

PUBLIC DISCLOSURE

February 22, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Commerce Bank
RSSD #2746245**

**700 Taylor St.
Corinth, MS 38834**

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.

Commerce Bank 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 more 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 excellent penetration among business of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI) levels.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

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, small business, and consumer motor vehicle loans were used to evaluate the bank’s lending performance, as these loan categories are considered the bank’s core business lines based on lending volume and the bank’s stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of overall lending performance. The following table details the performance criterion and corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	September 30, 2016 – December 31, 2020
Assessment Area Concentration	January 1, 2019 – December 31, 2019
Loan Distribution by Borrower’s Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	July 18, 2016 – February 21, 2021

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on the Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 American Community Survey (ACS) data; certain business demographics are based on 2019 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 \$97.9 million to \$395.5 million as of September 30, 2020.

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

DESCRIPTION OF INSTITUTION

Commerce Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Commerce Holding Corporation, a one-bank holding company headquartered in Corinth, Mississippi. The bank operates exclusively from its main office in Corinth, which includes both drive-up services and a deposit-taking automated teller machine (ATM). The bank also operates a second deposit-taking ATM in Corinth, Mississippi. The bank did not open or close any branch offices during this review period. Based on this branch network and other service delivery systems such as online 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 September 30, 2020, the bank reported total assets of \$147.0 million. As of the same date, loans and leases outstanding were \$93.2 million (63.4 percent of total assets) and deposits totaled \$123.1 million.

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

Distribution of Total Loans as of September 30, 2020		
Credit Category	Amount (\$000s)	Percentage of Total Loans
Construction and Development	\$1,769	1.9%
Commercial Real Estate	\$14,035	15.1%
Multifamily Residential	\$2,334	2.5%
1–4 Family Residential	\$41,297	44.3%
Farmland	\$4,565	4.9%
Farm Loans	\$68	0.1%
Commercial and Industrial	\$21,423	23.0%
Loans to Individuals	\$7,490	8.0%
Total Other Loans	\$177	0.2%
TOTAL	\$93,158	100%

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

The bank received a Satisfactory rating at its previous CRA evaluation, conducted on July 18, 2016, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank’s assessment area, which has a population of 37,319, consists of the entirety of Alcorn County in northern nonmetropolitan statistical area (nonMSA) Mississippi and consists of seven census tracts. According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2020, there are 9 FDIC-insured depository institutions in the assessment area that operate 17 offices. Commerce Bank (operating one, or 5.9 percent of offices in the assessment area) ranked fourth in terms of deposit market share, with 14.7 percent of the total assessment area deposit dollars. Credit needs in the assessment area include a standard blend of consumer and commercial loan products. Community contacts also noted the need for financial education, home improvement loans, and small dollar commercial loans.

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	0	6	1	0	7
	0.0%	0.0%	85.7%	14.3%	0.0%	100%
Family Population	0	0	8,525	1,512	0	10,037
	0.0%	0.0%	84.9%	15.1%	0.0%	100%

The previous table reveals that the bank’s assessment area contains no LMI census tracts. None of the bank’s census tracts are considered distressed or underserved. By far, the largest portion of the assessment area family population resides in middle-income census tracts.

Based on 2015 ACS data, the median family income for the assessment area was \$43,840. At the same time, the median family income for nonMSA Mississippi was \$43,897. More recently, the FFIEC estimates the 2019 median family income for nonMSA Mississippi to be \$47,800.

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

Family Population by Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Assessment Area	1,985	1,870	2,114	4,068	0	10,037
	19.8%	18.6%	21.1%	40.5%	0.0%	100%
nonMSA Mississippi	94,570	65,672	68,539	167,156	0	395,937
	23.9%	16.6%	17.3%	42.2%	0.0%	100%

As shown in the table above, 38.4 percent of families within the assessment area are considered LMI, which is slightly lower than LMI family percentages of 40.5 percent in nonMSA Mississippi. While not reflected in the table, the percentage of families living below the poverty threshold in the assessment area, 15.5 percent, falls below the 20.1 percent level in nonMSA Mississippi. Considering these factors, the assessment area appears more affluent than the nonMSA area as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area is slightly more affordable than in nonMSA Mississippi as a whole. The median housing value for the assessment area is \$82,822, which is just slightly below the figure for nonMSA Mississippi, \$84,318. The assessment area housing affordability ratio of 42.2 percent is slightly above the nonMSA Mississippi figure of 41.0 percent. Additionally, the median gross rent for the assessment area of \$605 per month is lower than the \$628 per month for nonMSA Mississippi.

Furthermore, rental units are more prominent in the assessment area than in nonMSA Mississippi. Of all housing units in the assessment area, 27.1 percent are rental units compared to 25.3 percent of the housing units in nonMSA Mississippi. Based on housing data and comments from community contact interviews, housing appears to be within reach of the LMI population in the assessment area. However, due to aging housing stock, many otherwise affordable homes may require additional funds to make necessary repairs and energy efficiency improvements. For many LMI borrowers, it is likely not possible to qualify for both a home purchase loan and a second loan to make improvements.

Industry and Employment Demographics

The assessment area economy is diverse and supported by a mix of manufacturing and service-oriented sectors. County business patterns indicate that there are 2,990 government and 11,255 private sector paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are manufacturing (22.0 percent), followed by retail trade (18.4 percent) and administrative waste services (13.6 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 Mississippi as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	Assessment Area	nonMSA Mississippi
2018	4.2%	5.2%
2019	4.7%	5.8%
2020	6.2%	8.3%

As shown in the table above, unemployment levels for the assessment area as well as nonMSA Mississippi have shown an increasing trend with year-to-date 2020 data reflecting the effects of the COVID-19 crisis on employment. However, unemployment levels in the assessment area are lower than nonMSA Mississippi overall.

Community Contact Information

Information from two community contact interviews was used to help shape the performance context in which the bank's activities were evaluated. Of these community contact interviews, one was with an individual specializing in affordable housing and one was with an individual specializing in small business development. One community contact stated that the local economy was stable and that Alcorn County was more affluent than other surrounding counties, while the other contact described the Alcorn County economy as declining due to a lack of infrastructure and jobs. This contact further stated many manufacturing jobs have left the area over the past few decades. Some manufacturing jobs remain and, along with farming, are some of the only ways to make a living wage. The contact specializing in housing indicated assessment area housing is older and that there is little new construction. This has led to a credit need for home improvement loans. Despite this need, many LMI residents face barriers to homeownership, including low credit scores and a lack of down payment funds. Additionally, the small business contact mentioned Corinth, Mississippi, as an area with a higher volume of small business activity. However, credit barriers still exist, and needs related to small business loans include down payment assistance and financial education.

Both contacts agreed that assessment area residents have adequate access to banking services. However, some LMI residents opt for local alternative lenders who may have more flexible underwriting terms but charge much higher interest rates. Community contacts stated that local banks can assist LMI borrowers by offering U.S. Department of Agriculture home purchase loans and home improvement loans and can assist small businesses by offering Small Business Administration loans and commercial loans with flexible loan-to-value requirements. One contact noted Commerce Bank as being particularly involved in the community in meeting assessment area credit needs.

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 compared to those of regional peers. The average LTD ratio represents an 18-quarter average, dating back to the bank’s last CRA evaluation.

LTD Ratio Analysis			
Name	Headquarters	Asset Size (\$000s) as of September 30, 2020	Average LTD Ratio
Commerce Bank	Corinth, Mississippi	\$147,013	75.9%
Regional Banks	Baldwyn, Mississippi	\$395,545	65.1%
	Selmer, Tennessee	\$97,913	42.8%
	Iuka, Mississippi	\$338,041	59.4%

Based on data from the previous table, the bank’s level of lending is above that of other banks in the region. During the review period, the LTD ratio experienced a generally stable trend, with a high of 82.0 percent in the third quarter of 2019, a low of 71.0 percent in the fourth quarter of 2020, and an 18-quarter average of 75.9 percent. In comparison, the average LTD ratios for the three regional peers were lower and had generally stable trends. Therefore, considering the bank’s size, financial condition, and assessment area needs, the bank’s average LTD ratio is more than reasonable compared to data from regional banks.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Area						
January 1, 2019 through December 31, 2019						
Loan Type	Inside Assessment Area		Outside Assessment Area		TOTAL	
1–4 Family Residential Real Estate	56	83.6%	11	16.4%	67	100%
	5,136	84.0%	974	15.9%	\$6,111	100%
Small Business	109	81.3%	25	18.7%	134	100%
	4,516	86.9%	679	13.1%	\$5,195	100%
Consumer Motor Vehicle	92	86.8%	14	13.2%	106	100%
	983	86.6%	152	13.4%	\$1,135	100%
TOTAL LOANS	257	83.7%	50	16.3%	307	100%
	10,636	85.5%	1,805	14.5%	\$12,441	100%

A majority of loans and other lending-related activities were made in the bank’s assessment area. As shown above, 83.7 percent of the total loans were made inside the assessment area, accounting for 85.5 percent of the dollar volume of total loans.

Loan Distribution by Borrower’s Profile

Overall, the bank’s loan distribution by borrower’s profile is excellent, based on performance from the loan categories reviewed. Although the bank’s 1–4 family residential real estate loan distribution by borrower’s profile is reasonable, performance under the small business and consumer motor vehicle categories is excellent.

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC (\$47,800 for nonMSA Mississippi as of 2019). The following table shows the distribution of 1–4 family residential real estate loans by borrower income level compared to family population income demographics. Additionally, 2019 aggregate data is displayed.

Borrower Distribution of Residential Real Estate Loans Assessment Area: NonMSA Mississippi								
Product Type	Borrower Income Levels	2019						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	%	%	%
TOTALS	Low	4	7.1%	4.0%	\$321	6.3%	1.5%	19.8%
	Moderate	7	12.5%	14.3%	\$462	9.0%	9.1%	18.6%
	Middle	45	80.4%	20.0%	\$4,353	84.7%	13.4%	21.1%
	Upper	0	0.0%	50.5%	\$0	0.0%	60.0%	40.5%
	Unknown	0	0.0%	11.2%	\$0	0.0%	16.0%	0.0%
	TOTAL	56	100.0%	100.0%	\$5,136	100.0%	100.0%	100.0%

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (7.1 percent) is below the low-income family population figure (19.8 percent) but above the 2019 aggregate lending level to low-income borrowers (4.0 percent), reflecting reasonable performance.

The bank’s level of lending to moderate-income borrowers (12.5 percent) is below the moderate-income family population percentage (18.6 percent) and slightly below the 2019 aggregate lending level to moderate-income borrowers (14.3 percent). Although the bank’s lending performance to moderate-income borrowers is slightly below comparison data, it is deemed reasonable given the bank’s size and considering performance context noted by community contacts. Specifically, low credit scores and a reliance on alternative lenders have made saving for a down payment more difficult for LMI residents in the assessment area. Also, much of the housing stock is aging and requires substantial repairs upon purchase, which makes buying a home less accessible for LMI residents.

Combined, the bank’s percentage of lending to LMI borrowers (19.6 percent) is below that of the LMI family population figure (38.4 percent) but above the 2019 aggregate lending level to LMI borrowers (18.3). Therefore, considering performance to both income categories, the bank’s 1–4 family residential real estate distribution of loans by borrower’s profile is reasonable.

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 2019 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Small Business Loans by Revenue and Loan Size								
Assessment Area: nonMSA Mississippi								
Business Revenue and Loan Size		2019						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	%	%	%
Business Revenue	\$1 Million or Less	100	91.7%	44.8%	\$3,180	70.4%	40.8%	89.4%
	Over \$1 Million/Unknown	9	8.3%	55.2%	\$1,336	29.6%	59.2%	10.6%
	TOTAL	109	100.0%	100.0%	\$4,516	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less	102	93.6%	89.7%	\$1,984	43.9%	27.8%	
	\$100,001–\$250,000	4	3.7%	4.9%	\$553	12.2%	16.2%	
	\$250,001–\$1 Million	3	2.8%	5.4%	\$1,979	43.8%	56.0%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	TOTAL	109	100.0%	100.0%	\$4,516	100.0%	100.0%	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	96	96.0%		\$1,758	55.3%		
	\$100,001–\$250,000	3	3.0%		\$433	13.6%		
	\$250,001–\$1 Million	1	1.0%		\$989	31.1%		
	Over \$1 Million	0	0.0%		\$0	0.0%		
	TOTAL	100	100.0%		\$3,180	100.0%		

The bank’s level of lending to small businesses is excellent. The bank originated the majority of its small business loans (91.7 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 89.4 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the 2019 aggregate lending level to small businesses is 44.8 percent.

Borrower Distribution of Consumer Loans						
Assessment Area: nonMSA Mississippi						
Product Type	Borrower Income Levels	2019				
		Count		Dollar		Households
		Bank		Bank		
		#	%	\$ (000s)	%	%
TOTALS	Low	21	22.8%	\$116	11.8%	22.8%
	Moderate	23	25.0%	\$202	20.6%	17.0%
	Middle	48	52.2%	\$665	67.6%	17.1%
	Upper	0	0.0%	\$0	0.0%	43.1%
	Unknown	0	0.0%	\$0	0.0%	0.0%
	TOTAL	92	100.0%	\$983	100.0%	100.0%

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (22.8 percent) is in line with the low-income household population figure (22.8 percent), reflecting reasonable performance. The bank’s level of lending to moderate-income borrowers (25.0 percent) is above the moderate-income family population percentage (17.0 percent), reflecting excellent performance. Therefore, considering performance in both income categories, the bank’s distribution of consumer motor vehicle loans by borrower’s profile is excellent.

Geographic Distribution of Loans

Under the geographic distribution of loans analysis, emphasis is normally placed on the bank’s performance in LMI geographies. However, the bank’s assessment area does not contain any LMI census tracts. As previously stated, the bank’s assessment area consists of six middle-income census tracts and one upper-income census tract. Therefore, a detailed geographic distribution of loans analysis would not prove meaningful and was not performed as part of this evaluation. Nevertheless, the loan dispersion within the assessment area census tracts was reviewed, the results of which indicated that loan activity was adequately dispersed throughout the assessment area, consistent with demographics and bank structure. Therefore, the bank’s geographic distribution of loans is reasonable.

Responses to Complaints

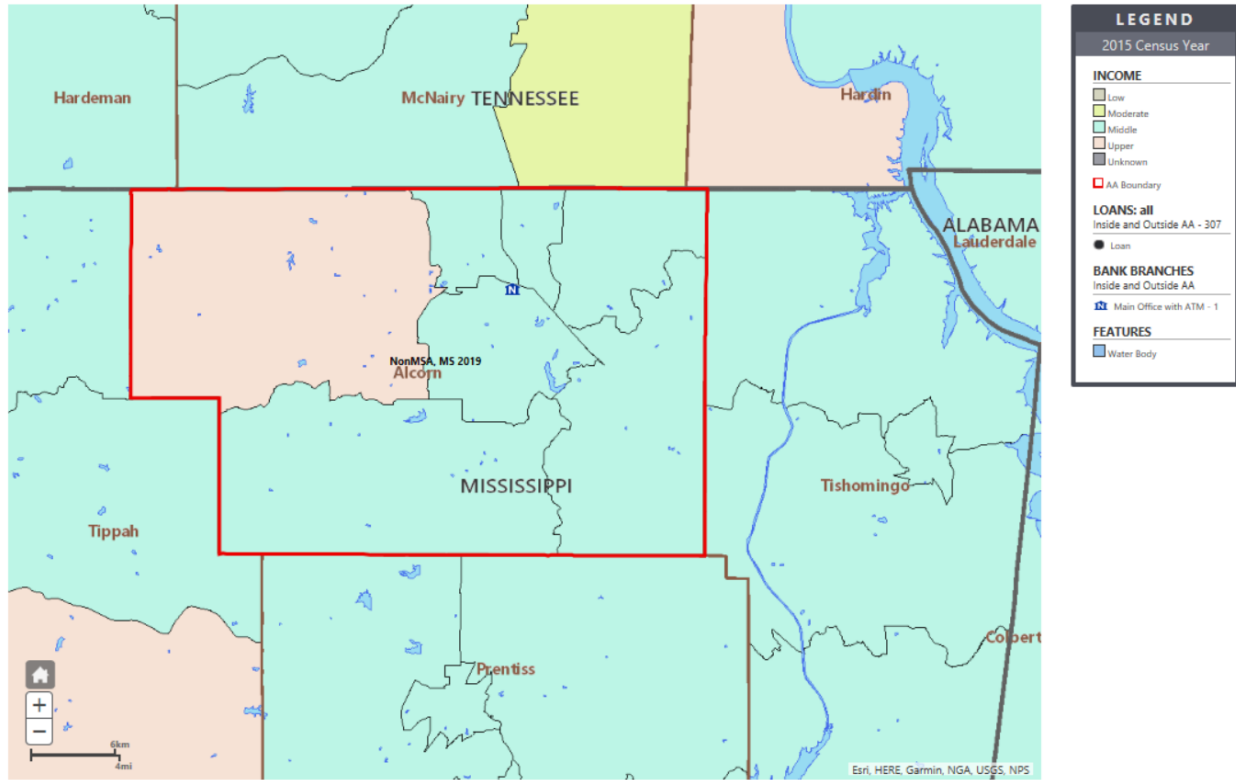
No CRA-related complaints were filed against the bank during this review period (July 18, 2016 through February 21, 2021).

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

Commerce Bk - Corinth, MS 2020
 Alcorn County (NonMSA, MS)



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.