

**PUBLIC DISCLOSURE**

February 2, 2015

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Bank of Floyd  
355821

101 Jacksonville Circle  
Floyd, Virginia 24091

**Federal Reserve Bank of Richmond  
P. O. Box 27622  
Richmond, Virginia 23261**

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

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## INSTITUTION RATING

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

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to the bank's size, financial condition, and demand for credit in the assessment areas.
- A majority of the institution's reported Home Mortgage Disclosure Act (HMDA) and small business loans were originated within the bank's assessment areas.
- The bank's lending to borrowers of different incomes (borrower distribution performance) is considered reasonable.
- The bank's lending in census tracts having different income designations (geographic distribution performance) is considered poor.
- The institution has not received any complaints regarding its CRA performance since the previous evaluation.

## SCOPE OF EXAMINATION

The institution was evaluated using the interagency examination procedures for a small bank developed by the Federal Financial Institutions Examination Council (FFIEC). Bank of Floyd (BOF) is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, BOF's 2012 and 2013 HMDA loan originations were considered in the evaluation. In addition, small business lending was identified as a significant product line and was also considered in the evaluation. The analysis includes all small business loans that were originated by the bank during calendar year 2013.

The bank's operations are concentrated in the Carroll, VA nonmetropolitan area (nonMSA) and Blacksburg-Christiansburg-Radford, VA metropolitan statistical area (MSA) assessment areas. These assessment areas were reviewed utilizing the FFIEC's full-scope procedures, and performance in these assessment areas is the basis for the institution's overall rating. The bank's remaining assessment area is located in the Roanoke, VA MSA. Because of the smaller proportion of loan and deposit activity within this assessment area, it was evaluated utilizing the FFIEC's limited review procedures. Detailed information about the bank's activities (loan volume, branch locations, and deposit accounts) within each assessment area is included in Appendix B.

## DESCRIPTION OF INSTITUTION

BOF is headquartered in Floyd, Virginia, and operates seven full service branch offices in southwestern Virginia. The institution is a wholly-owned subsidiary of Cardinal Bancshares Corporation, a single bank holding company also located in Floyd, Virginia. BOF's previous CRA rating, dated January 24, 2011, was Satisfactory. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of December 31, 2014, BOF reported \$275 million in assets, of which 60.3% were net loans. As of the same date, deposits totaled \$235.5 million. Various deposit and loan products are available through the institution including loans for business, residential mortgage, and consumer purposes. The composition of the loan portfolio (using gross loans), as of December 31, 2014, is represented in the following table:

**Composition of Loan Portfolio**

Loan Type	12/31/2014	
	\$(000s)	%
Secured by 1-4 Family dwellings	32,920	19.5
Multifamily	10,625	6.3
Construction and Development	8,285	4.9
Commercial & Industrial/ NonFarm NonResidential	102,569	60.8
Consumer Loans and Credit Cards	809	0.5
Agricultural Loans/ Farmland	9,050	5.4
All Other	4,559	2.7
<b>Total</b>	<b>168,817</b>	<b>100.0</b>

As reflected in the preceding table, the bank's existing loan portfolio is concentrated in commercial and industrial loans. The bank is also an active residential mortgage lender, with loans secured by residential real estate comprising the second largest proportion of the loan portfolio by dollar volume. The bank offers other loans, such as consumer and farm loans; however, the dollar volume of such lending is smaller in comparison to the residential mortgage and commercial lending. Because of relative size, the performance of residential mortgage and small business lending, which is a subset of commercial lending, is considered in this evaluation.

The bank serves three contiguous assessment areas located in the southwestern portion of Virginia. Two of the bank's assessment areas are located in MSAs, while the remaining assessment area is located in a rural, nonMSA area. The composition of the bank's assessment areas is detailed in the following table.

Assessment Area Name	City/County	Census Tracts Included
Carroll, VA NonMSA	Carroll County	All
	Floyd County	All
Blacksburg-Christiansburg-Radford, VA MSA	Montgomery County	All
	Pulaski County	All
	Radford City	All
Roanoke, VA MSA	Roanoke County	0303.00 – 0309.00
	Salem City	All

Since the previous evaluation, the bank has not opened or closed any branch offices.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

An analysis of lending during the review period is discussed in greater detail in subsequent sections of this evaluation. While residential mortgage loan data from calendar years 2012 and 2013 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2013 is presented in the assessment area analysis tables. In instances where the bank's 2012 residential mortgage performance varies significantly from its performance in 2013, such variance and the corresponding impact on the overall performance are discussed. As previously indicated, analysis of the bank's small business lending includes all such lending during 2013.

Area demographic, Dun & Bradstreet (D&B) business data, and available market aggregate are used as proxies for demand when evaluating the bank's performance. The area demographic data is from the 2010 census, while the D&B business data is from 2013. Aggregate HMDA data is from 2012 and 2013, while the aggregate small business is from 2013. The aggregate HMDA and small business lending data include all activity reported by lenders subject to reporting residential mortgage and small business lending that originated/purchased such loans within the bank's assessment areas. Because BOF is not required to report small business loan data, its lending is not included in the aggregate data.

When evaluating the borrower and the geographic distribution for a specific loan category within an assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated and purchased. To arrive at an overall assessment area conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by the dollar volume of such loans in the assessment area. Similarly, when the performance of multiple assessment areas is considered to reach a conclusion about the institution's rating, the overall level of performance from each assessment area subject to full scope review is weighted primarily according to the loan dollar volume during the review period. As a result, greater weight is given to the bank's performance in its Carroll, VA nonMSA assessment area.

Overall, the bank's performance is rated Satisfactory. This rating considers the bank's loan-to-deposit ratio, level of lending in its assessment areas, borrower distribution performance, geographic distribution performance, and the absence of any CRA-related complaints. Each of these components is discussed in the following sections.

### Loan-To-Deposit Ratio

The bank's current (December 31, 2014) loan-to-deposit ratio equals 70.4% and averaged 57% for a 16-quarter period ending December 31, 2014. The quarterly average loan-to-deposit ratio for all banks headquartered in nonmetropolitan areas in Virginia and of similar asset size to BOF ranged from 69.9% to 78.4% during the same 16-quarter period. Since September 30, 2010, the bank's assets, loans, and deposits have increased by 14.6%, 17%, and 7.8%, respectively. While the bank's 16-quarter period average loan-to-deposit ratio lags the ratio of similarly-sized financial institutions headquartered in nonmetropolitan areas, BOF's loan-to-deposit ratio has been steadily increasing since September 30, 2012, as loan growth has outpaced deposit growth. BOF's loan-to-deposit ratio is considered reasonable given the institution's size, financial condition, market conditions, and local credit needs.

### Lending in Assessment Areas

To determine the institution's volume of lending within its assessment areas, the geographic locations of the recently extended HMDA and small business loans were considered. The lending distribution inside and outside of the bank's assessment areas is represented in the following table.

**Comparison of Credit Extended Inside and Outside of Assessment Area(s)**

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	23	76.7	3,560	82.0	7	23.3	782	18.0
Home Improvement	16	100.0	454	100.0	0	0.0	0	0.0
Refinancing	28	75.7	4,971	56.6	9	24.3	3,805	43.4
Multi-Family Housing	5	83.3	3,754	94.8	1	16.7	208	5.2
<b>Total HMDA related</b>	<b>72</b>	<b>80.9</b>	<b>12,739</b>	<b>72.7</b>	<b>17</b>	<b>19.1</b>	<b>4,795</b>	<b>27.3</b>
Small Business	35	67.3	8,094	64.4	17	32.7	4,466	35.6
<b>TOTAL LOANS</b>	<b>107</b>	<b>75.9</b>	<b>20,833</b>	<b>69.2</b>	<b>34</b>	<b>24.1</b>	<b>9,261</b>	<b>30.8</b>

As reflected in the preceding table, a majority of the number and dollar amount of the bank's HMDA and small business loans were originated within its combined assessment areas. Overall, the institution's level of lending within its assessment areas is considered responsive to community credit needs.

### Lending to Borrowers of Different Incomes and To Businesses of Different Sizes

Within BOF's assessment areas, a high level of small business lending activity has been reported by specialized lenders, who often originate or purchase small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans, and a substantial majority of such loans do not have revenue data reported. The presence of these lenders is

reflected in a smaller market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of \$1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.

The bank's borrower distribution is considered reasonable in both the Carroll, VA nonMSA and the Blacksburg-Christiansburg-Radford, VA MSA assessment areas. The bank's borrower distribution performance is considered reasonable overall.

### **Geographic Distribution of Loans**

The bank's geographic distribution is considered poor in both the Carroll, VA nonMSA and the Blacksburg-Christiansburg-Radford, VA MSA assessment areas. Accordingly, the bank's overall geographic distribution performance is poor.

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

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

**NONMETROPOLITAN STATEWIDE AREA**

*(If some or all of the assessment areas within the nonmetropolitan statewide area  
were reviewed using full-scope review)*

**DESCRIPTION OF OPERATIONS IN CARROLL, VA NONMSA ASSESSMENT AREA**

The bank operates three full-service branch offices within the assessment area, which includes all of Carroll and Floyd counties, Virginia. According to the 2010 census data, the assessment area has a population of 45,321 and a median housing value of \$110,793. The owner-occupancy rate for the assessment area equals 61.4%, which approximates the rate in nonmetropolitan areas of Virginia (60.5%) and the overall rate for the commonwealth (61.8%). The family poverty rate in the assessment area (11.2%) is similar to the rate within nonmetropolitan areas of Virginia (11.1%) and exceeds the overall rate for the commonwealth (7.2%). The median family income for nonmetropolitan areas of Virginia equaled \$52,600 in 2012, and decreased to \$51,600 in 2013. The following table provides pertinent demographic data for the assessment area.

**Assessment Area Demographics**

<b>Carroll, VA NonMSA</b>									
<i>(Based on 2010 ACS Boundaries, and 2013 D&amp;B information )</i>									
<b>Income Categories*</b>	<b>Tract Distribution</b>		<b>Families by Tract</b>		<b>Families &lt; Poverty as a % of Families by Tract</b>		<b>Families by Family Income</b>		
	#	%	#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	2,801	21.2	
Moderate	1	10.0	1,395	10.5	256	18.4	2,700	20.4	
Middle	9	90.0	11,830	89.5	1,221	10.3	3,442	26.0	
Upper	0	0.0	0	0.0	0	0.0	4,282	32.4	
NA	0	0.0	0	0.0	0	0.0			
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>13,225</b>	<b>100.0</b>	<b>1,477</b>	<b>11.2</b>	<b>13,225</b>	<b>100.0</b>	
	<b>Owner Occupied Units by Tract</b>		<b>Households</b>						
			<b>HHs by Tract</b>		<b>HHs &lt; Poverty by Tract</b>		<b>HHs by HH Income</b>		
	#	%	#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	5,110	26.7	
Moderate	1,500	10.2	1,822	9.5	367	20.1	3,118	16.3	
Middle	13,240	89.8	17,330	90.5	2,865	16.5	3,726	19.5	
Upper	0	0.0	0	0.0	0	0.0	7,198	37.5	
NA	0	0.0	0	0.0	0	0.0			
<b>Total</b>	<b>14,740</b>	<b>100.0</b>	<b>19,152</b>	<b>100.0</b>	<b>3,232</b>	<b>16.9</b>	<b>19,152</b>	<b>100.0</b>	
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract and Revenue Size</b>						
			<b>Less than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue not Reported</b>		
	#	%	#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate	167	7.8	157	7.8	5	7.9	5	7.8	
Middle	1,969	92.2	1,852	92.2	58	92.1	59	92.2	
Upper	0	0.0	0	0.0	0	0.0	0	0.0	
NA	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total</b>	<b>2,136</b>	<b>100.0</b>	<b>2,009</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	
	<b>Percentage of Total Businesses:</b>			94.1		2.9		3.0	

\*NA-Tracts without household or family income as applicable

According to data published by the FFIEC, all of Floyd County (three middle-income census tracts) was classified as being underserved during 2012 and 2013. Underserved census tracts are typically located in rural communities that may lack certain community services/infrastructure and are also distant from more urban population centers.

The local economy is based on a variety of manufacturers, retail establishments, and educational facilities. Major employers include local governments, area school systems, Southwest Virginia Training Center (vocational training), Parkdale Mills (yarn manufacturing), Hollingsworth and Vose (fiber manufacturing), Strengthening Our System (behavioral health services), DLB (construction), and Mohawk Industries (flooring). While unemployment rates within the bank's assessment area remain slightly elevated in relation to the commonwealth's overall unemployment rate, rates have declined since the previous evaluation. Recent area unemployment rates are reflected in the following table.



Geographic Area	November 2011	November 2012	November 2013	November 2014
Carroll County	9.1%	8.1%	7%	5.7%
Floyd County	6.3%	5.7%	5.1%	4.6%
Commonwealth of Virginia	6%	5.4%	5%	4.5%

An individual knowledgeable of the local market area was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that the local community would benefit from additional affordable housing units. The contact did note that a building in Floyd County had been rehabilitated and converted into affordable housing and that several local financial institutions contributed by donating funds to the project. According to the contact, area financial institutions could donate to similar projects in the future. The contact stated that area financial institutions are reasonably meeting the banking needs of the local community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Within this assessment area, the bank originated HMDA loans totaling \$2.5 million and small business loans totaling \$3.3 million during 2013. Accordingly, the bank’s small business lending performance is given slightly more weight than the HMDA performance when evaluating the bank’s overall lending performance.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Within the Carroll, VA nonMSA assessmnt area, the bank’s borrower distribution performance is considered reasonable overall.

**Distribution of HMDA Loans by Income Level of Borrower**

Carroll, VA NonMSA (2013)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
<b>HMDA Totals</b>								
Low	2	9.1	161	7.4	98	9.5	6,220	5.2
Moderate	5	22.7	253	11.6	250	24.1	21,890	18.4
Middle	4	18.2	311	14.2	269	26.0	28,186	23.7
Upper	11	50.0	1,461	66.8	419	40.4	62,635	52.7
<b>Total</b>	<b>22</b>	<b>100.0</b>	<b>2,186</b>	<b>100.0</b>	<b>1,036</b>	<b>100.0</b>	<b>118,931</b>	<b>100.0</b>
Unknown	1		272		145		94,609	

*Percentages (%) are calculated on all loans where incomes are known*

During 2013, the bank’s level of lending to low-income borrowers (9.1%) lagged the percentage of area low-income families (21.2%), but is similar to the aggregate level of lending to such borrowers (9.5%). BOF’s lending to moderate-income borrowers (22.7%) exceeded the percentage of such area families (20.4%), but lagged slightly the aggregate lending level (24.1%). The bank’s performance during 2013 is considered reasonable.

During 2012, the bank extended fewer residential mortgage loans in the assessment area than it did during 2013, but its lending performance was better. The bank reported originating 18 loans where borrower income was known totaling \$1.4 million during 2012. Of these loans, five (27.8%) were to low-income borrowers, and five (27.8%) were to moderate-income borrowers. According to aggregate HMDA data, 10.6% were to low-income and 23.2% were to moderate-income borrowers. The bank’s performance during 2012 is considered excellent.

The bank’s overall HMDA borrower distribution performance is considered reasonable. In reaching this conclusion, more weight was placed on the bank’s HMDA lending performance during 2013 because of the larger dollar volume of lending during that year.

**Distribution of Lending by Loan Amount and Size of Business**

Carroll, VA NonMSA (2013)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	14	82.4	2,316	71.0	249	58.7	6,032	61.3
Over \$1 Million	3	17.6	946	29.0	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size	Bank				Aggregate*			
\$100,000 or less	9	52.9	227	7.0	406	95.8	4,803	48.8
\$100,001-\$250,000	1	5.9	130	4.0	11	2.6	1,649	16.8
\$250,001-\$1 Million	7	41.2	2,906	89.0	7	1.6	3,386	34.4
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>3,263</b>	<b>100.0</b>	<b>424</b>	<b>100.0</b>	<b>9,838</b>	<b>100.0</b>

\* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data indicates that 94.1% of all local businesses have revenues that do not exceed \$1 million per year. According to 2013 aggregate small business data, 58.7% of reported loans were extended to businesses with annual revenues of \$1 million or less. The remaining loans were extended to businesses that either had revenues exceeding \$1 million or the revenue was not known. As part of the performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 82.3% were made to businesses having annual revenues of \$1 million or less. Of the bank’s small business loans extended during 2013, 82.4% were to businesses with annual revenues of \$1 million or less. The bank’s performance is considered reasonable.

**Geographic Distribution of Loans**

There are no low-income census tracts and only one moderate-income census tract within the bank’s assessment area. The moderate-income census tract is located in the southernmost portion of Carroll County. BOF operates one branch in Carroll County located in the center of the county and six miles north of the moderate-income census tract. While the distance is not significant, the Blue Ridge Mountain range runs in between the bank’s branch and the moderate-income census tract. The geography influences the local roads and traffic patterns, which tend to run more west-to-east than south-to-north.

Of the residential mortgage and small business loans considered in the evaluation, none were extended to borrowers located in the moderate-income census tract. When considering the bank’s lending, branch location, and local traffic pattern, BOF’s geographic distribution performance is nonetheless considered poor.

**Distribution of HMDA Loans by Income Level of Census Tract**

Carroll, VA NonMSA (2013)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(7)				(377)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	20	5.3	1,752	3.9
Middle	7	100.0	868	100.0	356	94.7	43,124	96.1
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	(8)				(707)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	69	9.8	51,521	31.4
Middle	8	100.0	1,234	100.0	638	90.2	112,479	68.6
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	(8)				(92)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	11	12.0	377	9.8
Middle	8	100.0	356	100.0	81	88.0	3,454	90.2
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	(0)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	0	0.0	0	0.0	0	0.0	0	0.0
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	100	8.5	53,650	25.2
Middle	23	100.0	2,458	100.0	1,075	91.5	159,057	74.8
Upper	NA	NA	NA	NA	NA	NA	NA	NA
NA*	NA	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>23</b>	<b>100.0</b>	<b>2,458</b>	<b>100.0</b>	<b>1,175</b>	<b>100.0</b>	<b>212,707</b>	<b>100.0</b>

NA\*-Tracts without household or family income as applicable

As reflected in the table above, BOF did not originate any residential mortgage loans within the assessment area's moderate-income census tract during 2013. According to demographic data, 10.2% of the assessment area's owner-occupied housing units are located in the moderate-income census tract, and 8.5% of the aggregate reporters' HMDA loans were extended to residents of this tract. The bank's performance during 2013 is considered poor, and its performance during 2012 is substantially similar.

**Distribution of Small Business Loans by Income Level of Census Tract**

Carroll, VA NonMSA (2013)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	28	6.9	1,237	12.7
Middle	17	100.0	3,262	100.0	375	93.1	8,489	87.3
Upper	NA	NA	NA	NA	NA	NA	NA	NA
NA*	NA	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>3,262</b>	<b>100.0</b>	<b>403</b>	<b>100.0</b>	<b>9,726</b>	<b>100.0</b>

\*NA-Tracts without household or family income as applicable  
Loans where the geographic location is unknown are excluded from this table.

Similar to its residential mortgage lending, BOF did not originate any small business loans within the assessment area's moderate-income tract during 2013. With 7.8% of the assessment area's small businesses located within the moderate-income tract, and 6.9% of the aggregate reporters' small business loans extended to businesses in this tract, lending opportunities do exist. The bank's geographic distribution performance is considered poor.

**METROPOLITAN AREAS**

(For metropolitan areas with some or all assessment areas reviewed using full-scope review)

**DESCRIPTION OF OPERATIONS IN BLACKSBURG-CHRISTIANSBURG-RADFORD, VA MSA ASSESSMENT AREA**

The bank operates two full-service branch offices within the assessment area, which includes all of Montgomery and Pulaski counties, and the City of Radford, Virginia. The assessment area includes a large portion of the Blacksburg-Christiansburg-Radford, VA MSA but does not include the entire MSA. According to the 2010 census data, the assessment area has a population of 145,672 and a median housing value of \$162,019. The owner-occupancy rate for the assessment area equals 54.4%, which is comparable to the rate for the entire MSA (55.9%) and lower than the overall rate for the Commonwealth of Virginia (61.8%). The family poverty rate in the assessment area (9.6%) approximates the percentage of such families in the MSA (9.8%) and exceeds the overall rate for the commonwealth (7.2%). The median family income within the Blacksburg-Christiansburg-Radford, VA MSA equaled \$60,500 during 2012 and decreased to \$60,100 during 2013. The following table provides pertinent demographic data for the assessment area.

**Assessment Area Demographics**

<b>Blacksburg-Christiansburg-Radford, VA MSA</b> <i>(Based on 2010 ACS Boundaries, and 2013 D&amp;B information )</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,825	21.5
Moderate	5	17.2	6,394	20.1	1,059	16.6	5,090	16.0
Middle	13	44.8	17,397	54.8	1,381	7.9	6,704	21.1
Upper	8	27.6	7,966	25.1	605	7.6	13,138	41.4
NA	3	10.3	0	0.0	0	0.0		
<b>Total</b>	<b>29</b>	<b>100.0</b>	<b>31,757</b>	<b>100.0</b>	<b>3,045</b>	<b>9.6</b>	<b>31,757</b>	<b>100.0</b>
	<b>Owner Occupied Units by Tract</b>		<b>Households</b>					
			<b>HHs by Tract</b>		<b>HHs &lt; Poverty by Tract</b>		<b>HHs by HH Income</b>	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	15,084	27.5
Moderate	6,397	19.3	9,826	17.9	1,852	18.8	7,529	13.7
Middle	18,473	55.6	27,940	50.9	4,037	14.4	9,135	16.6
Upper	8,336	25.1	17,168	31.3	5,421	31.6	23,186	42.2
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>33,206</b>	<b>100.0</b>	<b>54,934</b>	<b>100.0</b>	<b>11,310</b>	<b>20.6</b>	<b>54,934</b>	<b>100.0</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract and Revenue Size</b>					
			<b>Less than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue not Reported</b>	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	938	17.7	830	17.2	69	22.4	39	20.2
Middle	2,958	55.7	2,666	55.4	185	60.1	107	55.4
Upper	1,404	26.4	1,306	27.1	53	17.2	45	23.3
NA	13	0.2	10	0.2	1	0.3	2	1.0
<b>Total</b>	<b>5,313</b>	<b>100.0</b>	<b>4,812</b>	<b>99.9</b>	<b>308</b>	<b>100.0</b>	<b>193</b>	<b>99.9</b>
	<b>Percentage of Total Businesses:</b>			90.6		5.8		3.6

\*NA-Tracts without household or family income as applicable

Unlike the Carroll, VA nonMSA assessment area, none of the middle-income census tracts in the Blacksburg-Christiansburg-Radford, VA MSA are classified as distressed or underserved.

The local economy is based on a variety of manufacturers, retail establishments, and educational facilities. Major area employers include area school systems, Virginia Polytechnic Institute and State University, Volvo Group North America, Radford University, Walmart, Carilion New River Valley Medical Center, Moog Inc. (manufacturing), BAE Systems (government contractor), and Kollmorgen Corporation (manufacturing). As indicated in the following table, area unemployment rates have declined during the recent four-year period at a rate that is similar to the decline in the overall unemployment rate for the Commonwealth of Virginia.

Geographic Area	November 2011	November 2012	November 2013	November 2014
Montgomery County	6.1%	5.5%	4.8%	4.2%
Pulaski County	6.2%	6%	5.2%	4.7%
Radford City	7.4%	6.7%	6.3%	5.1%
Blacksburg-Christiansburg-Radford, VA MSA	6.3%	5.8%	5.1%	4.5%
Commonwealth of Virginia	6%	5.4%	5%	4.5%

An individual knowledgeable of the local market area was recently contacted to discuss local economic conditions and community credit needs. The contact stated that in addition to being the area’s largest employer, Virginia Polytechnic Institute and State University (Virginia Tech) attracts many businesses to the area through its Virginia Tech Corporate Research Center. Additionally, the contact indicated that businesses are attracted to the local area because of the low cost of living and access to the interstate highway system. The contact indicated local financial institutions are reasonably meeting the credit needs of the local community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Within this assessment area, the bank originated HMDA loans totaling \$5.6 million and small business loans totaling \$4.6 million during 2013. Accordingly, the bank’s HMDA lending performance is given slightly more weight than its small business performance when evaluating the bank’s overall lending performance.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Within the Blacksburg-Christiansburg-Radford, VA MSA assessment area, the bank’s HMDA borrower distribution performance is poor while its small business distribution performance is excellent. The bank’s overall performance is reasonable.

**Distribution of HMDA Loans by Income Level of Borrower**

Blacksburg-Christiansburg-Radford, VA MSA (2013)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
<b>HMDA Totals</b>								
Low	0	0.0	0	0.0	324	7.7	25,785	4.0
Moderate	0	0.0	0	0.0	865	20.6	92,728	14.3
Middle	1	16.7	68	5.9	1,002	23.9	136,239	21.0
Upper	5	83.3	1,083	94.1	2,001	47.8	393,851	60.7
<b>Total</b>	<b>6</b>	<b>100.0</b>	<b>1,151</b>	<b>100.0</b>	<b>4,192</b>	<b>100.0</b>	<b>648,603</b>	<b>100.0</b>
Unknown	11		4,488		681		387,675	

*Percentages (%) are calculated on all loans where incomes are known*

During 2013, BOF reported originating 17 residential mortgage loans within the Blacksburg-Christiansburg-Radford, VA MSA assessment area. Of these 17 loans, 11 loans were originated to business entities and are excluded from the distribution analysis because income data is not reported for business borrowers.

As indicated in the preceding table, the bank did not originate any loans to low- or moderate-income borrowers within the assessment area during 2013. However, the demographic and aggregate data indicate that there was demand for residential mortgage loans from such borrowers. According to demographic data, 21.5% and 16% of area families are low- or moderate-income, respectively. Of the aggregate reporters’ HMDA loans, 7.7% were extended to low-income borrowers and 20.6% were extended to moderate-income borrowers. Given the absence of lending to area low- and moderate-income borrowers, the bank’s performance during 2013 is considered very poor.

While the bank’s performance was very poor during 2013, its performance during 2012 is better; however, the bank originated fewer loans. During 2012, the bank reported originating two loans, for which borrower income was reported, totaling \$204,000 during 2012. Of these loans, none were to low-income borrowers, and one (50%) was to a moderate-income borrower. According to aggregate the HMDA data, 7.4% and 18.7% of all reported HMDA loans were to low- and moderate-income borrowers, respectively. The bank’s performance during 2012 is considered reasonable.

When considering the relative size and strength of the bank’s performance during 2012 and 2013, its overall HMDA borrower distribution performance is considered poor.

**Distribution of Lending by Loan Amount and Size of Business**

Blacksburg-Christiansburg-Radford, VA MSA (2013)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	11	73.3	4,025	88.2	601	43.2	23,561	46.0
Over \$1 Million	4	26.7	538	11.8	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$100,000 or less	5	33.3	304	6.7	1,295	93.2	16,293	31.8
\$100,001-\$250,000	5	33.3	847	18.6	51	3.7	8,772	17.1
\$250,001-\$1 Million	5	33.3	3,411	74.7	44	3.1	26,169	51.1
<b>Total</b>	<b>15</b>	<b>100.0</b>	<b>4,562</b>	<b>100.0</b>	<b>1,390</b>	<b>100.0</b>	<b>51,234</b>	<b>100.0</b>

\* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data indicates that 90.6% of all local businesses have revenues that do not exceed \$1 million per year. According to 2013 aggregate small business data, 43.2% of reported loans were extended to businesses with annual revenues of \$1 million or less. The remaining loans were extended to businesses that either had revenues exceeding \$1 million or the revenue was not known. As part of the performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 58.4% were made to businesses having annual revenues of \$1 million or less. Of the bank’s small business loans extended during 2013, 73.3% were to businesses with annual revenues of \$1 million or less. The bank’s performance is considered excellent.

**Geographic Distribution of Loans**

There are no low-income census tracts and five moderate-income census tracts within the bank’s assessment area. BOF operates two branch offices within the assessment area in middle-income tracts located in eastern Pulaski County and central Montgomery County. The office located within Montgomery County is located in very close proximity to the one moderate-income tract located within Montgomery County. While the remaining four moderate-income tracts are located in the western and southwestern portion of Pulaski County, the distance from these tracts to the Pulaski County branch office is not significant and there are no geographic barriers. The demographic and aggregate data suggest that there is a reasonable level of demand for credit in the moderate-income census tracts.

BOF’s HMDA geographic distribution performance is reasonable while its small business performance is considered very poor. When considering the relative size and strength of the both the bank’s HMDA and small business lending performance, the bank’s overall geographic distribution performance is considered poor.



**Distribution of HMDA Loans by Income Level of Census Tract**

Blacksburg-Christiansburg-Radford, VA MSA (2013)									
Income Categories	Bank				Aggregate				
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$	
	(4)				(1,867)				
	Home Purchase								
Low	NA	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	256	13.7	34,965	10.4	
Middle	2	50.0	318	46.4	964	51.6	159,415	47.3	
Upper	2	50.0	368	53.6	647	34.7	142,339	42.3	
	(7)				(2,656)				
	Refinance								
Low	NA	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	3	42.9	258	22.5	418	15.7	87,018	16.0	
Middle	2	28.6	292	25.4	1,312	49.4	292,829	53.8	
Upper	2	28.6	599	52.1	926	34.9	164,932	30.3	
	(1)				(311)				
	Home Improvement								
Low	NA	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	67	21.5	1,936	13.1	
Middle	1	100.0	50	100.0	174	55.9	8,152	55.0	
Upper	0	0.0	0	0.0	70	22.5	4,738	32.0	
	(5)				(38)				
	Multi-Family								
Low	NA	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	3	7.9	3,081	2.2	
Middle	3	60.0	2,421	64.5	24	63.2	68,383	48.9	
Upper	2	40.0	1,333	35.5	11	28.9	68,290	48.9	
	HMDA Totals								
Low	NA	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	3	17.6	258	4.6	744	15.3	127,000	12.3	
Middle	8	47.1	3,081	54.6	2,474	50.8	528,779	51.0	
Upper	6	35.3	2,300	40.8	1,654	33.9	380,299	36.7	
NA*	0	0.0	0	0.0	1	0.0	200	0.0	
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>5,639</b>	<b>100.0</b>	<b>4,873</b>	<b>100.0</b>	<b>1,036,278</b>	<b>100.0</b>	

NA\*-Tracts without household or family income as applicable

Within this assessment area, refinance transactions were extended most frequently by the bank and aggregate lenders. When considering applicable demographic and aggregate data, the bank's refinance lending in moderate-income tracts is considered excellent, while its home purchase, home improvement, and multi-family lending in moderate-income census tracts is considered very poor. Given the bank's volume by loan type, its refinance lending performance had the greatest impact on its overall performance.

On a combined product basis during 2013, the bank's level of HMDA lending to borrowers located in moderate-income census tracts (17.6%) lagged the proportion of owner-occupied housing units (19.3%) but exceeded the aggregate lending level (15.3%) in moderate-income census tracts. The bank's performance during 2013 is considered reasonable.

During 2012, the bank reported originating two loans totaling \$204,000 and none were extended to borrowers located in moderate-income census tracts. According to aggregate HMDA data, 14% of all HMDA loans were extended to residents of moderate-income census tracts. The bank's performance during 2012 is considered very poor.

The bank’s overall HMDA geographic distribution performance is considered reasonable and reflects the greater weight placed on the 2013 HMDA lending given the significantly larger volume of lending during that year.

**Distribution of Small Business Loans by Income Level of Census Tract**

Blacksburg-Christiansburg-Radford, VA MSA (2013)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	220	16.6	10,441	21.0
Middle	11	73.3	2,094	45.9	776	58.4	31,063	62.5
Upper	4	26.7	2,468	54.1	327	24.5	7,776	15.6
NA*	0	0.0	0	0.0	6	0.5	434	0.9
<b>Total</b>	<b>15</b>	<b>100.0</b>	<b>4,562</b>	<b>100.0</b>	<b>1,329</b>	<b>100.0</b>	<b>49,714</b>	<b>100.0</b>

\*NA-Tracts without household or family income as applicable  
Loans where the geographic location is unknown are excluded from this table.

During 2013, BOF did not originate any small business loans within the assessment area’s moderate-income tracts. Nonetheless, with 17.7% of the assessment area’s small businesses located within the moderate-income tract, and 16.6% of the aggregate reporters’ small business loans extended to businesses in this tract, lending opportunities do exist within these areas. The bank’s geographic distribution performance is considered very poor.

**METROPOLITAN AREAS**

*(For each metropolitan area where no assessment areas were reviewed using full-scope review)*

**DESCRIPTION OF OPERATIONS IN THE ROANOKE, VA MSA ASSESSMENT AREA**

One assessment area, which is noted in the table below, was reviewed using the limited review examination procedures. Information detailing the composition of this assessment area, including selected demographic data, is included in **APPENDIX A** of this report.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Facts and data reviewed for the Roanoke, VA MSA assessment area, including performance and demographic information, can be found in **APPENDIX A** of this evaluation. A conclusion regarding performance, which did not impact the institution's overall rating, is included in the following table. The conclusion state below conveys whether performance in the assessment area was generally below, consistent with, or exceeded the institution's overall rating, which is Satisfactory.

<b>Assessment Area</b>	<b>Lending Test</b>
Roanoke, VA MSA	Consistent

**CRA APPENDIX A  
LIMITED REVIEW TABLES**

**Roanoke, VA MSA Assessment Area**

The bank operates two branches in this assessment area, which includes census tracts 0303.00 – 0309.00 in Roanoke County and all of the City of Salem, Virginia. The assessment area is a portion of the Roanoke, VA MSA.

**Performance Test Data for Roanoke, VA MSA Assessment Area**

**Limited Review Lending Table**

Roanoke, VA MSA (2013)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	<b>Home Purchase</b>				<b>Home Improvement</b>			
<i>Geographic</i>	<b>(2)</b>				<b>(1)</b>			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	3.0	4.4	0	0.0	5.0	4.4
Middle	0	0.0	39.1	38.0	0	0.0	46.5	38.0
Upper	2	100.0	57.9	57.5	1	100.0	48.5	57.5
	<b>Refinance</b>				<b>Multi-Family</b>			
<i>Geographic</i>	<b>(4)</b>				<b>(0)</b>			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	3.2	4.4	0	0.0	0.0	4.4
Middle	2	50.0	38.8	38.0	0	0.0	50.0	38.0
Upper	2	50.0	58.0	57.5	0	0.0	50.0	57.5
	<b>HMDA Totals</b>				<b>Consumer</b>			
<i>Geographic</i>	<b>(7)</b>				<b>(NA)</b>			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	3.2	4.4	NA	NA	NA	NA
Middle	2	28.6	39.4	38.0	NA	NA	NA	NA
Upper	5	71.4	57.4	57.5	NA	NA	NA	NA
<i>Borrower</i>	<b>(4)</b>				<b>(NA)</b>			
Low	0	0.0	8.1	12.2	NA	NA	NA	NA
Moderate	1	25.0	20.3	15.4	NA	NA	NA	NA
Middle	2	50.0	25.1	20.7	NA	NA	NA	NA
Upper	1	25.0	46.5	51.7	NA	NA	NA	NA
	<b>Small Business</b>				<b>Small Farm</b>			
<i>Geographic</i>	<b>(3)</b>				<b>(NA)</b>			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	33.3	16.1	13.1	NA	NA	NA	NA
Middle	1	33.3	35.9	39.0	NA	NA	NA	NA
Upper	1	33.3	48.1	47.9	NA	NA	NA	NA
<i>Revenue</i>	<b>(3)</b>				<b>(NA)</b>			
Busn/ Farms with revenues <=\$1 M	3	100.0	50.0	90.0	NA	NA	NA	NA

*Geographic ( ) represents the total number of bank loans for the specific Loan Purpose where geography is known  
Borrower ( ) represents the total number of bank loans for the specific Loan Purpose where income is known  
NA represents no activity in the income category*

Although not reflected in the preceding table, the bank's HMDA lending performance during 2012 is weaker than its performance during 2013.

**CRA APPENDIX B**

**LOAN, BRANCH, AND DEPOSIT VOLUME BY ASSESSMENT AREA**

The following table includes the distribution of branch offices, along with deposit and loan volume. The deposit volume includes all bank deposits and is current as of June 30, 2014, while the loan volume includes all HMDA and small business loans considered in the evaluation.

Assessment Area	Loan Volume				Branches		Deposit Volume	
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Blacksburg-Christiansburg-Radford, VA MSA	34	31.8%	\$10,405	50%	2	28.6%	\$28,406	12%
Carroll, VA nonMSA	60	56.1%	\$8,338	40%	3	42.8%	\$143,029	60.3%
Roanoke, VA MSA	13	12.1%	\$2,090	10%	2	28.6%	\$65,542	27.7%
<b>Total</b>	<b>107</b>	<b>100%</b>	<b>\$20,833</b>	<b>100%</b>	<b>7</b>	<b>100%</b>	<b>\$236,977</b>	<b>100%</b>

## CRA APPENDIX C

### 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.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. 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 CFR 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 the Federal Deposit Insurance Corporation 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 Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, 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 to meet essential community needs, including needs of low- and moderate-income individuals.

**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.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male 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 Test (and if applicable, consideration of investments and services) is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, 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 under the Lending Test (and if applicable, consideration of investments and services) is analyzed using only quantitative factors (for example, 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.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A 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. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a 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.

**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(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report 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 either secured by 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):** 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 are 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 a geography.