

# **PUBLIC DISCLOSURE**

August 23, 2010

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank Iowa - Altoona  
RSSD# 2235244

420 8<sup>th</sup> Street SE  
Altoona, Iowa 50009

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, IL 60604-1413

**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 this 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 COMMUNITY REINVESTMENT ACT (CRA) RATING:** This institution is rated **satisfactory**.

Bank Iowa is meeting the needs of its community based upon an analysis of lending activities and economic conditions, which is supported by information from community representatives. The loan-to-deposit ratio reflects a more than reasonable willingness to extend credit given the credit needs and competition within the assessment area. Lending reflects reasonable dispersion as a majority of the loans are originated within the assessment area. Lending to borrowers of different incomes and to businesses of different sizes demonstrates reasonable distribution. The geographic distribution of lending within the assessment area reflects a poor penetration of loans within the low- and moderate-income geographies which is attributed to proximity of the bank's branches from low- and moderate-income geographies and the high degree of competition. Additionally, there were no CRA-related complaints received by this institution or this Reserve Bank since the prior evaluation.

The institution was rated **satisfactory** under the CRA at its previous evaluation conducted on August 7, 2006.

#### **SCOPE OF EXAMINATION**

Bank Iowa's CRA Performance was evaluated in the context of information about the institution and its assessment area, such as asset size, financial condition, competition, and economic and demographic characteristics. The evaluation included a sample of commercial loans originated between August 21, 2009 and June 30, 2010. In addition, 2008 and 2009 loan data reported under the Home Mortgage Disclosure Act (HMDA) was utilized. HMDA data and demographics from 2008 were based on the bank's previous assessment area while 2009 HMDA data, commercial loans, and demographics relate to the current assessment area. Bank Iowa was evaluated using the *Small Bank Examination Procedures* based on the following performance standards:

- *Loan-to-Deposit (LTD) Ratio* – Analyzed the bank's average loan-to-deposit ratio utilizing quarterly report data since the prior evaluation, comparing it to the ratios calculated for its national peer group and local competitors.
- *Lending in the Assessment Area* – Analyzed all HMDA-reportable loans and a sample of commercial loans to determine the percentage of loans originated in the assessment area.
- *Lending to Borrowers of Different Incomes and to Businesses of Different Sizes* – Analyzed all HMDA-reportable loans and a sample of commercial loans to assess the loan distribution among borrowers of different income levels and to businesses with different revenue levels.
- *Geographic Distribution of Lending in the Assessment Area* – Analyzed all HMDA-reportable loans and a sample of commercial loans originated within the assessment area to determine the extent to

which the bank is making loans to geographies of different income levels, particularly within low- and moderate-income census tracts.

- *Complaints* – Neither Bank Iowa nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition to the above criteria, information obtained through discussions with three community representatives was considered in the overall evaluation.

### DESCRIPTION OF BANK

Bank Iowa is a subsidiary of Bank Iowa Corporation, a multi-bank holding company located in West Des Moines, Iowa. The bank has three offices located in Altoona, Johnston, and West Des Moines. The main office is located in Altoona and includes a drive-up facility and a full service ATM. The Johnston and West Des Moines branches also contain a drive-up facility and have cash-dispensing ATMs. Bank Iowa also owns two off-site cash dispensing ATMs. One ATM is located at the Fareway Store in Altoona and the other is located at Principal Park in Des Moines.

Bank Iowa offers standard deposit and loan products. According to the Uniform Bank Performance Report, the bank had \$146.2 million in total assets as of June 30, 2010. As illustrated in Table #1, non-farm non-residential loans comprise a majority of the portfolio, followed by residential real estate loans.

<b>Table #1 Bank Iowa - Altoona, Loan Portfolio Mix (June 30, 2010)</b>		
<b>Product</b>	<b>\$ (000)</b>	<b>%</b>
1-4 Family Residential Real Estate	29,669	29.5
Farmland	712	.7
Non-Farm Non-Residential	39,594	39.3
Commercial and Industrial	14,434	14.3
Individuals	801	.8
Construction & Development	9,280	9.2
Multifamily	6,131	6.1
All Other Loans	70	.1
<b>Totals</b>	<b>100,691</b>	<b>100.0</b>

The bank's peer group includes all commercial banks with assets between \$100 and \$300 million, with 3 or fewer banking offices, and located in a metropolitan area. The bank's local competitors for loans and deposits include West Bank, West Des Moines, IA; First Bank, West Des Moines, IA; Freedom Financial Bank, West Des Moines, IA; Legacy Bank, Altoona, IA; Polk County Bank, Johnston, IA; State Savings Bank, West Des Moines, IA; branch offices of Bank of America, NA, Charlotte, NC; Bank of the West, San Francisco, CA; Bankers Trust Company, Cedar Rapids, IA;

Community State Bank, Indianola, IA; Peoples Trust & Savings Bank, Clive, IA; First American Bank, Fort Dodge, IA; and Wells Fargo Bank, NA, Sioux Falls, SD.

According to the June 30, 2009 FDIC Deposit Market Share Report, Bank Iowa held 0.85% of the deposits in Dallas, Polk, and Warren Counties, ranking 20th out of the 44 financial institutions located in these counties.

There are no apparent factors relating to the bank's financial condition, size, products offered, prior performance, legal impediments, or local economic conditions that would prevent it from meeting the credit needs of the community.

## DESCRIPTION OF ASSESSMENT AREA

*An institution's assessment area will include the towns, counties, or other political subdivisions where its branches are located and a substantial portion of its loans are made. Assessment area(s) must consist of one or more geographies defined by census tracts which are statistical subdivisions of a county. 2000 U.S. Bureau of Census data is used in this evaluation, unless stated otherwise.*

Bank Iowa's assessment area consists of Polk and Warren Counties in their entirety and four census tracts in eastern Dallas County. The assessment area is located within the Des Moines-West Des Moines MSA which consists of Dallas, Guthrie, Madison, Polk and Warren Counties. The assessment area contains 96 census tracts of which six are designated as low-income, twenty are moderate-income, fifty-two are middle-income, and eighteen are upper-income. All three of the bank's branches reside outside the city limits of Des Moines while all low- and moderate-income census tracts are located within the city. The bank's Altoona office is located in a middle-income geography while the Johnston and West Des Moines branches are located in upper-income geographies. The Johnston branch was established since the previous evaluation as it opened on April 4, 2007. The assessment area is appropriate given the location of the bank's branches, drive-ups, and ATMs, all of which are located in Polk County.

As of the previous evaluation, the assessment area also included Jasper County in its entirety and the bank had a branch located in Newton, Iowa. Jasper County is located in non-metropolitan Iowa and the Newton branch is located in a middle-income geography within Jasper County. The branch included a drive-up facility and an onsite cash dispensing ATM; an offsite cash dispensing ATM was also located in Newton. Due to market similarities, the Newton branch and ATMs were sold to an affiliate bank on August 21, 2009. As a result, Jasper County was removed from the bank's assessment area on the date of the transfer.

## Population Change

According to the 2000 U.S. Census, the total population of the assessment area was 439,576, while the population for the Des Moines-West Des Moines MSA was 481,394. In comparison, the 2009

U.S. Census population estimates, as shown in Table #2, reveal that each county located in the assessment area as well as the Des Moines-West Des Moines MSA and the State of Iowa have increased in population since 2000.

County	2000 U.S. Census Population	2009 U.S. Census Population Estimates	Change (%)
Dallas	40,750	61,950	52.0
Polk	374,601	429,439	14.6
Warren	40,671	45,275	11.3
Des Moines-West Des Moines MSA	481,394	562,906	16.9
State of Iowa	2,926,324	3,007,856	2.8

### Income Characteristics

Table #3 compares the income levels for the bank’s assessment area to the Des Moines-West Des Moines MSA, the State of Iowa, and to each county located in the assessment area based on 2000 U.S. Census Bureau data. In contrast to the 2000 data, the 2009 HUD adjusted median family income for the Des Moines-West Des Moines MSA and the State of Iowa is \$73,200 and \$62,400, respectively.

Location	Median Family Income(\$)	Percent of Families				
		Low	Moderate	Middle	Upper	Below Poverty Level
Assessment Area	\$56,595	16.8	18.4	25.2	39.6	5.0
Dallas County	58,293	16.2	18.6	24.2	41.1	4.0
Polk County	56,560	17.3	18.5	25.0	39.2	5.3
Warren County	56,344	15.2	18.9	28.4	37.6	3.7
Des Moines MSA	55,620	17.4	18.8	25.3	38.5	5.0
State of Iowa	48,005	16.9	19.5	25.7	37.9	6.0

*Low-income is defined as less than 50% of median family income; moderate-income as 50% to less than 80% of median family income; middle-income as 80% to less than 120% of median family income; and upper-income as 120% or more of median family income.*

## Housing Characteristics and Affordability

Housing characteristics and affordability for the assessment area and the Des Moines-West Des Moines MSA are very similar. The assessment area has 181,763 housing units of which 67.0% are owner-occupied, 28.3% are rental units, and 4.7% are vacant. The Des Moines-West Des Moines MSA, by comparison, has 199,393 housing units of which 67.3% are owner-occupied, 27.7% are rental units, and 5.0% are vacant. The median age of housing stock in the assessment area is 32 years, while the median age of housing stock in the Des Moines-West Des Moines MSA is 33 years. The median housing value in the assessment area is \$101,630, which is closely aligned with the median housing value of the entire Des Moines-West Des Moines MSA, which is \$99,660.

*Affordability ratios, developed by dividing the median household income by the median housing value for a given area or groups of geographies, are helpful in comparing costs for different areas. An area with a high ratio generally has more affordable housing than an area with a low ratio.*

The affordability ratios for the assessment area and for the Des Moines-West Des Moines MSA are .45 and .46, respectively, indicating that affordability of housing in the assessment area is very comparable to that of the Des Moines-West Des Moines MSA.

## Labor and Employment

Retail trade, finance and insurance, and education and health services account for the largest business sectors located in the assessment area. According to the Iowa Workforce Development, the State of Iowa has had recent job growth in education and health services. Conversely, jobs have declined in the retail trade and finance and insurance sectors. Major employers in the assessment area are listed in Table #4.

<b>Company</b>	<b>Location</b>	<b>Employees</b>	<b>Description</b>
Hy-Vee Food Stores	Multiple	55,000	Retail Trade
State of Iowa	Des Moines	24,304	Executive
Iowa Health System	Des Moines	18,923	General Medical & Surgical Hospitals
Casey's General Stores, Inc.	Multiple	18,780	Gasoline Service Stations
MidAmerican Energy Holdings Co.	Des Moines	16,800	Electric & Other Services Combined
Principal Financial Group	Des Moines	16,234	Accident and Health Insurance
Principal Holding Company	Des Moines	14,000	Security Brokers and Dealers NSK
Wells Fargo Financial Security Inc.	Des Moines	11,582	Personal Credit/Business Credit
Wells Fargo Financial Services	Multiple	9,300	Personal Credit/Business Credit
Mercy Health Network	Des Moines	7,500	General Medical & Surgical Hospitals

Source: Hoovers.com

Unemployment rates increased over the past year in Dallas, Polk, and Warren Counties as well as in the Des Moines-West Des Moines MSA and the State of Iowa. Bank management and community representatives attributed the increases in unemployment to general economic conditions, as no major closures or layoffs were identified. Table #5 lists the unemployment rates for 2009 and 2010 for each of the counties located in the assessment area as well as for the Des Moines-West Des Moines MSA and the State of Iowa.

<b>Table #5</b>		
<b>Unemployment Figures</b>		
<b>County</b>	<b>June 2009 (%)</b>	<b>June 2010 (%)</b>
Dallas	4.7	5.8
Polk	5.6	6.5
Warren	5.3	6.5
Des Moines-West Des Moines MSA	5.5	6.4
State of Iowa	6.0	6.8

Source: Iowa Workforce Development

Community representatives, contacted during the examination to determine the credit needs of the assessment area, indicated that local financial institutions are actively involved in the community and are adequately meeting its credit needs. Small business and home loan financing were identified by representatives as credit needs within the assessment area. Representatives indicated that financial institutions are pro-active in assisting businesses and home loan applicants with the loan application process; however, due to national economic conditions financing for businesses and home loans is difficult primarily for those applicants with minor credit weaknesses as underwriting standards have become more stringent.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

*Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income and farms and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the above standards are analyzed and evaluated within the assessment area context, which includes, but not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.*



**Loan-to-Deposit Ratio**

*The bank's average loan-to-deposit ratio, calculated from data contained in the Consolidated Reports of Condition, was evaluated giving consideration to the bank's capacity to lend, competitor and peers' loan-to-deposit ratios, as well as demographic factors, economic conditions and lending opportunities present in the assessment area.*

Bank Iowa's LTD ratio is more than reasonable when compared to its peer group and a sample of competitors. The sixteen-quarter average beginning September 30, 2006 exceeds the national peer and a substantial majority of its local competitors. Table #6 shows the comparison for the sixteen-quarters since the prior evaluation.

<b>Table #6</b>		
<b>LTD Ratios for Local Bank Competitors of Bank Iowa</b>		
	<b>Assets as of 03/31/2009 (Millions)</b>	<b>Average LTD Ratio (%)</b>
<b>BANK IOWA, Altoona, Iowa</b>	\$146.2	101.3
National Peer Group		83.6
Bank of America, NA, Charlotte, North Carolina	1,518,957.8	78.6
Bank of the West, San Francisco, California	61,141.7	113.8
Bankers Trust Company, Cedar Rapids, Iowa	367.3	111.6
Community State Bank, Indianola, Iowa	129.8	72.8
First American Bank, Fort Dodge, Iowa	1,606.0	99.7
First Bank, West Des Moines, Iowa	117.5	80.3
Freedom Financial Bank, West Des Moines, Iowa	169.4	106.1
Legacy Bank, Altoona, Iowa	91.0	77.9
Peoples Trust & Savings Bank, Clive, Iowa	276.2	100.8
Polk County Bank, Johnston, Iowa	115.2	95.4
State Savings Bank, West Des Moines, Iowa	86.1	113.6
Wells Fargo Bank, NA, Sioux Falls, South Dakota	1,073,280.0	89.3
West Bank, West Des Moines, IA	1,604.0	95.4

**Assessment Area Concentration**

*To assess the extent of lending within the assessment area, the following were reviewed: Home Mortgage Disclosure Act (HMDA) data and a sample of commercial loans. The HMDA data reviewed included all HMDA-reportable loans originated in 2008 and 2009. The sample of commercial loans was taken from the bank's electronic loan data and the sample period reviewed was August 21, 2009 through June 30, 2010. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.*

Overall, HMDA-reportable and commercial lending within the assessment area reflect a reasonable dispersion as a majority of loans are originated within the assessment area. The distribution of 2008 and 2009 HMDA-reportable loans and a sample of the bank's commercial loans, originated between August 21, 2009 and June 30, 2010, are illustrated in Table #7.

Loan Type	Number of Loans		
	# in Sample	# in AA	% in AA
HMDA Loans	230	187	81.3
Commercial	111	85	76.6
Totals	341	272	79.8

**Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes**

*The distribution of loans among borrowers of different income levels and to businesses of different sizes was determined by reviewing Home Mortgage Disclosure Act (HMDA) data and a sample of small business loans. The HMDA data reviewed included all HMDA-reportable loans originated in 2008 and 2009. The sample of commercial loans was taken from the bank's electronic loan data and utilized for the analysis of small business loans. The sample period for commercial loans reviewed was August 21, 2009 through June 30, 2010. Information from the performance context, such as economic conditions present within the assessment area, demographics, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.*

Given the demographics of the assessment area, the loan distribution across borrowers of different income levels and small businesses reflects a reasonable penetration. Lending to businesses of different sizes is reasonable as a majority of the loan originations are in amounts below \$100,000, which is indicative of typical loan requests associated with small business customers.

**HMDA-Reportable Loans**

The distribution of 2008 HMDA-reportable loans to low- and moderate-income borrowers (26.2%) is lower than the income demographics of the assessment area (34.7%) as well as 2008 aggregate HMDA data, in which 30.9% of the aggregate loans were originated to low-and moderate-income borrowers. The penetration slightly increased since the previous evaluation (25.8%). The low penetration is considered reasonable due to the proximity of the bank's branches from low- and moderate-income census tracts as well as competition.

**Table #8**  
**Loan Distribution of 2008 HMDA Loans by Income Level**

Income Level	Total Number of Loans	Percent of Total Loans	Percent of Families by Income
Low	12	9.2	16.5
Moderate	22	16.9	18.2
Middle	18	13.8	25.2
Upper	50	38.5	40.2
Unknown	28	21.5	0.0
<b>Totals</b>	<b>130</b>	<b>100.0</b>	<b>100.0</b>

The distribution of HMDA-reportable loans to low- and moderate-income borrowers (33.3%) in 2009 increased and is considered reasonable. The penetration is comparable to income demographics of the assessment area (35.2%) and exceeds 2009 aggregate HMDA data (29.5%).

**Table #9**  
**Loan Distribution of 2009 HMDA Loans by Income Level**

Income Level	Total Number of Loans	Percent of Total Loans	Percent of Families by Income
Low	6	10.5	16.8
Moderate	13	22.8	18.4
Middle	7	12.3	25.2
Upper	22	38.6	39.6
Unknown	9	15.8	0.0
<b>Totals</b>	<b>57</b>	<b>100.0</b>	<b>100.0</b>

The bank also offers first time homebuyer programs through the Iowa Finance Authority and Federal Home Loan Bank that are specifically designed to benefit low- and moderate-income borrowers. Iowa Finance Authority's FirstHome Program and FirstHome Plus Program provide low- and moderate-income first time homebuyers with interest rates lower than market rates while the FirstHome Plus Program also offers up to \$2,500 of assistance with down payment, closing costs, or minor repairs. The Federal Home Loan Bank's first time homebuyer program also provides low- and moderate-income first time home buyers with down payment and closing cost assistance by distributing forgivable grant money to financial institutions on an annual basis. Since the previous evaluation, Bank Iowa originated 41 loans through the Iowa Finance Authority for a total of \$3.3 million and 22 loans through the Federal Home Loan Bank for \$2.7 million.

### Small Business Loans

The distribution of business loans reflects a reasonable penetration among small businesses in the assessment area. The distributions, based on information from the bank's electronic loan data, are shown in Table #10.

<b>Table #10</b>		
<b>Commercial Loan Distribution by Revenue Level</b>		
<b>Gross Annual Revenue</b>		
<b>Revenue Level</b>	<b>Number</b>	<b>Percentage</b>
Less than or equal to \$1 million	71	83.5
Greater than \$1 million	14	16.5
<b>Total</b>	<b>85</b>	<b>100.0</b>
<b>Small Business Loans by Loan Size*</b>		
<b>Original Dollar Amount</b>	<b>Number</b>	<b>Dollar Amount (000's)</b>
Less than or equal to \$100,000	46	\$1,418
Greater than \$100,000 through \$250,000	21	3,266
Greater than \$250,000 through \$1 million	4	2,488
<b>Total</b>	<b>71</b>	<b>\$7,172</b>

\*Loans to borrowers with gross revenues greater than \$1 million were not included in this analysis.

The bank originated 83.5% of business loans to businesses with \$1 million or less in revenues for the sample reviewed. By comparison, 87.3% of businesses in the assessment area have \$1 million or less in revenues based on 2009 Dunn & Bradstreet information. Small business loan originations in the \$100,000 or less category represent 65.7% of the number and 20.3% of the dollar amount of small business loans. Small business loans in originations of \$100,000 or less increased since the previous evaluation by number (60.9%) and dollar amount (19.1%). Emphasis is placed on this category because loans of \$100,000 or less are considered most beneficial to small businesses.

According to community contacts, area financial institutions are making an effort to meet the needs of business owners in the area despite the lack of funding that exists. One representative stated that expertise in Small Business Administration (SBA) loan programs provided by banks is hard to find, and the amount of time it takes to complete the application process is very burdensome on small businesses. SBA loan programs provide lenders with a guarantee of the loss of principal and interest. The majority of loans originated through the SBA are to applicants who do not meet the bank's normal underwriting criteria. In addition to the small business loan originations identified in Table #10, Bank Iowa offers financing to small businesses through the SBA. Since the previous evaluation, the bank originated 46 SBA loans for \$6.4 million.

### **Geographic Distribution of Loans**

*The distribution of lending activities among geographies of different income levels within the assessment area, particularly those defined as low- and moderate-income, was reviewed. To assess the bank's performance, the following were reviewed: Home Mortgage Disclosure Act (HMDA) data, and a sample of commercial loans. The HMDA data reviewed included all HMDA-reportable loans originated in 2008 and 2009. The sample period for commercial loans reviewed was August 21, 2009 through June 30, 2010. Those loans for which census tracts were unknown were not included in the analysis. Demographic characteristics of census tracts, such as housing types and income level, were considered in the evaluation.*

Geographic distribution of HMDA-reportable and commercial loans represents a poor dispersion to low- and moderate-income census tracts located within the assessment area. Management attributed the poor distribution due to proximity of its branches in relation to the low- and moderate-income geographies. All three of the bank's branches reside outside of the Des Moines city limits, while all low- and moderate-income census tracts are located within the city of Des Moines. In addition, the low distribution is also attributed to bank competition. There are 38 financial institutions operating 167 branch offices throughout Polk County. Furthermore, 17 banks operate 52 offices located in the low- and moderate-income areas.

**HMDA-Reportable Loans**

**Table #11**  
**Geographic Distribution of 2008 HMDA Loans**

Census Tract	Assessment Area				Bank Loans	
	Census Tracts		Owner-Occupied Units		2008	
	#	%	#	%	#	%
Low	6	5.7	2,254	1.7	1	.8
Moderate	20	19.0	20,393	15.4	8	6.2
Middle	60	57.1	76,477	57.6	92	70.8
Upper	19	18.1	33,708	25.4	29	22.3
<b>Totals</b>	<b>105</b>	<b>100.0</b>	<b>132,832</b>	<b>100.0</b>	<b>130</b>	<b>100.00</b>

The geographic distribution of the HMDA-reportable loans originated in low- and moderate-income census tracts in 2008 is poor. According to 2000 Census data, owner-occupied units in low- and moderate-income census tracts represent 17.1% of housing units located within the assessment area. In 2008 the bank originated 7.0% of its HMDA-reportable loans in low- and moderate-income tracts, which is lower than both demographics and aggregate data (11.6%).

**Table #12**  
**Geographic Distribution of 2009 HMDA Loans**

Census Tract	Assessment Area				Bank Loans	
	Census Tracts		Owner-Occupied Units		2009	
	#	%	#	%	#	%
Low	6	6.3	2,254	1.9	1	1.8
Moderate	20	20.8	20,393	16.8	6	10.5
Middle	52	54.2	66,307	54.5	28	49.1
Upper	18	18.8	32,753	26.9	22	38.6
<b>Totals</b>	<b>96</b>	<b>100.0</b>	<b>121,707</b>	<b>100.0</b>	<b>57</b>	<b>100.00</b>

In 2009 the bank originated 12.3% of HMDA-reportable loans in low- and moderate-income census tracts. While this is lower than the number of housing units located in the assessment area (18.7%), it exceeds 2009 aggregate data (8.1%). Overall, HMDA-reportable lending in low- and moderate-income census tracts in 2009 is considered reasonable; however, lending in these tracts has decreased since the previous evaluation (19.6%).

**Commercial Loans**

**Table #13**  
**Geographic Distribution of Commercial Loans**

Census Tract	Assessment Area				Bank Loans	
	Census Tracts		Business		#	%
	#	%	#	%		
Low	6	6.3	2,388	10.2	1	1.2
Moderate	20	20.8	2,134	9.1	3	3.5
Middle	52	54.2	11,669	49.9	59	69.4
Upper	18	18.8	7,180	30.7	22	25.9
<b>Totals</b>	<b>96</b>	<b>100.0</b>	<b>23,371</b>	<b>100.0</b>	<b>85</b>	<b>100.0</b>

The geographic distribution of commercial loans originated in low- and moderate-income census tracts is poor. The bank originated 4.7% of its commercial loans in low- and moderate-income census tracts within the assessment area. The bank’s performance was below assessment area demographics as 19.3% of all small businesses are located in low- and moderate-income census tracts. The performance represents a decrease from the previous CRA evaluation where the bank originated 7.3% of commercial loans in low- and moderate-income census tracts.

In addition to the aforementioned data, the bank originated 22 of 294 secondary market loans and 4 multi-family housing loans in low- and moderate-income census tracts since the previous evaluation.

**Complaints**

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

**Fair Lending**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## Appendix A

### GLOSSARY

**Aggregate lending:** *The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.*

**Census tract:** *Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon 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 development:** *Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, 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; or, activities that revitalize or stabilize low- or moderate-income geographies.*

**Consumer loan:** *A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.*

**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 non-relatives 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 household and no wife present) or "female householder" (a family with a female householder and no husband present).*

**Geography:** *A census tract area delineated by the U.S. Bureau of the Census in the most recent decennial census.*

**Home Mortgage Disclosure Act ("HMDA"):** *The statute that requires certain mortgage lenders that 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:** Include home purchase and home improvement loans as defined in the regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**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 lenders in the MSA/assessment area.

**Metropolitan area:** Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA"), or consolidated metropolitan area ("CMSA"), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**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.

**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.

**Multifamily:** Refers to a residential structure that contains five or more units.

**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.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Small loans to business:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by non-farm non-residential properties or are classified as commercial and industrial loans.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent.