PUBLIC DISCLOSURE

February 13, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Petit Jean State Bank
RSSD #2769570

707 North St. Joseph Street
Morrilton, Arkansas 72110

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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this bank 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 RATING

Petit Jean State Bank (the bank) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria:

- The loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans and other lending-related activities are originated inside the AA.
- The borrower's profile analysis reveals reasonable distribution among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions* were utilized to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics and credit needs. Lending performance was assessed within the bank's AA.

Small business, 1–4 family residential real estate, and consumer motor vehicle loans were used to evaluate 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. Based on the bank's emphasis on small business and volume by number and dollar amount, this product type carried the most significance toward overall performance conclusions. The following table includes the corresponding time period for each performance category.

Performance Criterion	Time Period
LTD Ratio	March 31, 2018 – September 30, 2022
Assessment Area Concentration, Geographic Distribution of Loans, and Loan Distribution by Borrower's Profile	January 1, 2019 – December 31, 2021
Response to Written CRA Complaints	March 5, 2018 – February 12, 2023

Lending Test analyses often entail comparisons of bank performance to AA demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, AA demographics are based on 2015 American Community Survey (ACS) data; certain business and farm demographics are based on 2019–2021

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 AA. 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 $298.6 million to $468.3 million as of September 30, 2022.

To augment this evaluation, one community contact interview with two members of the local community was utilized to ascertain specific credit needs, opportunities, and local market conditions within the bank's AA. 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 are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Petit Jean State Bank is a community bank headquartered in Morrilton, Arkansas. The bank's characteristics include:

- The bank is a wholly owned subsidiary of Petit Jean Bancshares, Inc., also headquartered in Morrilton.

- The bank has total assets of $236.0 million as of September 30, 2022. That represents an increase of 25.9 percent since the last evaluation.

- In addition to its full-service main office in Morrilton, the bank also has one full-service branch in Morrilton, and both facilities have drive-up accessibility and full-service automated teller machines on site.

- The bank did not open or close any branch offices during this review period.

- As shown in the following table, the bank's primary business focus is commercial and industrial, commercial real estate loans, and 1–4 family residential real estate. While not reflected in the table, it is also worth noting that by number of loans originated, loans to individuals for consumer motor vehicles 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.

Composition of Loan Portfolio as of September 30, 2022		
Loan Type	**Amount ($ 000s)**	**Percentage of Total Loans**
Commercial and Industrial	$32,675	30.7%
Commercial Real Estate	$31,204	29.3%
1–4 Family Residential	$22,623	21.3%
Construction and Development	$9,649	9.1%
Farmland	$3,761	3.5%
Loans to Individuals	$3,111	2.9%
Total Other Loans	$2,028	1.9%
Farm Loans	$1,363	1.3%
Multifamily Residential	$0	0.0%
TOTAL	**$106,414**	**100%**
Note: Percentages may not total 100.0% due to rounding.		

The bank was rated Satisfactory under the CRA at its March 5, 2018, performance evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA consists of Conway County, which is located in a nonmetropolitan statistical area (nonMSA) of central Arkansas (see Appendix A for an AA map).

- The AA delineation has not changed since the previous evaluation.
- According to the June 30, 2022 Federal Deposit Market Share report, Petit Jean State Bank is the leader in terms of deposit market share, with 40.4 percent of the market share within Conway County. Although the bank holds a large percentage of AA deposits, the bank competes with five other FDIC-insured institutions with branches in Conway County, all of which are significantly larger in terms of asset sizes, and some which have a nationwide footprint.
- According to the Bureau of Labor Statistics (BLS), the three largest industries in the AA, by the number of employees, are manufacturing (20.1 percent), retail trade (15.5 percent), and administrative and waste services (10.4 percent).
- Information from a community contact interview was used to help shape the performance context in which the bank's activities in this AA were evaluated. This interview was conducted with two individuals at an organization specializing in affordable housing. According to the community contacts, there is a lack of quality, affordable housing in Conway County.
- In terms of opportunities for local financial institution participation, the community contacts noted most all banks are active in the community but could work on forming partnerships with the housing agencies.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	**TOTAL**
Census Tracts	0	0	6	0	0	**6**
	0.0%	0.0%	100.0%	0.0%	0.0%	**100.0%**
Family Population	0	0	5,812	0	0	**5,812**
	0.0%	0.0%	100.0%	0.0%	0.0%	**100.0%**

- As shown above, the bank's AA contains only middle-income census tracts. These findings represent a change from the bank's previous CRA evaluation, at which time three census tracts were designated as middle-income and three were upper-income.

Population Change			
Area	**2010 Population**	**2015 Population**	**Percent Change**
Conway County AA	21,273	21,110	-0.8%
NonMSA Arkansas	1,145,380	1,133,475	-1.0%
Arkansas	2,915,918	2,958,208	1.5%
Source: 2010 U.S. Census Bureau Decennial Census *2011–2015 U.S. Census Bureau ACS*			

- While the state of Arkansas experienced an increase in population over a five-year period, the nonMSA portions of the state, including Conway County, experienced a slight population decline.

Median Family Income Change			
Area	**2010 Median Family Income**	**2015 Median Family Income**	**Percent Change**
Conway County AA	$52,396	$49,061	-6.4%
NonMSA Arkansas	$45,275	$45,047	-0.5%
Arkansas	$52,804	$51,782	-1.9%
Source: 2006–2010 U.S. Census Bureau ACS *2011–2015 U.S. Census Bureau ACS* *Note: Median family incomes have been inflation-adjusted and are expressed in 2015 dollars.*			

- The median family income has decreased between 2010 and 2015 throughout Arkansas and the nonMSA statewide area but has decreased more significantly in Conway County. However, the 2015 AA income levels remained above nonMSA Arkansas, overall.

- More recently, the FFIEC estimated that the 2021 median family income figure for nonMSA Arkansas is $52,200 (not inflation adjusted).

Unemployment Rates				
Area	**2018**	**2019**	**2020**	**2021**
Conway County AA	4.30%	4.22%	6.06%	4.16%
NonMSA Arkansas	4.29%	4.23%	6.44%	4.45%
Arkansas	3.63%	3.46%	6.08%	4.03%
Source: BLS, Local Area Unemployment Statistics				

- While slightly higher than the state of Arkansas, unemployment rates in nonMSA Arkansas, including Conway County, have remained steady over the four-year period, with a notable exception being a spike nationwide in 2020 that occurred as a result of the COVID-19 pandemic.

Housing Cost Burden						
Area	**Cost Burden – Renters**			**Cost Burden – Owners**		
	Low-Income	**Moderate-Income**	**All Renters**	**Low-Income**	**Moderate-Income**	**All Owners**
Conway County AA	53.5%	48.6%	32.9%	52.3%	34.6%	17.9%
NonMSA Arkansas	64.8%	37.4%	36.3%	53.2%	25.9%	16.2%
Arkansas	71.9%	39.4%	38.7%	54.9%	28.7%	16.0%
Cost burden is housing cost that equals 30% or more of household income. *Source: U.S. Department of Housing and Urban Development, 2014–2018 Comprehensive Housing Affordability Strategy*						

- The housing cost burden for homeowners is significantly higher for low- and moderate-income homeowners in Conway County (52.3 percent and 34.6 percent, respectively) compared to all homeowners in the AA combined (17.9 percent).

- The housing cost burden for homeowners in the AA is similar to nonMSA Arkansas, with the exception being moderate-income homeowners in the AA, whose housing cost burden exceeds that of the comparable nonMSA Arkansas figure.

- The community contacts noted one of the barriers to homeownership in Conway County is that home prices were driven up by the cost of lumber. Furthermore, credit history problems and excessive debt to income are other barriers to homeownership facing the AA population noted by the contacts.

- While moderate-income renters in the AA have higher housing costs compared to those in nonMSA Arkansas, low-income and all renters overall in the AA have a lower housing cost burden compared to nonMSA Arkansas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank meets the standards for a Satisfactory rating under the small bank procedures, which evaluate bank performance under the following criteria.

Loan-to-Deposit (LTD) Ratio

This performance criterion evaluates the bank's average LTD ratio to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, market share, and proximity to Conway County.

Based on data in the following table, the bank's level of lending is below that of similar institutions; however, since the previous evaluation, the bank's LTD has increased. This increase is attributed to organic loan growth driven by small businesses in need of financing for business expansions. While the bank's LTD trend has generally increased during the 19-quarter period, two other banks experienced decreasing trends. Additionally, Petit Jean State Bank is the only locally owned and operated FDIC-insured financial institution in the market. Considering these factors along with the bank's size, financial condition, and AA credit needs, the bank's LTD ratio is reasonable.

Comparative LTD Ratios March 31, 2018 – September 30, 2022			
Institution	**Location**	**Asset Size $ (000s)**	**LTD Ratio (%) 19-Quarter Average**
Petit Jean State Bank	Morrilton, Arkansas	208,741	54.8
Similarly Situated Institutions			
Regional Banks	Lonoke, Arkansas	298,611	64.1
	Mena, Arkansas	342,537	69.8
	Little Rock, Arkansas	468,285	60.9

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. A majority of the bank's loans, by number and dollar, are originated inside the AA. As shown in the table below, 74.0 percent of the loans were made inside the AA, accounting for 71.8 percent of the dollar volume of total loans.

Lending Inside and Outside the Assessment Area								
Loan Type	**Inside**				**Outside**			
	#	**# %**	**$**	**$ %**	**#**	**# %**	**$ (000s)**	**$ %**
Small Business	73	68.2	8,814	74.3	34	31.8	3,050	25.7
1–4 Family Residential Real Estate	51	75.0	4,494	65.2	17	25.0	2,394	34.8
Consumer Motor Vehicle	70	80.5	1,159	82.8	17	19.5	240	17.2
TOTAL LOANS	**194**	**74.0**	**14,468**	**71.8**	**68**	**26.0**	**5,684**	**28.2**
Note: Percentages may not total 100.0% due to rounding.								

Loan Distribution by Borrower's Profile

This performance criterion evaluates the bank's lending to borrowers of different income levels and businesses of different revenue sizes. The bank's lending has a reasonable distribution among individuals of different income levels and businesses of different sizes.

<u>Small Business Lending</u>

The borrower distribution of small business lending is reasonable. As displayed in the following table, the bank's lending to small businesses (71.2 percent) is above aggregate lending levels (42.0 percent) and below the demographic figure (90.0 percent).

Distribution of 2019–2021 Small Business Lending by Revenue Size of Businesses
Assessment Area: nonMSA Arkansas

Business Revenue and Loan Size		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	$ (000s)	$ %	$ %	%
Business Revenue	$1 Million or Less	52	71.2%	42%	$5,101	57.9%	33.8%	90.0%
	Over $1 Million/Unknown	21	28.8%	58.0%	$3,715	42.1%	66.2%	10.0%
	TOTAL	**73**	**100.0%**	**100.0%**	**$8,816**	**100.0%**	**100.0%**	**100.0%**
Loan Size	$100,000 or Less	49	67.1%	90.8%	$1,794	20.3%	35.2%	
	$100,001 – $250,000	15	20.5%	5.7%	$2,346	26.6%	20.9%	
	$250,001 – $1 Million	9	12.3%	3.5%	$4,676	53.0%	43.9%	
	Over $1 Million	0	0.0%	0.0%	$0	0.0%	0.0%	
	TOTAL	**73**	**100.0%**	**100.0%**	**$8,816**	**100.0%**	**100.0%**	
Loan Size – Revenue $1 Million or Less	$100,000 or Less	39	75.0%		$1,283	25.2%		
	$100,001 – $250,000	8	15.4%		$1,288	25.2%		
	$250,001 – $1 Million	5	9.6%		$2,530	49.6%		
	Over $1 Million	0	0.0%		$0	0.0%		
	TOTAL	**52**	**100.0%**		**$5,101**	**100.0%**		

Source: 2020 FFIEC Census Data
2019–2021 Dun & Bradstreet Data
2010–2015 U.S. Census Bureau ACS
Note: Percentages may not total 100.0% due to rounding.

Residential Real Estate Lending

The bank's 1–4 family residential real estate loan distribution is reasonable. While it trails the demographic comparator (21.1 percent), the bank's lending to low-income borrowers (3.9 percent) is reasonable, as it is similar to aggregate performance (4.4 percent). Similarly, the bank's lending to moderate-income borrowers (7.8 percent) trails the demographic figure (17.1 percent) but is similar to aggregate lending (11.7 percent) and is reasonable. In addition to challenges with housing affordability noted by the community contacts, the bank competes with significantly larger institutions that may have more resources to offer more flexible lending options to LMI borrowers. Given the bank's size, strategy, and performance context obtained from community contacts, performance is considered reasonable.

Distribution of 2019–2021 Residential Real Estate Lending by Borrower Income Level
Assessment Area: nonMSA Arkansas

Borrower Income Level	Bank and Aggregate Loans						Families by Family Income %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	$ (000s)	$ %	$ %	
Low	2	3.9%	4.4%	82	1.8%	2.2%	21.1%
Moderate	4	7.8%	11.7%	264	5.9%	7.7%	17.1%
Middle	4	7.8%	19.0%	360	8.0%	16.2%	17.1%
Upper	39	76.5%	40.8%	3,666	81.6%	48.5%	44.6%
Unknown	2	3.9%	24.0%	122	2.7%	25.4%	0.0%
TOTAL	**51**	**100.0%**	**100.0%**	**4,494**	**1.8%**	**100.0%**	**100.0%**

Source: 2020 FFIEC Census Data
2011–2015 U.S. Census Bureau ACS
Note: Percentages may not total 100.0% due to rounding. Multifamily loans are not included in the borrower distribution analysis.

Consumer Motor Vehicle

The borrower distribution of consumer motor vehicle lending is reasonable. The bank's lending to low-income borrowers (12.9 percent) is below the percentage of low-income households (23.5 percent) in the AA, while the bank's lending to moderate-income households (22.9 percent) well exceeds the household comparator. Excellent performance in the moderate-income category offset poor performance in the low-income category, resulting in an overall reasonable conclusion.

Distribution of 2019–2021 Consumer/Motor Vehicle Lending by Borrower Income Level Assessment Area: nonMSA Arkansas					
Borrower Income Level	**Bank Loans**				**Households by Household Income %**
	#	**# %**	**$ (000s)**	**$ %**	
Low	9	12.9%	$93	8.0%	23.5%
Moderate	16	22.9%	$255	22.0%	15.2%
Middle	21	30.0%	$278	24.0%	15.0%
Upper	24	34.3%	$533	46.0%	46.3%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**70**	**100.0%**	**$1,159**	**100.0%**	**100.0%**
Source: 2020 FFIEC Census Data *2011–2015 U.S. Census Bureau: American Community Survey* *Note: Percentages may not total 100.0% due to rounding.*					

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of lending within its AA by income level of census tracts with consideration given to the dispersion of loans throughout the AA. When evaluating the bank's performance, particular emphasis is normally placed on the bank's performance in LMI geographies; however, the bank's AA does not contain any LMI census tracts. The bank's AA consists of six middle-income census tracts. 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 the bank made loans in all AA geographies. Therefore, the bank's geographic distribution of loans is considered reasonable.

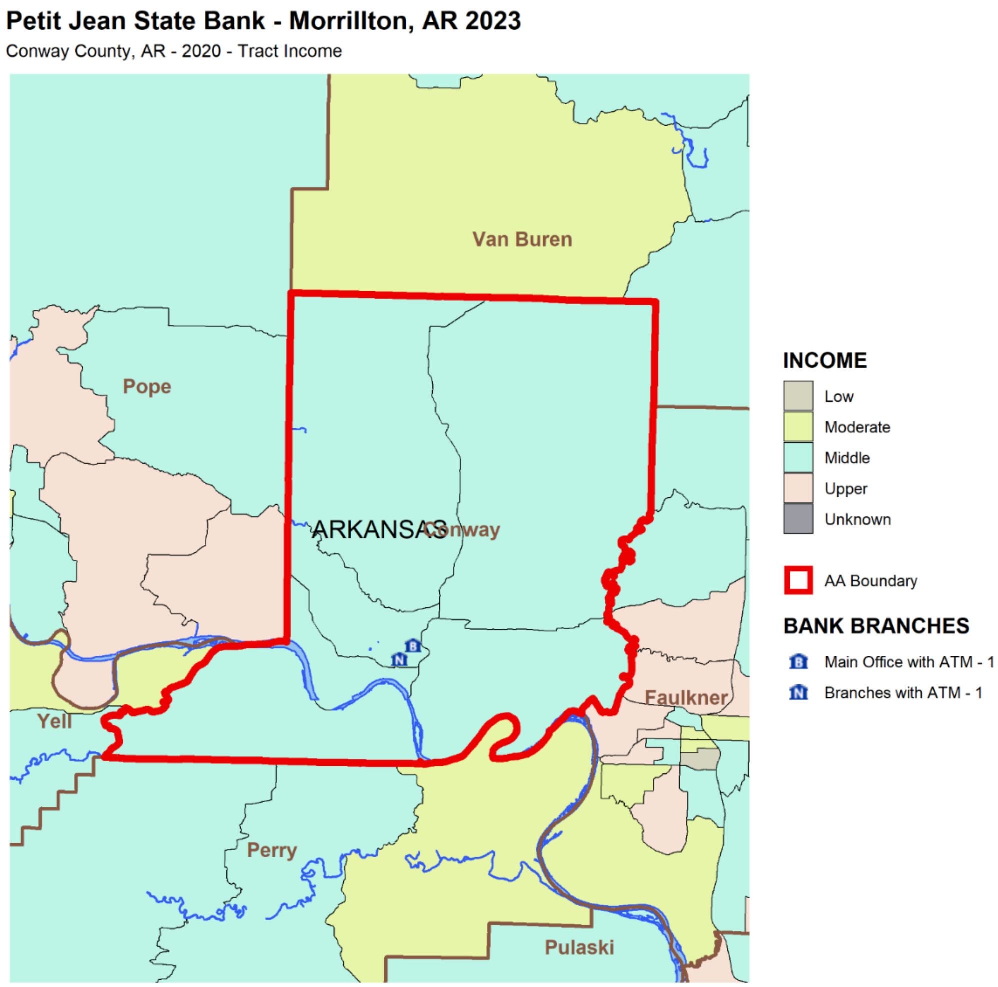
Response to Complaints

No CRA-related complaints were filed against the bank during this review period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Compliance with the substantive provisions of antidiscrimination and other consumer protection laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act, was considered as part of this CRA evaluation. No evidence of a pattern or practice of discrimination on a prohibited basis or of other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – MAP OF THE ASSESSMENT AREA



APPENDIX B – 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).

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.