Demographics

The assessment area supports a strong business sector driven primarily by the manufacturing and service-related industries. County business patterns indicate that there are 11,233 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are manufacturing (24.9 percent), followed by health care and social assistance (17.7), and retail trade (17.2 percent). The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to all of nonMSA Tennessee.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**NonMSA Tennessee**
2017	5.1%	4.5%
2016	6.4%	5.7%
2015	7.8%	6.7%

As shown in the preceding table, unemployment levels for the assessment area remained slightly higher than in nonMSA Tennessee as a whole throughout the review period, although both experienced a decreasing trend. According to both community contacts, despite the declining unemployment levels, portions of the current workforce are either underemployed or have chosen not to engage the labor market. Much of this was the result of major employer closures over the past decade; thus, the economic impacts are still being felt in the area.

Community Contact Information

Information from two community contacts was used to help shape the performance context in which the bank’s activities in this assessment area were evaluated. One interview was conducted with an individual specializing in small business development and the other with a representative of a social service provider organization.

Both contacts characterized the economy as recovering with the southwestern portions of Tennessee improving more slowly than the rest of the state after the recession. However, McNairy County recently lost the only hospital in the county which has not only caused unemployment issues but has also created challenges when attempting to attract new businesses and retain residents. It was noted by one contact that since the closing of the hospital, several smaller, tech-centered manufactures have opened, but not nearly enough to replace the number of jobs lost. The contacts noted that the new employers have required new labor skillsets, which has led many workers to pursue technical training from local community colleges. While unemployment levels have declined overall in the past few years, the contacts noted that a portion of workers have either left the assessment area in search for gainful employment or have stayed in the area but have left the workforce all together.

Regarding credit-related needs in the assessment area, the contacts mentioned that there is a shortage of affordable housing options, and there are needs for down payment assistance and credit counseling for families and businesses. According to one contact, the credit profiles of LMI individuals are the most significant barrier when attempting to purchase a home. The contact also mentioned that with few jobs paying above living wage, most LMI families do not have the financial flexibility to save the typical 10 to 20 percent for a mortgage down payment. The other contact went on to say the most frequent financial barrier facing potential small business owners is the lack of start-up capital. The contact noted, similar to purchasing a home, most lenders want entrepreneurs to invest 10 to 20 percent of their own money to the endeavor. While some banks have shown willingness to be flexible, most borrowers still struggle to contribute even 5 percent to the venture.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The following chart displays the bank's average LTD ratio compared to those of regional peers. The average LTD ratio represents a 12-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of December 31, 2018**	**Average LTD Ratio**
The Hardin County Bank	Savannah, Tennessee	$493,844	90.8%
Regional Banks	Waynesboro, Tennessee	$311,746	86.9%
	Trezevant, Tennessee	$463,407	95.9%
	Piperton, Tennessee	$617,322	99.4%

Based on data from the previous table, the bank's level of lending is similar to that of other banks in the region. The bank's LTD ratio moderately increased during the review period, ranging from a low of 86.7 percent to a high of 94.7 percent. In comparison, two peer banks had relatively stable LTD ratios throughout the review period, while one peer experienced a more significant increase in LTD. As previously mentioned, the bank is the market leader in deposit market share in the assessment area, accounting for 46.8 percent of all assessment area deposit dollars. Considering these factors, along with the bank's size, financial condition, and assessment area credit needs, the bank's average LTD ratio is reasonable.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Area
January 1, 2017 through December 31, 2017

Loan Type	Inside Assessment Area		Outside Assessment Area		TOTAL	
Small Business	79	84.0%	15	16.0%	**94**	**100%**
	6,713	70.4%	2,825	29.6%	**$9,538**	**100%**
1–4 Family Residential Real Estate	50	75.8%	16	24.2%	**66**	**100%**
	5,818	70.2%	2,470	29.8%	**$8,288**	**100%**
TOTAL LOANS	**129**	**80.6%**	**31**	**19.4%**	**160**	**100%**
	12,531	**70.3%**	**5,295**	**29.7%**	**$17,826**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown in the preceding table, 80.6 percent of the total loans were made inside the assessment area, accounting for 70.3 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from both loan categories reviewed. When determining overall conclusions, performance in the small business lending category received the most weight, as the bank has a particular emphasis in commercial 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 2017 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, 2017 through December 31, 2017

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	55	69.6%	10	12.7%	2	2.5%	**67**	**84.8%**
Greater than $1 Million/ Unknown	4	5.1%	7	8.9%	1	1.3%	**12**	**15.2%**
TOTAL	**59**	**74.7%**	**17**	**21.5%**	**3**	**3.8%**	**79**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**89.0%**	
2017 CRA Aggregate Data							**50.9%**	

Of the bank's total small business loans, 84.8 percent were made to businesses with annual revenues of $1 million or less, which closely aligns with the demographic estimate of businesses in the assessment area with annual revenues of $1 million or less (89.0 percent). In comparison, the bank's level of lending to small businesses far exceeded the aggregate lending level (50.9 percent). According to one community contact, greater access to startup capital is a key need of small businesses in the assessment area. The bank's willingness to meet this credit need is evidenced by the fact that 82.1 percent (55 of 67) of the bank's loans to small businesses were in amounts of $100,000 or less. Given this context and the bank's performance relative to other lenders in the assessment area, the bank's level of lending to small businesses is considered reasonable.

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 ($47,900 for nonMSA Tennessee as of 2017). The following table shows the distribution of 1–4 family residential real estate loans by borrower income level compared to the distribution of assessment area families by income level, along with 2017 aggregate data for the assessment area.

Distribution of Loans Inside Assessment Area by Borrower Income

January 1, 2017 through December 31, 2017

	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
1–4 Family Residential Real Estate	4	8.0%	8	16.0%	13	26.0%	25	50.0%	0	0.0%	**50**	**100%**
Family Population	22.7%		20.3%		19.0%		38.1%		0.0%		**100%**	
2017 HMDA Aggregate	6.2%		17.1%		19.1%		40.5%		17.1%		**100%**	

The bank's lending performance to low-income borrowers (8.0 percent) is below the low-income family population figure (22.7 percent) but is considered reasonable when compared to aggregate lending performance (6.2 percent). The disparity between the lending performance of the bank and the low-income family population is due in part to factors cited earlier regarding affordable housing stock shortages, low earning wages and underemployment, and potential borrowers' poor credit histories. Given these economic and demographic factors, it is likely difficult for low-income families to qualify for traditional mortgage financing. In contrast, when measuring lending performance to moderate-income borrowers, the bank's level of lending (16.0 percent) is in line with both aggregate lending performance (17.1 percent) and the percentage of assessment area families that are moderate-income (20.3 percent). This reflects reasonable performance lending to moderate-income borrowers. Combined, the bank's distribution of 1–4 family residential real estate lending to LMI borrowers (24.0 percent) is in line with aggregate performance (23.3 percent) and below the LMI family population figure (43.0 percent) but is still considered reasonable overall performance.

Geographic Distribution of Loans

As previously noted, the assessment area includes two moderate-income census tracts, accounting for 15.4 percent of all assessment area census tracts, and no low-income census tracts. Consequently, the bank's geographic distribution for each loan product is primarily based on performance in moderate-income census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration throughout these moderate-income census tracts, based on both loan categories reviewed. As previously stated, performance in the small business loan category carried the most significance in the overall geographic distribution rating.

The following table displays 2017 small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area and 2017 small business 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 Business Loans	0	0.0%	14	17.7%	43	54.4%	22	27.8%	0	0.0%	**79**	**100%**
Business Institutions	0.0%		21.6%		60.0%		18.3%		0.0%		**100%**	
2017 Small Business Aggregate	0.0%		18.8%		62.8%		17.0%		1.4%		**100%**	

Based on data in the preceding table, the bank's small business lending in moderate-income census tracts (17.7 percent) is in line with comparison data, which shows 18.8 percent of aggregate small business loans were made in moderate-income census tracts, while an estimated 21.6 percent of assessment area businesses are located in these tracts. Based on this performance, the bank's geographic distribution of small business loans is reasonable.

The following table displays the geographic distribution of 2017 1–4 family residential real estate loans compared to owner-occupied housing demographics and aggregate performance for 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			
1–4 Family Residential Real Estate	0	0.0%	10	20.0%	20	40.0%	20	40.0%	0	0.0%	**50**	**100%**
Owner-Occupied Housing	0.0%		13.4%		71.7%		14.9%		0.0%		**100%**	
2017 HMDA Aggregate	0.0%		11.4%		67.4%		21.1%		0.1%		**100%**	

Bank lending in moderate-income census tracts by number of loans (20.0 percent) is well above other lenders in the assessment area, based on 2017 aggregate data, which indicates that 11.4 percent of aggregate HMDA loans inside the assessment area were made in moderate-income census tracts. When compared with demographic data, the bank's level of lending is also well above the percentage of all assessment area owner-occupied housing units located in moderate-income census tracts (13.4 percent). Overall, the bank's geographic distribution of 1–4 family residential loans in moderate-income geographies is excellent.

Lastly, based on reviews from both loan categories, the bank had loan activity in 84.6 percent of all assessment area census tracts. Although no conspicuous lending gaps were identified in LMI areas, there were two middle-income census tracts within the bank's assessment area that contained no lending activity. As previously noted, due to the bank's sole branch in far eastern McNairy County, the bank may face difficulties serving the western portions of the county where census tracts 9302.00 and 9306.00 are located.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (February 8, 2016, through February 10, 2019).

COMMUNITY DEVELOPMENT TEST

The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of the assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank has addressed the community development needs of the assessment area through community development loans, qualified investments, and community development services.

During the review period, the bank made five qualifying loans totaling approximately $7.3 million. Of those loans, two were to community service organizations, one was for revitalization/stabilization, and one was for affordable housing. One loan was particularly responsive to community needs, as it was made to revitalize and stabilize a distressed middle-income census tract by expanding a current business that creates jobs to help retain and attract residents.

Community development investments and donations made to the assessment area totaled $3.5 million. This amount included 2 qualified investments totaling just under $3.5 million and 42 donations totaling $46,052. One of the investments made was in a New Market Tax Credit Program-eligible community development entity. Furthermore, the 42 donations were made to 19 separate organizations having a community development purpose.

In addition, six employees contributed community development services to five different entities. Several of the employees provided financial literacy courses, and others served as board members for organizations that assist LMI individuals with vital services.

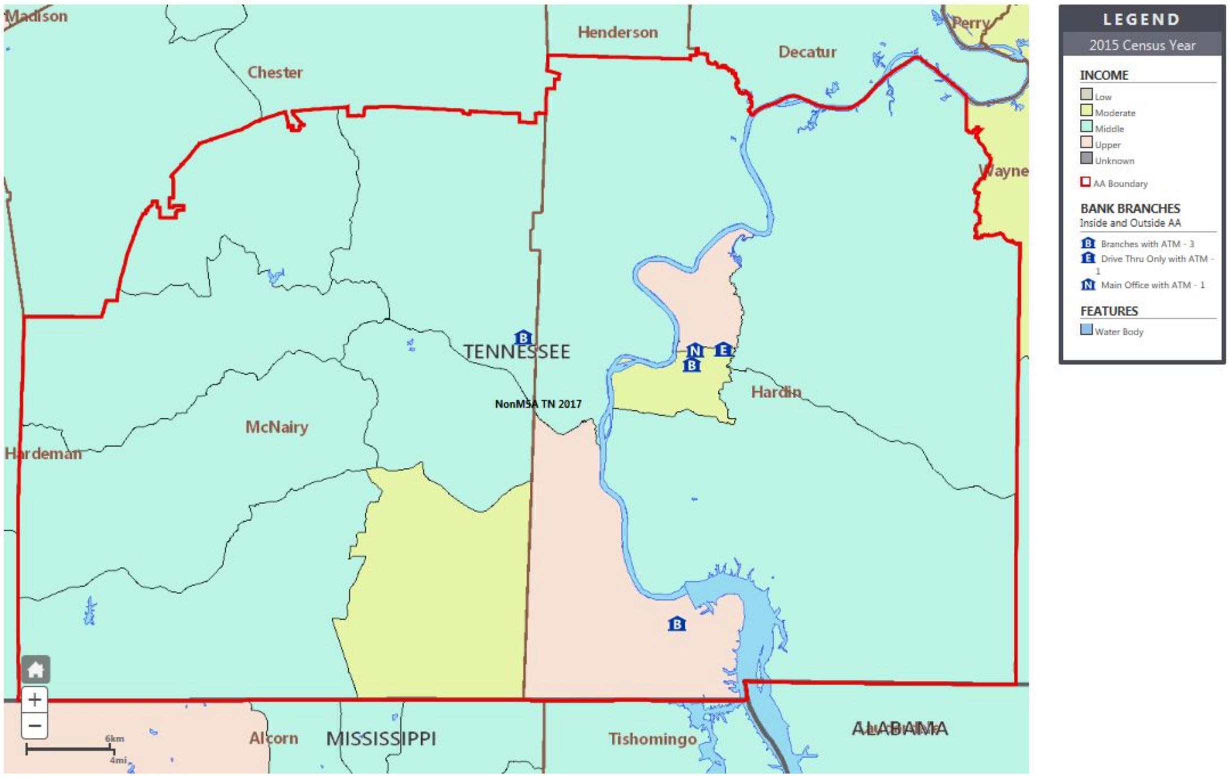
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

Hardin County Bank - Savannah, TN

NonMSA TN AA



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.