

# **PUBLIC DISCLOSURE**

**April 11, 2022**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Gates Banking and Trust Company  
RSSD #136459**

**56 West Wardlow Street  
Gates, Tennessee 38037**

**Federal Reserve Bank of St. Louis**

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

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

**TABLE OF CONTENTS**

Institution’s CRA Rating .....1

Scope of Examination .....1

Description of Institution .....2

Description of Assessment Area .....3

Conclusions with Respect to Performance Criteria .....7

Appendix A: Assessment Area Detail .....12

Appendix B: Glossary .....13

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

Gates Banking and Trust Company meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending activity. The factors supporting the institution's rating are as follows:

- The loan-to-deposit (LTD) ratio is less than 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 and farms of different revenue sizes.
- The geographic distribution of loans reflects a poor dispersion throughout the assessment area.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

**SCOPE OF EXAMINATION**

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) Examination Procedures for Small Institutions. Small farm and small business 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 agriculture lending, performance based on the small farm loan category carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

<b>Performance Criterion</b>	<b>Time Period</b>
LTD Ratio	September 30, 2017 – December 31, 2021
Assessment Area Concentration	January 1, 2018 – December 31, 2021
Loan Distribution by Borrower's Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	September 11, 2017 – April 10, 2022

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 U.S. Census American Community Survey (ACS) data; certain business and farm demographics are based on 2020 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 \$63.7 million to \$291.6 million as of December 31, 2021.

To augment this evaluation, one community contact interview was conducted with a member of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. Information from this interview also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from this community contact interview is included in the *Description of Assessment Area* section.

## **DESCRIPTION OF INSTITUTION**

Gates Banking and Trust Company is a full-service retail bank offering commercial and consumer loan and deposit products. The bank is wholly owned by Security Bancorp of Tennessee, Inc. (Security Bancorp), a multibank holding company headquartered in Halls, Tennessee. The holding company also owns Security Bank, Newbern, Tennessee; Bank of Crockett, Bells, Tennessee; and Bank of Halls, Halls, Tennessee. Security Bancorp also has an ownership interest in Patriot Bank, Millington, Tennessee, and Bank of Jackson, Jackson, Tennessee. Gates Banking and Trust Company operates a single facility with drive-up accessibility, but no automated teller machine. The bank did not open or close any branch offices during this review period. Based on the main office location and other service delivery systems, such as online banking services, the bank is adequately 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 December 31, 2021, the bank reported total assets of \$52.6 million. As of the same date, loans and leases outstanding were \$11.8 million (22.4 percent of total assets), and deposits totaled \$45.9 million. The bank's loan portfolio composition by credit category is displayed in the following table.

<b>Distribution of Total Loans as of December 31, 2021</b>		
<b>Credit Category</b>	<b>Amount (\$000s)</b>	<b>Percentage of Total Loans</b>
Construction and Development	\$1,086	9.2%
Commercial Real Estate	\$2,185	18.6%
1-4 Family Residential	\$1,190	10.1%
Farmland	\$4,433	37.7%
Farm Loans	\$221	1.9%
Commercial and Industrial	\$2,392	20.3%
Loans to Individuals	\$265	2.3%
<b>TOTAL</b>	<b>\$11,772</b>	<b>100%</b>

As indicated by the table above, a significant portion of the bank's lending resources is directed to agricultural loans (including farmland and farm loans) and commercial loans (including commercial and industrial, and commercial real estate loans).

The bank received a Satisfactory rating at its previous CRA evaluation conducted on September 11, 2017, by this Reserve Bank.

## **DESCRIPTION OF ASSESSMENT AREA**

### **General Demographics**

The bank's assessment area, which has a population of 9,105, is located in western Tennessee, predominantly in a nonMSA portion of the state. The bank's assessment area consists of two middle-income census tracts in northeastern Lauderdale County (census tracts 502.00 and 503.00 in nonMSA Tennessee), and one adjacent moderate-income census tract in western Crockett County (census tract 9613.00 in Jackson, Tennessee MSA). Although one tract is located in an MSA, the inclusion of this tract does not extend the assessment area substantially beyond an MSA boundary and does not necessitate the designation of a separate assessment area.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report as of June 30, 2021, there are 13 FDIC-insured depository institutions in the assessment area that operate 22 offices. Gates Banking and Trust Company (operating one office, or 4.5 percent, in the assessment area) ranked fifth in terms of deposit market share, with 5.8 percent of the total assessment area deposit dollars.

Credit needs in the assessment area, as noted primarily from the community contact, include small dollar loans to businesses, specifically for small business owners interested in starting new ventures.

**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.

<b>Assessment Area Demographics by Geography Income Level</b>						
<b>Dataset</b>	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>	<b>TOTAL</b>
Census Tracts	0	1	2	0	0	<b>3</b>
	0.0%	33.3%	66.7%	0.0%	0.0%	<b>100%</b>
Family Population	0	571	1,810	0	0	<b>2,381</b>
	0.0%	24.0%	76.0%	0.0%	0.0%	<b>100%</b>

As shown above, the assessment area contains one moderate-income geography, that accounts for 33.3 percent of the census tracts and 24.0 percent of the family population in the assessment area. The moderate-income census tract is located in the western portion of Crockett County. In addition, the majority of the assessment area family population (66.7 percent) resides in the two middle-income census tracts in Lauderdale County. These middle-income geographies were considered distressed due to poverty from 2018–2020, but were not classified as distressed in 2021.

Based on 2015 ACS data, the median family income for the assessment area was \$44,303. At the same time, the median family income for nonMSA Tennessee was \$46,066. More recently, the FFIEC estimates the 2018, 2019, 2020, and 2021 median family income for nonMSA Tennessee to be \$50,100, \$50,100, \$52,200, and \$53,700, respectively. The following table displays population percentages of assessment area families by income level compared to the nonMSA Tennessee family population as a whole.

<b>Family Population by Income Level</b>						
<b>Dataset</b>	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>	<b>TOTAL</b>
Assessment Area	554	501	393	933	0	<b>2,381</b>
	23.3%	21.0%	16.5%	39.2%	0.0%	<b>100%</b>
NonMSA Tennessee	81,163	70,532	77,971	159,460	0	<b>389,126</b>
	20.9%	18.1%	20.0%	41.0%	0.0%	<b>100%</b>

As shown in the table above, 44.3 percent of families within the assessment area were considered LMI, which is higher than the LMI family percentage in nonMSA Tennessee (39.0 percent). The percentage of families living below the poverty threshold in the assessment area (17.4 percent) is also above the level in nonMSA Tennessee (15.4 percent). Considering these factors, the assessment area appears less affluent than nonMSA Tennessee as a whole.

### **Housing Demographics**

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than in nonMSA Tennessee. The median housing value for the assessment area is \$80,614, which is below the figure for nonMSA Tennessee of \$106,819. Furthermore, the assessment area housing affordability ratio of 42.0 percent is above the nonMSA Tennessee figure of 34.0 percent. Notwithstanding the more affordable housing, the median gross rent for the assessment area of \$614 per month is slightly higher than the \$601 per month for nonMSA Tennessee. Based on the housing data, housing appears to be within reach of the assessment area's LMI population. However, a community contact revealed housing is not within reach for some LMI individuals due to the high poverty levels in the assessment area and the high levels of competition in the current housing market.

### **Industry and Employment Demographics**

The assessment area supports many types of businesses, as well as a small business sector. County business patterns indicate that there are 10,613 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are government (25.6 percent), followed by manufacturing (24.4 percent) and retail trade (9.1 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to nonMSA Tennessee as a whole.

<b>Unemployment Levels for the Assessment Area</b>		
<b>Time Period (Annual Average)</b>	<b>Assessment Area</b>	<b>NonMSA Tennessee</b>
2018	5.0%	4.1%
2019	4.6%	4.1%
2020	7.5%	7.9%
2021	5.0%	4.4%

Although, there was a slight decreasing trend from 2018 to 2019, unemployment levels for the assessment area, as well as nonMSA Tennessee, increased sharply in 2020, which is largely attributed to the global COVID-19 pandemic that disrupted local economies and employment levels. Overall, unemployment levels in the assessment area were above the figures for nonMSA Tennessee with the exception of 2020.

**Community Contact Information**

Information from one community contact was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. This interview was conducted with an individual specializing in small business development. The community contact describes the economy as generally stable but "lagging" in comparison to the rest of the state and the nation. The contact stated the major industries in the area are agriculture, food production, and the service industry, which leads to a large number of low-income jobs. As it relates to agriculture, the contact indicated that land resources in the area are limited, decreasing opportunity for economic growth. Additionally, due to the technological advancements in the farming industry, the number of farm labor jobs is decreasing. Furthermore, there is a shortage of laborers in the area in general. The contact also attributes low educational attainment, the aging population, and the rapid migration of young people away from the community as a source of the economic struggle within the assessment area.

The community contact stated there is healthy banking competition in the area and banks are providing effective banking services that meet the credit needs of the assessment area, including LMI individuals. Yet, it was noted that the local community needs housing assistance programs for those who cannot afford a mortgage. There is also a need for home improvement loans. Additionally, the contact indicated a need for small business loans or microloans for start-ups in the assessment area. Lastly, the contact praised banks in the community for providing financial literacy education to schools within the assessment area, but there is still a need for adult financial literacy.



**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 an 18-quarter average, dating back to the bank's last CRA evaluation.

<b>LTD Ratio Analysis</b>			
<b>Name</b>	<b>Headquarters</b>	<b>Asset Size (\$000s) as of December 31, 2021</b>	<b>Average LTD Ratio</b>
Gates Banking and Trust Company	Gates, Tennessee	\$52,602	35.0%
Regional Banks	Halls, Tennessee	\$63,696	52.5%
	Sardis, Tennessee	\$117,434	75.5%
	Ripley, Tennessee	\$291,602	40.3%

Based on data from the previous table, the bank's level of lending is below that of other banks in the region. During the review period, the LTD ratio experienced a generally decreasing trend with some fluctuations, with an 18-quarter average of 35.0 percent. In comparison, the average LTD ratios for the regional peers were higher while also experiencing a generally decreasing trend. Therefore, compared to data from regional banks, the bank's average LTD ratio is less than 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.

<b>Lending Inside and Outside of Assessment Area</b>						
<b>January 1, 2018 through December 31, 2021</b>						
<b>Loan Type</b>	<b>Inside Assessment Area</b>		<b>Outside Assessment Area</b>		<b>TOTAL</b>	
Small Farm	13	92.9%	1	7.1%	14	100%
	\$2,604	89.7%	\$299	10.3%	\$2,903	100%
Small Business	15	57.7%	11	42.3%	26	100%
	\$1,695	31.5%	\$3,684	68.5%	\$5,379	100%
<b>TOTAL LOANS</b>	<b>28</b>	<b>70.0%</b>	<b>12</b>	<b>30.0%</b>	<b>40</b>	<b>100%</b>
	<b>\$4,299</b>	<b>51.9%</b>	<b>\$3,984</b>	<b>48.1%</b>	<b>\$8,282</b>	<b>100%</b>

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 70.0 percent of the total loans were made inside the assessment area, accounting for 51.9 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.

Small farm loans were reviewed to determine the bank's lending levels to farms of different sizes. The following table shows the distribution of 2018–2021 small farm loans by loan amount and farm revenue size compared to Dun & Bradstreet and average small farm aggregate data over the review period.

Farm Revenue and Loan Size		2018–2021 Small Farm Loans by Revenue and Loan Size						
		Count			Dollars			Farms
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Farm Revenue	\$1 Million or Less	5	38.5%	30.0%	816	31.3%	51.5%	86.5%
	Over \$1 Million/ Unknown	8	61.5%	70.0%	1,789	68.7%	48.5%	13.5%
	<b>TOTAL</b>	<b>13</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2,605</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Loan Size	\$100,000 or Less	4	30.8%	86.7%	220	8.4%	38.3%	
	\$100,001–\$250,000	4	30.8%	8.7%	564	21.7%	28.1%	
	\$250,001–\$500,000	5	38.5%	4.7%	1,821	69.9%	33.6%	
	Over \$500,000	0	0.0%	0.0%	0	0.0%	0.0%	
	<b>TOTAL</b>	<b>13</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2,605</b>	<b>100.0%</b>	<b>100.0%</b>	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	2	40.0%		101	12.4%		
	\$100,001–\$250,000	1	20.0%		120	14.7%		
	\$250,001–\$1 Million	2	40.0%		595	72.9%		
	Over \$1 Million	0	0.0%		0	0.0%		
	<b>TOTAL</b>	<b>5</b>	<b>100.0%</b>		<b>816</b>	<b>100.0%</b>		

The bank's level of lending to small farms is reasonable. The bank originated 38.5 percent of its farm loans to small farms with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 86.5 percent of farms in the assessment area had annual revenues of \$1 million or less. However, the bank's lending was above the average aggregate lending figure (30.0 percent).

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2018–2021 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and average small business aggregate data over the review period.

Business Revenue and Loan Size		2018–2021 Small Business Loans by Revenue and Loan Size						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Business Revenue	\$1 Million or Less	6	42.9%	35.5%	\$1,025	66.0%	32.9%	84.9%
	Over \$1 Million/Unknown	8	57.1%	64.5%	\$528	34.0%	67.1%	15.1%
	<b>TOTAL</b>	<b>14</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$1,553</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Loan Size	\$100,000 or Less	10	71.4%	89.3%	\$454	29.2%	29.4%	
	\$100,001–\$250,000	3	21.4%	6.2%	\$640	41.2%	26.2%	
	\$250,001–\$1 Million	1	7.1%	4.5%	\$459	29.6%	44.4%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	<b>TOTAL</b>	<b>14</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$1,553</b>	<b>100.0%</b>	<b>100.0%</b>	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	3	50.0%		\$151	14.7%		
	\$100,001–\$250,000	2	33.3%		\$415	40.5%		
	\$250,001–\$1 Million	1	16.7%		\$459	44.8%		
	Over \$1 Million	0	0.0%		\$0	0.0%		
	<b>TOTAL</b>	<b>6</b>	<b>100.0%</b>		<b>\$1,025</b>	<b>100.0%</b>		

The bank originated 42.9 percent of its small business loans to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 84.9 percent of businesses in the assessment area had annual revenues of \$1 million or less. However, the bank's lending was above the average aggregate lending figure (35.5 percent). Therefore, the bank's level of lending to small businesses is reasonable.

**Geographic Distribution of Loans**

As noted previously, the assessment area includes one moderate-income census tract and two middle-income 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 small business and small farm loan categories. As previously stated, performance in the small farm loan category carried the most significance in the overall conclusion.

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

<b>Distribution of Small Farms Loans Inside the Assessment Area by Geography Income Level 2018–2021</b>							
<b>Census Tract Income Level</b>	<b>Bank Small Farm Loans</b>				<b>% of Farms</b>	<b>Aggregate</b>	
	<b>#</b>	<b>#%</b>	<b>\$ 000s</b>	<b>\$ %</b>		<b>#%</b>	<b>\$ %</b>
<b>Low</b>	0	0.0%	\$0	0.0%	0.0%	0.0%	0.0%
<b>Moderate</b>	5	38.5%	\$918	35.3%	48.0%	47.3%	43.8%
<b>Middle</b>	8	61.5%	\$1,686	64.7%	52.0%	52.7%	56.2%
<b>Upper</b>	0	0.0%	\$0	0.0%	0.0%	0.0%	0.0%
<b>Unknown</b>	0	0.0%	\$0	0.0%	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>13</b>	<b>100.0%</b>	<b>\$2,604</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

As shown in the table above, the bank originated 38.5 percent of its small farm loans to farms located within the moderate-income census tract. In comparison, the demographic percentage was 48.0 percent, and the average aggregate small farm lending in the moderate-income census tract was 47.3 percent. Therefore, the bank's performance is below comparison data and is deemed poor.

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays 2018–2021 small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area and average small business aggregate data over the review period.

<b>Distribution of Small Business Loans Inside the Assessment Area by Geography Income Level 2018–2021</b>							
<b>Census Tract Income Level</b>	<b>Bank Small Business Loans</b>				<b>% of Businesses</b>	<b>Aggregate</b>	
	<b>#</b>	<b>#%</b>	<b>\$ 000s</b>	<b>\$ %</b>		<b>#%</b>	<b>\$ %</b>
<b>Low</b>	0	0.0%	\$0	0.0%	0.0%	0.0%	0.0%
<b>Moderate</b>	3	21.4%	\$81	5.2%	26.8%	24.0%	16.8%
<b>Middle</b>	11	78.6%	\$1,473	94.8%	73.2%	76.0%	83.2%
<b>Upper</b>	0	0.0%	\$0	0.0%	0.0%	0.0%	0.0%
<b>Unknown</b>	0	0.0%	\$0	0.0%	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>14</b>	<b>100.0%</b>	<b>\$1,554</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The bank's percentage of loans in moderate-income census tracts (21.4 percent) is slightly below the percentage of small businesses in moderate-income census tracts (26.8 percent) and the average aggregate data (24.0 percent). Therefore, the bank's overall geographic distribution of small business loans is considered reasonable.

Lastly, based on reviews from both loan categories, Gates Banking and Trust Company had loan activity in all assessment area census tracts through all years except for one middle-income census tract in 2018. Additionally, there were no conspicuous lending gaps noted in moderate-income areas.

### **Responses to Complaints**

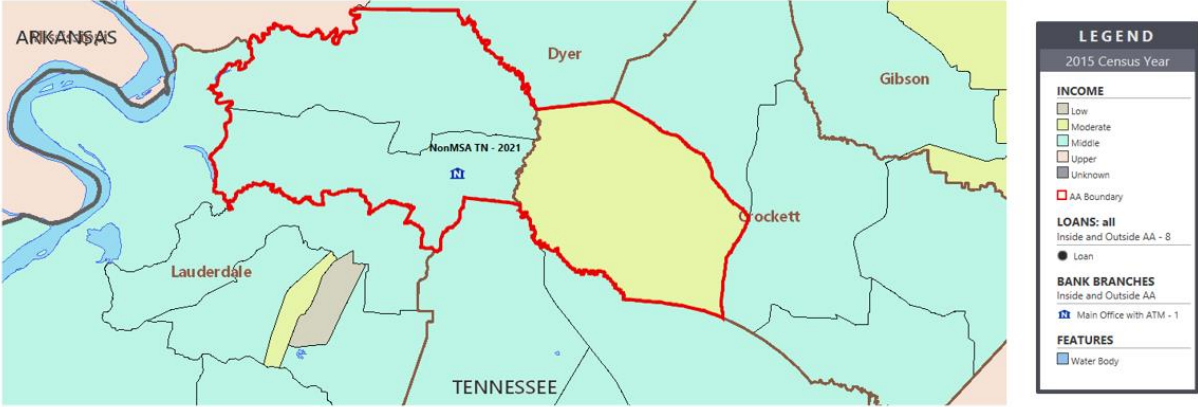
No CRA-related complaints were filed against the bank during this review period (September 11, 2017 through April 10, 2022).

### **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

Gates BTC - Gates, TN 2022



## 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- or moderate-income individuals; (2) community services targeted to low- or moderate-income 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 low- or moderate-income 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 (e.g., age, race, sex, and income) 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 income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

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

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

**Housing affordability ratio:** 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).



**Appendix B (continued)**

**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.