# PUBLIC DISCLOSURE

**May 6, 2019**

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Flora Bank & Trust**
**RSSD #777441**

**1010 West North Avenue**
**Flora, Illinois 62839**

**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.**

Flora Bank & Trust 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 majority of loans and other lending-related activities are in the assessment area.

- The borrower's profile analysis reveals reasonable penetration among 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.

## SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) examination procedures for small institutions. Residential real estate and consumer 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.[1] Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. The 1–4 family residential real estate product carried the most significance toward the bank's overall performance conclusions due to higher dollar volume. The following table details the performance criteria and the corresponding time periods used in each analysis.

| Performance Criterion | Time Period |
|---|---|
| LTD Ratio | March 31, 2015 – March 31, 2019 |
| 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 31, 2015 – May 5, 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 and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 American Community Survey (ACS) data. When analyzing bank performance by comparing

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

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 $42.4 million to $142.8 million as of March 31, 2019.

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 within 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

Flora Bank & Trust is a full-service retail bank headquartered in Flora, Illinois, offering both consumer and commercial loan and deposit products. The bank is wholly owned by Clay Bancshares, Inc., a one-bank holding company also headquartered in Flora, Illinois. The bank's branch network consists of three offices (including the main office), two of which have deposit-taking automated teller machines (ATMs) on site. Of these branch locations, the main office and a second branch opened in 2017 are located in the moderate-income census tract in Flora, Illinois, while the third branch is located in a middle-income census tract in Louisville, Illinois. All offices have drive-up accessibility, and the Flora and Louisville branches offer Saturday hours. In addition, three stand-alone ATMs (cash-dispensing only) are operated by the bank throughout its assessment area. Based on this branch network and other service delivery systems, such as online banking capabilities and mobile and telephone banking, the bank is well positioned to deliver financial services to its entire assessment area.

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 March 31, 2019, the bank reported total assets of $69.4 million. As of the same date, loans and leases outstanding were $46.5 million (66.9 percent of total assets), and deposits totaled $60.8 million. The bank's loan portfolio composition by credit category is displayed in the following table:

| Distribution of Total Loans as of March 31, 2019 | | |
|---|---|---|
| **Credit Category** | **Amount ($000s)** | **Percentage of Total Loans** |
| Construction and Development | $1,493 | 3.2% |
| Commercial Real Estate | $8,848 | 19.0% |
| 1–4 Family Residential | $14,221 | 30.6% |
| Farmland | $4,472 | 9.6% |
| Farm Loans | $2,057 | 4.4% |
| Commercial and Industrial | $5,794 | 12.5% |
| Loans to Individuals | $7,446 | 16.0% |
| Total Other Loans | $2,139 | 4.6% |
| **TOTAL** | **$46,470** | **100%** |

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

The bank received a Satisfactory rating at its previous CRA evaluation conducted on March 30, 2015, by this Reserve Bank.

## DESCRIPTION OF ASSESSMENT AREA

### General Demographics

The bank's assessment area, which has a population of 13,582, is located in southern Illinois, approximately 100 miles east of St. Louis, Missouri. The CRA assessment area is entirely comprised of Clay County, which is mostly rural and located in nonmetropolitan statistical area (nonMSA) Illinois. The bank's assessment area consists of one moderate- and three middle-income census tracts (none of the middle-income tracts are considered distressed or underserved). The bank identifies Clay County and the bordering counties (Marion, Fayette, Effingham, Jasper, Richland, and Wayne) as its trade area.

According to the Federal Deposit Insurance Corporation Deposit Market Share Report data as of June 30, 2018, the bank ranked third in terms of deposit market share out of seven institutions with branches in the assessment area. Flora Bank & Trust accounts for 18.8 percent of all deposit dollars in the market.

Commercial and consumer lending needs are prevalent in the assessment area. Specific credit needs highlighted by community contacts are home improvement loans for area landlords to improve lower-income rental housing. Additional needs noted by community contacts include financial counseling as a consistent need throughout the assessment area to potential homeowners, entrepreneurs, and consumers who rely on high-cost payday lending.

## Income and Wealth Demographics

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

| Assessment Area Demographics by Geography Income Level | | | | | | |
|---|---|---|---|---|---|---|
| **Dataset** | **Low-** | **Moderate-** | **Middle-** | **Upper-** | **Unknown** | **TOTAL** |
| Census Tracts | 0 | 1 | 3 | 0 | 0 | **4** |
| | 0.0% | 25% | 75% | 0.0% | 0.0% | **100%** |
| Family Population | 0 | 1,416 | 2,460 | 0 | 0 | **3,876** |
| | 0.0% | 36.5% | 63.5% | 0.0% | 0.0% | **100%** |

As shown in the preceding table, there are no low-income census tracts and only one moderate-income census tract. While the sole moderate-income tract equates to 25.0 percent of the census tracts in the assessment area, 36.5 percent of the family population reside in this tract.

Based on 2015 U.S. ACS data, the median family income for the assessment area was $53,820. At the same time, the median family income for all of nonMSA Illinois was $59,121. More recently, the FFIEC estimates the 2017 median family income for the Illinois nonMSA to be $60,400.

The following table displays population percentages of assessment area families by income level compared to the nonMSA Illinois family population as a whole.

| Family Population by Income Level | | | | | | |
|---|---|---|---|---|---|---|
| **Dataset** | **Low-** | **Moderate-** | **Middle-** | **Upper-** | **Unknown** | **TOTAL** |
| Assessment Area | 887 | 789 | 880 | 1,320 | 0 | **3,876** |
| | 22.9% | 20.4% | 22.7% | 34.1% | 0.0% | **100%** |
| NonMSA Illinois | 79,055 | 71,275 | 84,204 | 155,344 | 0 | **389,878** |
| | 20.3% | 18.3% | 21.6% | 39.8% | 0.0% | **100%** |

As shown in the preceding table, 43.3 percent of families within the assessment area were considered LMI, which is higher than the LMI percentage of 38.6 percent in nonMSA Illinois. While not shown in the table, the percentage of families living below the poverty threshold in the assessment area is 10.7 percent, which is slightly above the 10.4 percent level in nonMSA Illinois. Considering these factors, the assessment area appears less affluent than the nonMSA as a whole.

## Housing Demographics

The following table displays the housing demographics for the assessment area compared to nonMSA Illinois.

| Housing Demographics | | | |
|---|---|---|---|
| Dataset | Median Housing Value | Affordability Ratio | Median Gross Rent (Monthly) |
| Assessment Area | $76,961 | 57.1% | $508 |
| NonMSA Illinois | $92,863 | 49.0% | $604 |

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be substantially more affordable than in nonMSA Illinois. The median housing value for the assessment area is $76,961, which is below the figure for nonMSA Illinois ($92,863). The assessment area housing affordability ratio of 57.1 percent is above the nonMSA Illinois figure of 49.0 percent indicating greater affordability in the assessment area. Similarly, the median gross rent for the assessment area of $508 per month is lower than the $604 per month for nonMSA Illinois. Furthermore, rental units appear to be less prominent in the assessment area than in nonMSA Illinois. Of all housing units in the assessment area, 17.7 percent are rental units compared to 22.5 percent of rental units found in nonMSA Illinois. Overall, homeownership appears to be more attainable for LMI populations in the assessment area compared to the broader nonMSA Illinois area. However, one community contact noted that due to the older nature of much of the housing stock in Clay County, repairs and home improvements are often necessary.

## Industry and Employment Demographics

The manufacturing industry is by far the largest employer in the assessment area, with nearly half of all jobs coming from this sector. The 2016 county business patterns indicate there are 4,763 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are manufacturing (46.9%), healthcare and social assistance (12.2 percent), and retail trade (10.9 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 nonMSA Illinois as a whole.

| Unemployment Levels for the Assessment Area | | |
|---|---|---|
| Time Period (Annual Average) | Assessment Area | NonMSA Illinois |
| 2015 | 7.1% | 6.2% |
| 2016 | 6.8% | 6.0% |
| 2017 | 5.2% | 4.9% |

As shown in the preceding table, unemployment levels for the assessment area, as well as nonMSA Illinois, have decreased during the review period. However, unemployment levels in the assessment area are higher than the nonMSA Illinois levels. According to community contacts, unemployment in the bank's assessment area can be attributed to the loss of retail jobs in the area.

Additionally, while manufacturing is still strong, companies continue to increase automation in their plants, which results in needing fewer workers.

## 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 individual specializes in economic development, and the other was with an affordable housing entity.

Both community contacts described the economy in Clay County as declining due to population loss and a decrease in manufacturing and retail trades. Much of the decline in retail is due to the popularity of online shopping, while manufacturing growth has migrated to Effingham County, which benefits from a prime location along a major interstate. Both contacts indicated that workforce development is one of the largest concerns of the area. These contacts asserted that, on average, most residents have only a high school education, with no further training. Furthermore, younger residents who graduate from local universities are leaving the area for higher education and better job opportunities in larger markets. The contact specializing in economic development noted that there is not a strong small business sector in the county, which is attributed to limited or no access to broadband services, a lack of qualified employees, and small business owners who lack the necessary skills to successfully launch and grow their businesses. As such, there is a need for small business counseling services.

Regarding affordable housing, one of the community contacts indicated that there are affordable homes in the bank's assessment area; however, these communities often lack grocery stores or other services. Additionally, based on the condition of the housing stock in Clay County, one contact mentioned home improvement loans as a credit need within the assessment area. The contact further stated that down payment assistance programs, low or no down payment government-guaranteed loans, and homebuyer education would make homeownership more attainable to LMI residents.

Lastly, both contacts mentioned banking services in Effingham, a bordering county, are good, and products offered by banks are easily accessible regardless of income level. However, in more rural areas, such as Clay County, the bank's assessment area, there are fewer branches and ATMs. In addition, there is a significant unbanked population among LMI residents who often rely on payday lenders for their banking needs. One contact indicated that there is a need for financial literacy programs to educate these consumers to the high cost of payday lending and to develop strategies to better manage their money.

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

| LTD Ratio Analysis | | | |
|---|---|---|---|
| **Name** | **Headquarters** | **Asset Size ($000s) as of March 31, 2019** | **Average LTD Ratio** |
| Flora Bank & Trust | Flora, Illinois | $69,425 | 73.2% |
| Regional Banks | Clay City, Illinois | $142,860 | 87.1% |
| | Louisville, Illinois | $76,521 | 70.4% |
| | Xenia, Illinois | $42,358 | 81.2% |

Based on data from the previous table, the bank's level of lending falls between that of other banks in the region. During the review period, the LTD ratio had a generally increasing trend with a 17-quarter average of 73.2 percent, an increase of 16.3 percent from the previous evaluation. The increase in LTD was part of the bank's strategy to increase lending and profitability. Thus, 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<br>January 1, 2017 through December 31, 2017 | | | | | | |
|---|---|---|---|---|---|---|
| **Loan Type** | **Inside Assessment Area** | | **Outside Assessment Area** | | **TOTAL** | |
| 1–4 Family Residential Real Estate | 31 | 79.5% | 8 | 20.5% | **39** | **100%** |
| | $2,128 | 79.6% | $546 | 20.4% | **$2,674** | **100%** |
| Consumer | 77 | 85.6% | 13 | 14.4% | **90** | **100%** |
| | $691 | 84.7% | $125 | 15.3% | **$816** | **100%** |
| **TOTAL LOANS** | **108** | **83.7%** | **21** | **16.3%** | **129** | **100%** |
| | **$2,819** | **80.8%** | **$671** | **19.2%** | **$3,490** | **100%** |

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown in the preceding table, 83.7 percent of the total loans were made inside the assessment area, accounting for 80.8 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 reasonable, based on performance from both loan categories reviewed. While the bank's 1–4 family residential real estate loan distribution by borrower's profile is reasonable, and performance under the consumer loan category is excellent, as previously mentioned, greater significance is placed on performance in the 1–4 family residential real estate loan category given the bank's emphasis on 1–4 family lending and the higher dollar volume of loans.

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 ($60,400 for nonMSA Illinois as of 2017). The following table shows the distribution of 1–4 family residential real estate loans reported loans by borrower income level compared to family population income demographics for the assessment area. Additionally, 2017 aggregate data for the assessment area is displayed.

| Distribution of Loans Inside Assessment Area by Borrower Income<br>January 1, 2017 through December 31, 2017 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Borrower Income Level | | | | | | | | | | TOTAL | |
| | Low- | | Moderate- | | Middle- | | Upper- | | Unknown | | | |
| 1–4 Family Residential Real Estate | 5 | 16.1% | 7 | 22.6% | 9 | 29.0% | 10 | 32.3% | 0 | 0.0% | **31** | **100%** |
| Family Population | 22.9% | | 20.4% | | 22.7% | | 34.1% | | 0.0% | | **100%** | |
| 2017 1–4 Family Aggregate | 11.5% | | 23.9% | | 20.4% | | 25.7% | | 18.6% | | **100%** | |

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (16.1 percent) is below the low-income family population figure (22.9 percent) but higher than the 2017 aggregate lending level to low-income borrowers (11.5 percent), reflecting reasonable performance. The bank's level of lending to moderate-income borrowers (22.6 percent) is above the moderate-income family population percentage (20.4 percent) but similar to the 2017 aggregate lending level to moderate-income borrowers (23.9 percent), reflecting reasonable performance. Therefore, considering performance to both income categories, the bank's overall distribution of loans by borrower's profile is reasonable.

Next, consumer loans were reviewed to determine the bank's lending levels to LMI borrowers within the assessment area. The following table shows the distribution of 2017 consumer loans by income level compared to the household population.

| Distribution of Loans Inside Assessment Area by Income Level of Borrower<br>January 1, 2017 through December 31, 2017 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Geography Income Level | | | | | | | | | | TOTAL | |
| | Low- | | Moderate- | | Middle- | | Upper- | | Unknown | | | |
| Consumer Loans | 31 | 40.3% | 28 | 36.4% | 15 | 19.5% | 3 | 3.9% | 0 | 0.0% | **77** | **100%** |
| Household Population | 22.9% | | 17.5% | | 21.5% | | 38.1% | | 0.0% | | **100%** | |

As displayed in the preceding table, the percentage of lending to low-income borrowers (40.3 percent) far exceeds the percentage of low-income households in the assessment area (22.9 percent), reflecting excellent performance. Similarly, the percentage of lending to moderate-income borrowers (36.4 percent) is more than double that of the percentage of moderate-income households in the assessment area (17.5 percent), again reflecting excellent performance. Therefore, considering performance to both income categories, the bank's overall distribution by borrower's profile is excellent.

## Geographic Distribution of Loans

Under the geographic distribution of loans analysis, emphasis is placed on the bank's performance in LMI geographies. Flora Bank & Trust does not have any low-income census tracts in its assessment area; therefore, the analysis was conducted using only the moderate-income census tract. The bank's overall geographic distribution of loans based on 1–4 family residential real estate and consumer 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<br>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% | 11 | 35.5% | 20 | 64.5% | 0 | 0.0% | 0 | 0.0% | **31** | **100%** |
| Owner-Occupied Housing | 0.0% | | 33.5% | | 66.5% | | 0.0% | | 0.0% | | **100%** | |
| 2017 1–4 Family Aggregate | 0.0% | | 48.7% | | 51.3% | | 0.0% | | 0.0% | | **100%** | |

The analysis of 1–4 family residential real estate loans revealed reasonable lending performance to borrowers residing in moderate-income geographies. The bank's total penetration of moderate-income census tracts by number of loans (35.5 percent) exceeds the percentage of owner-occupied housing units in moderate-income census tracts (33.5 percent) but is less than aggregate lending data (48.7 percent). Although the aggregate is significantly higher, this number is likely driven by competitors originating loans in the assessment area that are able to offer long-term fixed-rate mortgages. Nevertheless, the percentage of the bank's lending in the moderate-income tract exceeds the percentage of owner occupied housing in that tract indicating reasonable performance and that the bank is meeting the 1–4 family residential real estate needs of the area.

Second, the bank's geographic distribution of consumer loans was reviewed. The following table displays 2017 consumer loan activity by geography income level compared to the percentage of households throughout the bank's assessment area geographies.

| Distribution of Loans Inside Assessment Area by Geography Income Level<br>January 1, 2017 through December 31, 2017 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Geography Income Level** | | | | | | | | | | **TOTAL** | |
| | **Low-** | | **Moderate-** | | **Middle-** | | **Upper-** | | **Unknown** | | | |
| Consumer Loans | 0 | 0.0% | 40 | 51.9% | 37 | 48.1% | 0 | 0.0% | 0 | 0.0% | **77** | **100%** |
| Household Population | 0.0% | | 38.6% | | 61.4% | | 0.0% | | 0.0% | | **100%** | |

The bank's level of lending in moderate-income census tracts (51.9 percent) is significantly above the number of households residing in the moderate-income census tract (38.6 percent). Therefore, bank performance in the moderate-income census tract was deemed excellent.

Lastly, based on reviews from both loan categories, the bank had loan activity in all assessment area census tracts. Additionally, no conspicuous lending gaps were noted in moderate-income areas. This information supports the conclusion that the bank's overall geographic distribution of loans is reasonable.

**Responses to Complaints**

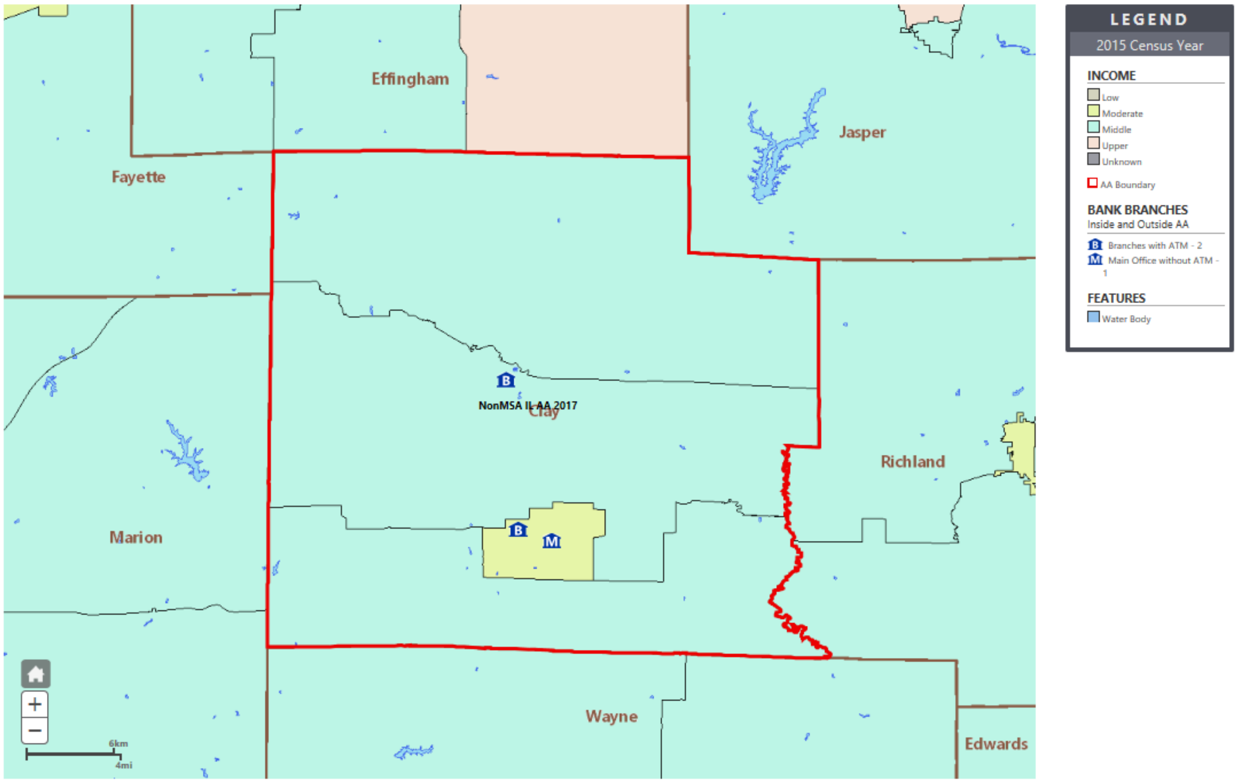
No CRA-related complaints were filed against the bank during this review period (March 31, 2015 through May 5, 2019).

## 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

**Flora B&TC - Flora, IL**
NonMSA IL AA 2017




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) affordable housing (including multifamily rental housing) for low- and moderate-income (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.