PUBLIC DISCLOSURE

June 19, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Cave City
RSSD #629148

137 South Main Street
Cave City, Arkansas 72521

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 Bank of Cave City meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending 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 substantial majority of loans and other lending-related activities are in the assessment area.
- 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.
- 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.

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, residential real estate, and consumer motor vehicle 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 in 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, 2013 – March 31, 2017
Assessment Area Concentration	January 1, 2015 – December 31, 2015
Loan Distribution by Borrower's Profile	January 1, 2015 – December 31, 2015
Geographic Distribution of Loans	January 1, 2015 – December 31, 2015
Response to Written CRA Complaints	April 8, 2013 – June 18, 2017

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 farm geodemographics are based on 2015 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 in 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 in the same general region. Two other banks were identified as similarly situated peers, with asset sizes ranging from $162.0 million to $208.4 million as of March 31, 2017.

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 area. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Bank of Cave City is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank has one non credit-granting subsidiary, Cave City Properties, Inc. Additionally, the bank is wholly owned by Sharp Bancshares, Inc., a single bank holding company headquartered in Cave City, Arkansas. The bank's branch network consists of four offices (including the main office), all of which have full-service automated teller machines onsite. In addition to being a full-service facility, the main office and three branches have drive-up accessibility. Based on the bank's centrally located branch network in a large and rural assessment area, the bank is not well positioned to deliver financial services to its entire assessment area, especially the outermost geographies.

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. As of March 31, 2017, the bank reported total assets of $111.0 million. As of the same date, total loans and leases outstanding were $71.7 million (64.6 percent of total assets), and deposits totaled $93.0 million.

The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of March 31, 2017		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$3,041	4.2%
Commercial Real Estate	$3,343	4.7%
1–4 Family Residential	$24,993	34.9%
Farmland	$26,072	36.4%
Farm Loans	$5,043	7.0%
Commercial and Industrial	$4,542	6.3%
Loans to Individuals	$4,607	6.4%
Total Other Loans	$59	0.1%
TOTAL	**$71,700**	**100%**

As indicated by the table above, a significant portion of the bank's lending resources is directed to farming, including loans secured by farmland and farm loans, and loans secured by 1–4 family residential properties. While not reflected in the previous table, it is also worth noting that by number of loans originated, loans to individuals (such as consumer motor vehicle loans) represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on April 8, 2013.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 78,055, is located in north central, nonmetropolitan statistical area (nonMSA) Arkansas. The population reflects an increase of 2,407 from 2000 U.S. Census data. The bank's assessment area consists of two full counties, Izard and Lawrence, and two partial counties, Sharp and Independence. The bank's assessment area is rural in nature and contains 20 census tracts, including 2 moderate-, 17 middle-, and 1 upper-income census tract. The assessment area excludes the northernmost census tract in Sharp County and the southernmost tract in Independence County. Batesville, located in Independence County, is the largest city in the assessment area with a population of 10,248.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2016, there are 12 FDIC-insured depository institutions in Independence, Izard, Lawrence, and Sharp Counties that operate 45 offices. Bank of Cave City ranked fifth in terms of deposit market share, with 5.5 percent of the total assessment area deposit dollars.

Agricultural lending products represent a credit need in the assessment area, along with the need for a standard blend of consumer and business loan products. Other particular credit needs in the assessment area, as noted primarily from community contacts, include loans to build more affordable housing.

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	2	17	1	0	**20**
	0.0%	10.0%	85.0%	5.0%	0.0%	**100%**
Family Population	0	1,741	19,041	733	0	**21,875**
	0.0%	8.0%	88.7%	3.4%	0.0%	**100%**

The table above reflects that there are no low-income census tracts and two moderate-income census tracts in the bank's assessment area, with only 8.0 percent of the family population residing in these tracts. The moderate-income areas are located in and around the city of Batesville in Independence County, as well as in the northeastern quadrant of Izard County.

Based on 2010 U.S. Census data, the median family income for the assessment area was $40,541. At the same time, the median family income for nonMSA Arkansas was $42,175. More recently, the FFIEC estimates the 2015 median family income for nonMSA Arkansas to be $46,300. The following table displays population percentages of assessment area families by income level compared to nonMSA Arkansas family population as a whole.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	4,658	4,165	4,540	8,512	**21,875**
	21.3%	19.0%	20.8%	38.9%	**100%**
NonMSA Arkansas	65,135	57,160	62,634	128,266	**313,195**
	20.8%	18.3%	20.0%	41.0%	**100%**

As shown in the table above, 40.3 percent of families within the assessment area were considered LMI, which is just slightly higher than LMI family percentages of 39.1 percent in nonMSA Arkansas. The percentage of families living below the poverty threshold in the assessment area, 15.3 percent, is comparable to nonMSA Arkansas at 15.1 percent. Considering these factors, the assessment area appears comparable to nonMSA Arkansas as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be similar to that of nonMSA Arkansas. The median housing value for the assessment area is $76,201, which is slightly below the figure for nonMSA Arkansas, $78,904. The assessment area housing affordability ratio of 42.3 percent is similar to the nonMSA Arkansas figure of 42.0 percent. Additionally, the median gross rent for the assessment area of $520 per month is just slightly lower than the $535 per month for nonMSA Arkansas.

Furthermore, rental units appear to be similar in the assessment area compared to nonMSA Arkansas. Of all housing units in the assessment area, 22.1 percent are rental units compared to 23.8 percent of rental units found in nonMSA Arkansas. The assessment area's lower percentage of rental units is consistent with information from community contacts regarding the increased demand for, and a limited supply of, affordable rental housing. Based on housing data and information from community contacts, homeownership appears to be within reach of the LMI population in the assessment area, but families looking to rent may have difficulty in finding availability.

Industry and Employment Demographics

The assessment area supports a diverse business community, including a strong manufacturing and service-oriented sector. County business patterns indicate that there are 22,251 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are healthcare and social assistance (23.0 percent), followed by manufacturing (21.5 percent), and retail trade (16.0 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 the state of Arkansas.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**Arkansas**
2013	9.2%	7.3%
2014	7.9%	6.1%
2015	6.5%	5.1%
2016	5.0%	4.0%

As shown in the table above, unemployment levels for the assessment area, as well as the state of Arkansas, have shown a decreasing trend. Additionally, unemployment levels in the assessment area are higher than the state levels.

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. Of these community contact interviews, one was with an individual specializing in economic development and one was with a city government official. The interviewees categorized the economy as improving but still weaker than surrounding areas of the state. There is a strong demand for affordable housing and rental units in the assessment area. Both contacts noted poultry farming as a dominant industry in the assessment area. Credit counseling and financial training was identified as an ongoing need in the community by one interviewee. Both interviewees expressed that banks in the area are all involved in the community, with one speaking positively of the Bank of Cave City's community involvement and willingness to lend.

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 in comparison to those 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, 2017**	**Average LTD Ratio**
Bank of Cave City	Cave City, Arkansas	$110,975	75.5%
Regional Banks	Calico Rock, Arkansas	$162,036	67.4%
	Walnut Ridge, Arkansas	$208,406	71.6%

Based on data from the previous table, the bank's level of lending is above that of other banks in the region. During the review period, the LTD ratio remained relatively stable with a 16-quarter average of 75.5 percent. In comparison, the average LTD ratios for the regional peers were lower and had a generally stable trend as well. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, 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, 2015 through December 31, 2015						
Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
Small Farm	84	98.8%	1	1.2%	**85**	**100%**
	$5,516	99.9%	$4	0.1%	**$5,520**	**100%**
1–4 Family Residential Real Estate	62	88.6%	8	11.4%	**70**	**100%**
	$4,569	92.2%	$387	7.8%	**$4,956**	**100%**
Consumer Motor Vehicle	84	88.4%	11	11.6%	**95**	**100%**
	$656	88.6%	$84	11.4%	**$740**	**100%**
TOTAL LOANS	**230**	**92.0%**	**20**	**8.0%**	**250**	**100%**
	$10,741	**95.8%**	**$475**	**4.2%**	**$11,216**	**100%**

A substantial majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 92.0 percent of the total loans were made inside the assessment area, accounting for 95.8 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from the three loan categories reviewed. The following table shows the distribution of 2015 small farm loans by loan amount and revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Farm Revenue
January 1, 2015 through December 31, 2015

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$500			
$1 Million or Less	67	79.8%	7	8.3%	5	6.0%	**79**	**94.0%**
Greater than $1 Million/Unknown	3	3.6%	0	4.2%	2	2.4%	**5**	**6.0%**
TOTAL	**70**	**83.3%**	**7**	**18.3%**	**7**	**8.3%**	**84**	**100%**
Dun & Bradstreet Farms ≤ $1MM							**100.0%**	
Small Farm Aggregate ≤ $1MM							**81.2%**	

The bank's level of lending to small farms is excellent. The bank originated the majority of its small farm loans (94.0 percent) to farms with revenues of $1 million or less. In comparison, assessment area demographics estimate that all farms in the assessment area had annual revenues of $1 million or less, and the 2015 aggregate lending level to small farms is 81.2 percent. Further, 67 of the 79 loans to small farms (84.8 percent) were made in amounts less than $100,000, which displays the bank's willingness to meet the credit needs of small farms.

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 ($46,300 for nonMSA Arkansas as of 2015). The bank's 1–4 family residential real estate loans were reviewed to determine lending levels to individuals by borrower income level compared to family population income demographics for the assessment area. Additionally, 2015 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
1–4 Family Real Estate	5	8.1%	11	17.7%	15	24.2%	28	45.2%	3	4.8%	**62**	**100%**
Family Population	21.3%		19.0%		20.8%		38.9%		0.0%		**100%**	
2015 HMDA Aggregate	7.2%		17.3%		19.0%		40.3%		16.2%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (8.1 percent) is significantly lower than the low-income family population figure (21.3 percent); however, it exceeds the 2015 aggregate lending level to low-income borrowers (7.2 percent), reflecting reasonable performance. The bank's level of lending to moderate-income borrowers (17.7 percent) is below the moderate-income family population percentage (19.0 percent), yet slightly above the 2015 aggregate lending level to moderate-income borrowers (17.3 percent), reflecting reasonable performance. Therefore, considering performance to both income categories, the bank's overall distribution of loans by borrower's profile is reasonable.

As with the two previous categories reviewed, the borrower distribution of consumer motor vehicle loans was also analyzed by the borrower's income profile. The table below displays the distribution of consumer motor vehicle loans by income level of borrower compared to household population income characteristics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	26	31.0%	15	17.9%	19	22.6%	24	28.6%	0	0.0%	**84**	**100%**
Household Population	24.9%		17.5%		18.4%		39.2%		0.0%		**100%**	

The analysis of the bank's performance by number of consumer motor vehicle loans made to LMI borrowers revealed excellent performance. The bank originated 31.0 percent of its consumer motor vehicle loans to low-income borrowers. This reflects excellent performance when compared to the household population level of 24.9 percent. The bank also made 17.9 percent of its consumer motor vehicle loans to moderate-income borrowers. This reflects reasonable performance when compared to the household population level of 17.5 percent. Combined LMI performance is excellent, 48.9 percent compared to 42.4 percent demographic.

Geographic Distribution of Loans

As noted previously, the assessment area contains no low-income census tracts and two moderate-income census tracts, representing only 10.0 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects poor penetration throughout these LMI census tracts, based on the loan categories reviewed. As stated previously, performance in the small farm loan category carried the most significance in the overall rating.

The following table displays 2015 small farm loan activity by geography income level compared to the location of farms throughout the bank's assessment area and 2015 small farm aggregate data.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Farm Loans	0	0.0%	2	2.4%	82	97.6%	0	0.0%	0	0.0%	**84**	**100%**
Agricultural Institutions	0.0%		2.9%		94.9%		2.2%		0.0%		**100%**	
2015 Small Farm Aggregate	0.0%		5.3%		93.2%		0.%		0.8%		**100%**	

The bank's level of lending in moderate-income census tracts (2.4 percent) is lower than the 2015 aggregate lending percentage in moderate-income census tracts (5.3 percent) and lower than the percentage of small farms in moderate-income census tracts (2.9 percent), representing poor performance.

Second, the following table displays the geographic distribution of 2015 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, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
1–4 Family Real Estate	0	0.0%	4	6.5%	57	91.9%	1	1.6%	0	0.0%	**62**	**100%**
Owner-Occupied Housing	0.0%		9.2%		87.7%		3.1%		0.0%		**100%**	
2015 HMDA Aggregate	0.0%		4.7%		88.1%		7.2%		0.0%		**100%**	

The analysis of 1–4 family real estate loans revealed reasonable lending performance to borrowers residing in moderate-income census tracts. The bank's total penetration of moderate-income census tracts by number of loans (6.5 percent) is below the percentage of owner-occupied housing units in moderate-income census tracts (9.2 percent). However, the bank's performance in moderate-income census tracts is above the aggregate performance of 4.7 percent.

The geographic distribution of consumer motor vehicle loans also does not reflect favorably on the bank's CRA performance, as displayed in the following table.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Consumer Motor Vehicle Loans	0	0.0%	3	3.6%	81	96.4%	0	0.0%	0	0.0%	**84**	**100%**
Household Population	0.0%		9.1%		87.7%		3.2%		0.0%		**100%**	

The analysis illustrates poor loan penetration throughout the moderate-income tracts. Of the bank's 84 total consumer loans, only 3.6 percent were made in moderate-income census tracts, which is below the household population in moderate-income census tracts (9.1 percent).

Lastly, based on the loan categories reviewed, the bank had lending in 85.0 percent of assessment area census tracts. The three census tracts without loans were middle-income census tracts. As a result, no conspicuous lending gaps were noted in LMI areas.

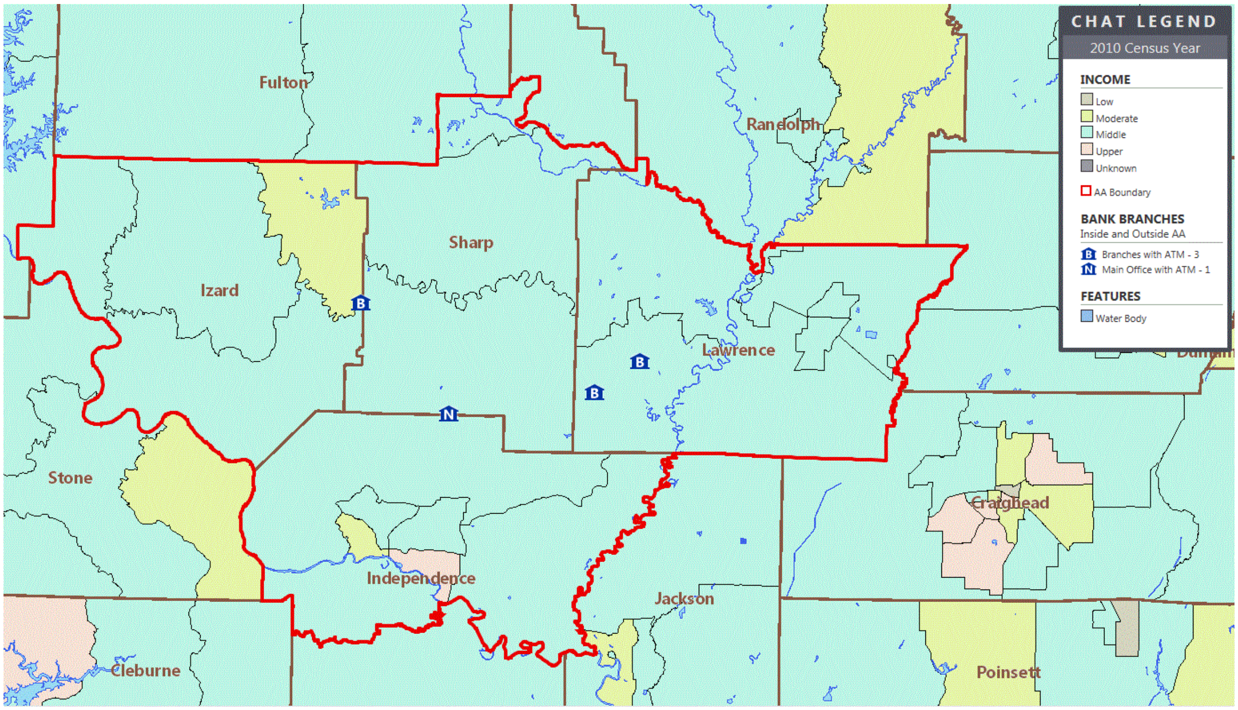
Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (April 8, 2013, through June 18, 2017).

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



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 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.