

## **PUBLIC DISCLOSURE**

December 7, 2009

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Farmers State Bank  
127 Main Street  
Faith, South Dakota 57626  
RSSD 287650

**Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue, P.O. Box 291  
Minneapolis, MN 55480-0291**

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 the 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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*Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.*

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

The bank's performance under the Community Reinvestment Act (CRA) is satisfactory. The bank's CRA performance was evaluated using the Interagency Small Bank CRA Evaluation Procedures. Based on its asset size and financial condition, the bank effectively meets the credit needs of the small farms and consumers in its assessment area. Several factors support the bank's satisfactory rating.

- The bank's lending to farms of different sizes and to borrowers of different income levels is very good.
- The geographic distribution of loans reflects a very good dispersion throughout the assessment area with no unexplained gaps in lending.
- The bank originated the large majority of its loans within its assessment area.
- The bank's net loan-to-deposit ratio reflects a reasonable level of lending.

### SCOPE OF EVALUATION

Table 1 illustrates the bank's lending activity from January 1, 2008, through July 31, 2009, as provided by the bank for this evaluation.

	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Agricultural	404	44.7	33,715,127	84.4
Consumer	435	48.2	1,802,192	4.5
Commercial	62	6.9	4,356,039	10.9
Residential Real Estate	2	0.2	71,712	0.2
<b>Total</b>	<b>903</b>	<b>100.0</b>	<b>39,945,070</b>	<b>100.0</b>

Using the total number of loans and total loan dollars for each loan category, this evaluation is based on a sample of small farm and consumer loans. The analysis on the following pages is based on a statistical sample of loans originated during the six-month period from February 1, 2009, through July 31, 2009. The sample of loans evaluated includes 75 small farm loans and 78 consumer loans.

For CRA purposes, the bank operates in one assessment area in northwestern South Dakota. The following criteria were analyzed to determine the bank's CRA rating.

- Lending to farms of different sizes and to borrowers of different income levels,
- Geographic distribution of loans,
- Lending inside the assessment area,
- Net loan-to-deposit ratio; and
- Record of responding to CRA-related complaints.

In assigning the overall CRA rating, the greatest weight was placed on the bank's lending to farms of different sizes and to borrowers of different income levels.

## DESCRIPTION OF INSTITUTION

The bank is able to effectively meet the credit needs of its assessment area given its location, asset size, and loan products. The bank received a satisfactory rating at its previous CRA performance evaluation dated December 5, 2005. The evaluation did not reveal any financial constraints on the bank's ability to lend within the assessment area.

*Office.* The bank is located in Faith, South Dakota. The bank is open from 9 a.m. to 5 p.m. Monday and Friday and 9 a.m. to 3 p.m. Tuesday, Wednesday, and Thursday. The bank's office hours are reasonable and have not changed since the previous evaluation. The bank recently introduced telephone banking.

*Loan portfolio.* According to the September 30, 2009, Report of Condition (ROC), the bank's assets totaled \$43.7 million. The bank is primarily an agricultural lender. The \$29.8 million loan portfolio consists of 80.6% agricultural, 11.8% commercial, 4.6% consumer, 2.9% residential real estate, and 0.1% other loans. The composition of the loan portfolio by loan type has not changed significantly since the previous evaluation.

*Credit products.* The bank offers a variety of loan products to meet the credit needs of its assessment area. Consumer loan products include purchase money loans for automobiles, overdraft protection, and other general consumer-purpose loans. In addition to conventional loans and lines of credit for small farms and small businesses, the bank also offers loans guaranteed by the U.S. Department of Agriculture Farm Service Agency and the Small Business Administration. In addition, the bank offers loans for small businesses through an economic development corporation, the West River Foundation, Inc., Rapid City, South Dakota, which operates the West River Revolving Loan Fund.

The bank has not introduced any new credit products since the previous evaluation; however, it ceased offering residential real estate loans and now refers consumers seeking residential real estate credit to another financial institution.

*Deposit market share.* The bank is located in Meade County. According to the June 30, 2009, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, of the four FDIC-insured financial institutions that operate in Meade County, the bank ranks third with 13.5% of the market's deposits. The First Western Bank Sturgis, Sturgis, South Dakota, ranks first with 59.3% of the market's deposits.

*Community contacts.* In addition to discussions with bank management, members of the community familiar with economic issues in the assessment area were contacted. Information from the contacts and bank management was used in the evaluation of the bank's CRA performance.

## DESCRIPTION OF ASSESSMENT AREA

*Assessment area.* The bank operates in one assessment area in northwestern South Dakota. The bank's assessment area includes Harding, Perkins, Ziebach, and Dewey counties and portions of Corson, Butte, and Meade counties. Faith is located in the northeastern corner of Meade County near Perkins County to the north and Ziebach County to the east. Faith is 130 miles northeast of Rapid City, South Dakota, and 125 miles northwest of Pierre, South Dakota. Meade and Pennington counties make up the Rapid City, South Dakota, Metropolitan Statistical Area (MSA).

The bank's assessment area includes the Cheyenne River Indian Reservation and a small portion of the Standing Rock Indian Reservation. The Cheyenne River Indian Reservation includes Ziebach and Dewey counties. The Standing Rock Indian Reservation includes Corson County and Sioux County, North

Dakota. The bank includes only one of the six Corson County census tracts in its assessment area because of the distance between Corson County and the bank. Four of the middle-income census tracts in the assessment area are designated as distressed, underserved, or both. The bank's assessment area contains four census tracts with unknown-income classifications. The unknown-income category results from the boundaries for the reservation and county not matching. Because these four census tracts are very small geographically and are unpopulated, an income category cannot be assigned. Table 2 shows the census tracts included in the bank's assessment area.

<i>County</i>	<i>Census Tract</i>	<i>Income Category</i>
Butte	9976	Middle*
Corson	9404	Middle**
Dewey	9404	Unknown
	9405	Unknown
	9408	Unknown
	9409	Low
	9413	Moderate
	9414	Moderate
	9415	Moderate
Harding	9416	Low
	9987	Middle**
Meade	201	Moderate
	203.01	Middle
	203.02	Middle
Perkins	9983	Middle**
Ziebach	9404	Unknown
	9411	Moderate
	9412	Low
	9414	Low
	9415	Low
*Denotes a distressed census tract		
**Denotes a distressed and underserved census tract		

Table 3 illustrates the demographic characteristics of the assessment area according to the 2000 U.S. Census and Dun & Bradstreet data for 2009.

**TABLE 3**  
**Assessment Area Demographics**

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families &lt; Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	5	25.0	568	6.8	278	48.9	2,048	24.4
Moderate Income	5	25.0	2,426	28.9	526	21.7	1,692	20.1
Middle Income	6	30.0	5,407	64.4	513	9.5	2,126	25.3
Upper Income	0	0.0	0	0.0	0	0.0	2,535	30.2
Unknown Income	4	20.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>20</b>	<b>100.0</b>	<b>8,401</b>	<b>100.0</b>	<b>1,317</b>	<b>15.7</b>	<b>8,401</b>	<b>100.0</b>
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>		<i>Rental</i>		<i>Vacant</i>		
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	811	390	4.7	48.1	278	34.3	143	17.6
Moderate Income	4,383	1,876	22.8	42.8	1,364	31.1	1,143	26.1
Middle Income	8,338	5,967	72.5	71.6	1,168	14.0	1,203	14.4
Upper Income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown Income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>13,532</b>	<b>8,233</b>	<b>100.0</b>	<b>60.8</b>	<b>2,810</b>	<b>20.8</b>	<b>2,489</b>	<b>18.4</b>
<i>Income Categories</i>	<i>Total Businesses by Tract</i>	<i>Businesses by Tract and Revenue Size</i>						
		<i>≤ \$1 Million</i>		<i>&gt; \$1 Million</i>		<i>Revenue Not Reported</i>		
		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	
Low Income	188	13.6	165	13.4	10	12.5	13	18.6
Moderate Income	230	16.6	199	16.1	18	22.5	13	18.6
Middle Income	966	69.8	870	70.5	52	65.0	44	62.9
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,384</b>	<b>100.0</b>	<b>1,234</b>	<b>100.0</b>	<b>80</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>89.2</b>	<b>5.8</b>	<b>5.1</b>		
<i>Income Categories</i>	<i>Total Farms by Tract</i>	<i>Farms by Tract and Revenue Size</i>						
		<i>≤ \$1 Million</i>		<i>&gt; \$1 Million</i>		<i>Revenue Not Reported</i>		
		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	
Low Income	58	9.6	58	9.7	0	0.0	0	0.0
Moderate Income	173	28.7	171	28.5	2	66.7	0	0.0
Middle Income	372	61.7	371	61.8	1	33.3	0	0.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>603</b>	<b>100.0</b>	<b>600</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>99.5</b>	<b>0.5</b>	<b>0.0</b>		

*Income.* For purposes of classifying borrowers by income levels, this evaluation uses the Department of Housing and Urban Development's estimated median family income values. For borrowers residing in the Rapid City, South Dakota, MSA, this value is \$56,700 for 2009. For borrowers outside of the MSA, the median family income for nonmetropolitan South Dakota is \$52,500 for 2009. For purposes of classifying census tracts by income levels, this evaluation uses the median family income for the relevant

area at the time of the 2000 U.S. Census. For the Rapid City MSA, this figure was \$43,702 and for nonmetropolitan South Dakota, this figure was \$40,600.

*Population.* According to the 2000 U.S. Census data, the population of the assessment area was 30,907 and the population of Faith was 489. In 2008, the estimated population of Faith was 441, representing a 9.8% decrease. The vast majority of the assessment area's population is in Meade County. Table 4 displays the population of the counties in the assessment area according to the 2000 U.S. Census and the 2008 estimated population.

<i>County</i>	<i>2000</i>	<i>2008 Estimate</i>
Butte	9,094	9,593
Corson	4,181	4,136
Dewey	5,972	5,931
Harding	1,353	1,145
Meade	24,453	23,989
Perkins	3,363	2,900
Ziebach	2,519	2,542

According to the U.S. Census Bureau

*Economy.* The economy of the assessment area relies heavily on agriculture production. Meade County has the largest number of cow-calf operations in the state, according to community contacts. Most of the farmers in counties surrounding Meade County also manage cow-calf operations.

Many cow-calf operations also produce feed, including grains and hay, according to community contacts. After several years of drought, 2008 and 2009 were good years for feed production because of the favorable moisture levels. However, increased input costs significantly affected many farmers' cash flows and budgets. In 2008, input costs started to plateau. In 2009, input costs decreased marginally but were still considered high. Fuel is the most expensive input cost, according to the contacts.

Land prices have increased throughout the area in recent years but recently peaked, according to information from contacts. In 2008, only a limited number of land purchases occurred due to the unreasonable prices, especially for newer farmers.

In October and November, many operations sell their calves. In 2008 and 2009, the average price per head was approximately \$500, but three years ago, the average price per head was approximately \$700, according to the contacts. Some operations retain their calves and sell them as yearlings during the subsequent spring.

The largest employers in the assessment area are located in Rapid City and include many retailers. A community contact said few large employers are located outside of Rapid City. The main employers in Faith include the state, city, school, bank, and clinic. On the Cheyenne River Indian Reservation, major employers include the tribal government, the Indian Health Service, and the Bureau of Indian Affairs. According to community contacts and bank management, the average hourly wage for the assessment area is between \$8 and \$10.

Economic conditions on the Cheyenne River Indian Reservation are generally poor, according to community contacts and other data. The unemployment rate among tribal members exceeds 80%, according to the 2003 American Indian Population and Labor Force Report published by the U.S. Department of the Interior, Bureau of Indian Affairs,. The 2000 U.S. Census reports median family income of \$22,917 for the reservation. The population is approximately 8,500, and the reservation covers more than 1.4 million acres. The reservation headquarters is located in Eagle Butte, South Dakota, which is approximately 40 miles east of Faith.

*Unemployment.* Except for Harding County, the unemployment rates for all counties in the assessment area increased from the annual average for 2008 to September 2009, according to the Bureau of Labor Statistics. Table 5 illustrates the unemployment rate by county for 2008 and September 2009.

<i>Location</i>	<i>Annual Average 2008</i>	<i>September 2009</i>
South Dakota	3.0%	4.4%
Butte County	2.7%	3.8%
Corson County	5.2%	5.4%
Dewey County	9.9%	10.2%
Harding County	2.8%	2.3%
Meade County	3.0%	4.0%
Perkins County	3.1%	3.9%
Ziebach County	6.1%	7.6%

According to bank management, no significant layoffs have occurred and few job openings are available in Faith. Unemployment is not a major concern in Faith.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's performance in meeting the credit needs of its assessment area is very good. The evaluation focused on the following criteria: distribution of loans to farms of different sizes and to consumers of different income levels, the geographic distribution and dispersion of loans, the level of lending inside versus outside the assessment area, and the net loan-to-deposit ratio.

Throughout this evaluation, the bank's lending activity is compared to demographic information obtained from, but not limited to, 2000 U.S. Census data, Dun & Bradstreet, and other sources as mentioned. Other factors can affect lending performance as well. Although demographic information is used to understand and evaluate the bank's performance, comparisons to the demographic data should not be construed as defining an expected level of lending.

### **LENDING TO FARMS OF DIFFERENT SIZES AND TO BORROWERS OF DIFFERENT INCOME LEVELS**

The bank's performance in providing loans to farms of different sizes and to consumers of different income levels is very good.



*Small farm lending.* Overall, the bank’s record of lending to small farms is very good.

All of the bank’s small farm loans in the sample were made to farms with gross annual revenues of \$1 million or less. According to Dun & Bradstreet data, 99.5% of the farms in the assessment area have gross annual revenues of \$1 million or less. In addition, the majority of the bank’s loans were in amounts of \$100,000 or less. Making small-dollar loans demonstrates the bank’s commitment to meeting the credit needs of the small farms in the assessment area. Table 6 illustrates the distribution of small farm loans by loan amount.

<i>Small Farm Loan Originations</i>	$\leq \$100,000$	$> \$100,000$ to $\leq \$250,000$	$> \$250,000$ to $< \$500,000$	<i>Total Originations</i>
Percentage of Loans to Farms with Revenues Less Than or Equal to \$1 Million	77.3%	13.6%	9.1%	100.0%

*Consumer lending.* The bank’s record of lending to low- and moderate-income borrowers is excellent. As illustrated in Table 7, the bank extended 30.3% and 32.9% of consumer loans with income information to low- and moderate-income borrowers, respectively. According to the 2000 U.S. Census data, 24.4% and 16.8% of the households in the assessment area are low and moderate income, respectively. Bank management indicated that given the local average wage, the majority of its customers are low- and moderate-income individuals.

Among the loans in the sample, 41 were in amounts of \$1,500 or less. According to bank management, small-dollar loans typically finance living expenses. Of the 41 loans, 89.7% of the 29 loans with income information were made to low- and moderate-income borrowers. The bank’s willingness to make loans in small amounts for household expenditures demonstrates its commitment to meeting the credit needs in the assessment area.

Income information was not available for a number of consumer loans in the sample. The bank indicated that these borrowers are long-time customers who have satisfactory relationships with the bank, and as such, it does not rely on income in its credit decision.

	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	#	\$	#	\$	#	\$	#	\$	#	\$
Consumer	30.3%	21.9%	32.9%	26.8%	6.6%	3.6%	1.3%	0.4%	28.9%	47.2%
Percentage of Households by Income Levels**	24.4%		16.8%		22.2%		36.6%		NA	
*Median family income for the Rapid City MSA is \$56,700 for 2009. Median family income for nonmetropolitan South Dakota is \$52,500 for 2009. **Based on 2000 U.S. Census data.										

Overall, the bank’s lending to farms of different sizes and consumers of different income levels is very good. The bank actively lends to small farms and low- and moderate-income borrowers.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution and dispersion of the bank’s small farm and consumer loans are very good and do not reveal any unexplained gaps or lending patterns. Table 8 illustrates the bank’s small farm and consumer lending in the assessment area.

<i>Loan Type Sample</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Unknown Income</i>	
	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>
Consumer	27.6%	23.0%	68.4%	66.7%	3.9%	10.2%	0.0%	0.0%
Small Farm	18.2%	8.0%	42.4%	38.7%	39.4%	53.3%	0.0%	0.0%
<b>Demographic Data</b>								
Number of Census Tracts*	5		5		6		4	
Percentage of Census Tracts	25.0%		25.0%		30.0%		20.0%	
Percentage of Families	6.8%		28.9%		64.4%		0.0%	
Percentage of Small Farms	9.7%		28.5%		61.8%		0.0%	
*Income classification of census tracts based on 2000 median family income.								

*Small farm lending.* The bank’s level of small farm lending in low- and moderate-income census tracts is excellent. Although only 9.7% and 28.5% of the small farms in the assessment area are located in low- and moderate-income census tracts, respectively, the bank originated 18.2% and 42.4% of its small farm loans in low- and moderate-income census tracts, respectively. The bank is located in a moderate-income census tract. The remaining low- and moderate-income census tracts in the assessment area are located in Ziebach and Dewey counties, which form the Cheyenne River Indian Reservation. Faith is just a few miles west of Ziebach County, and the tribal headquarters, Eagle Butte, is approximately 40 miles east of Faith.

*Consumer lending.* The bank’s level of consumer lending in low- and moderate-income census tracts is also excellent. According to census data, only 6.8% and 28.9% of the families in the assessment area reside in low- and moderate-income census tracts, respectively; however, the bank made 27.6% and 68.4% of its consumer loans in low- and moderate-income census tracts, respectively. Again, Faith is located in a moderate-income census tract, and neighboring Ziebach and Dewey counties contain the remaining low- and moderate-income census tracts in the assessment area.

Although the bank did not extend any small farm or consumer loans in some census tracts, including three low- and moderate-income census tracts, its performance is reasonable because those census tracts are sparsely populated, located a significant distance from the bank, or serviced by other financial institutions. The census tracts in the assessment area classified as unknown income do not have any residents, according to census data, which explains the bank’s lack of lending. Overall, the bank’s geographic distribution and dispersion of small farm and consumer loans are very good and revealed no unexplained lending gaps.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

Overall, the bank’s level of lending inside its assessment area is very good. By total number of loans (92.8%) and by total amount (73.6%), the majority of the bank’s loans were to farms and consumers located in the bank’s assessment area, as shown in Table 9.

<i>Loan Category</i>	<i>Inside</i>				<i>Outside</i>			
	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>
Small Farm	66	88.0	5,222	72.3	9	12.0	2,002	27.7
Consumer	76	97.4	396	97.9	2	2.6	8	2.1
Total	142	92.8	5,618	73.6	11	7.2	2,010	26.4

The bank originates the majority of its small farm and consumer loans to borrowers residing in its assessment area. Overall, the bank’s level of lending to farms and consumers in the bank’s assessment area is very good.

NET LOAN-TO-DEPOSIT RATIO ANALYSIS

Overall, the bank’s net loan-to-deposit ratio is reasonable. According to the September 30, 2009, ROC, the bank’s net loan-to-deposit ratio is 73.4 %. Since the previous evaluation, the bank’s net loan-to-deposit ratio has ranged from 70.6 % to 83.2%. The bank’s 16-quarter average net loan-to-deposit ratio is 77.8 %. The bank’s net loan-to-deposit ratio exceeds that of its peer group, which was 62.5% as of September 30, 2009. The bank’s peer group is defined as insured commercial banks having assets less than or equal to \$50 million in a metropolitan area with one full-service office.

Table 10 shows the bank’s 16-quarter average net loan-to-deposit ratio compared to two financial institutions that are located within the bank’s assessment area and have similar asset sizes. The bank’s 16-quarter average net loan-to-deposit ratio exceeds that of the two other banks. According to community contacts, the bank is active in its community and adequately meets the credit needs of the farmers and consumers in the assessment area. The bank’s lending activity in its assessment area demonstrates a good level of responsiveness to the credit needs of the farms and consumers in the assessment area. Overall, the bank’s net loan-to-deposit ratio is reasonable.

<i>Bank Name and Location</i>	<i>Assets as of September 30, 2009 (in millions)</i>	<i>Average Net Loan- to-Deposit Ratio</i>
Farmers State Bank, Faith, South Dakota	\$43,748	77.8%
State Bank of Eagle Butte, Eagle Butte, South Dakota	\$34,296	54.3%
Western Dakota Bank, Timber Lake, South Dakota	\$22,903	30.5%

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

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

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The evaluation did not reveal any evidence of violations of antidiscrimination laws or regulations, including Regulation B--Equal Credit Opportunity Act and the Fair Housing Act, or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

## Appendix A

### Glossary of Common CRA Terms

**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 statistical area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. 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 development:** Affordable housing (including multifamily rental 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 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation (the Agencies) have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Agencies based on:
  - a. Rates of poverty, unemployment, and population loss or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help meet essential community needs, including the needs of low- and moderate-income individuals.

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. It 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.

**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 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., 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 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 data such 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 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.

**Limited-scope review:** Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

**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.

**Metropolitan statistical area (MSA):** An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**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.

**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.

**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 loan 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 typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

**Small loan to farm:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or classified as loans to finance agricultural production and other loans to farmers.

**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, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)