

# **PUBLIC DISCLOSURE**

December 12, 2011

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

West Chester Savings Bank  
RSSD# 440446

1060 West Monroe Street  
Washington, Iowa 52353

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, IL 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. 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 bank.

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**BANK'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This bank is rated Satisfactory.**

West Chester Savings Bank is meeting the community's credit needs based on an analysis of lending activities and the current economic conditions of the area. The average loan-to-deposit ratio is reasonable given the asset size, financial conditions, and credit needs of the assessment area. A substantial majority of the bank's loans are located in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area including moderate-income census tracts. The bank's lending reflects reasonable penetration among individuals of different income levels, including among low- and moderate-income individuals, and businesses of different sizes. Finally, there were no CRA-related complaints received by the bank or this Reserve Bank since the previous evaluation period.

**SCOPE OF EXAMINATION**

West Chester Savings Bank's CRA Performance was evaluated in the context of information about the institution and assessment area, such as asset size, financial condition, competition, and economic and demographic characteristics. The evaluation focused on the bank's record of making home mortgage small business loans available in its assessment area; both types of loans are among the bank's primary credit products. Performance within the designated assessment area was evaluated using the small bank, full-scope examination procedures based on the following performance standards:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio was calculated from December 31, 2007 to September 30, 2011 for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's 2009 and 2010 Home Mortgage Disclosure Act (HMDA)-reportable loans and small business loans originated from August 1, 2010 to July 31, 2011 were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** - The bank's 2010 HMDA-reportable loans and small business loans originated within the assessment area, from August 1, 2010 to July 31, 2011, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** - The bank's 2010 HMDA-reportable loans and small business loans originated within the assessment area, from August 1, 2010 to July 31, 2011, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.

- **Response to Substantiated Complaints** – A review of complaints received by the institution was conducted to determine if the bank received any CRA-related complaints since the previous examination and, if so, what actions it took in response."

**DESCRIPTION OF BANK**

West Chester Savings Bank is a subsidiary of Central Bancshares, Inc., Muscatine, Iowa, which is a four-bank holding company. As of September 30, 2011, West Chester Savings Bank had \$49.6 million in assets with \$29.2 million in total loans. West Chester Savings Bank has one office in Washington, Iowa. Its only full service ATM is located at the main office.

Core business activities have not changed since the previous evaluation. Loan volumes by dollar amount, however, are down by 9.6 percent primarily as a result of residential real estate loans being moved to the secondary market. As of June 30, 2011, the bank ranked eighth in market share of deposits originated in the assessment area among the 14 FDIC-insured financial institutions operating within the market. The bank’s market share has been stable with the current share of 5.4 percent similar to the 5.5 percent market share noted at the previous evaluation. The bank offers standard deposit and loan products with 1-4 family residential mortgage loans representing the largest loan category. The bank also originates a large number of commercial loans as well as agricultural and consumer loans.

Composition of Loan Portfolio as of 9/30/2011 (000's)			
Category	Type	\$	%
Real Estate Secured	1-4 Family Residential	9,166	31.4
	Farmland	5,084	17.4
	Non-farm, Non-residential	2,179	7.5
	Total Real Estate Secured	16,429	56.3
Agricultural	Agricultural	5,270	18.1
Commercial	Commercial and Industrial	5,100	17.5
Consumer	Loans to Individuals	1,872	6.4
Other	Other	498	1.7
	Total	29,169	100

There are no known legal, financial or other factors impeding the bank’s ability to help meet the credit needs in its communities. The bank was rated satisfactory under the CRA at its previous evaluation conducted on December 10, 2007.

**DESCRIPTION OF ASSESSMENT AREA**

West Chester Savings Bank’s assessment area has not changed since the previous evaluation. The assessment area includes four census tracts in Washington County (9602, 9603, 9604, 9605) and one census tract in Keokuk County (9801). Washington County is part of the Iowa City, IA Metropolitan Statistical Area (26980).

The assessment area has two moderate-income census tracts (9602, 9603) and three middle-income census tracts (9801, 9604, 9605). The two middle-income census tracts in Washington County are neither underserved nor distressed. The one middle-income census tract in Keokuk County (9801), however, is both underserved and distressed. This census tract is in a remote rural area and has experienced population loss. See Appendix B for a map of the assessment area.

The following table details the demographics of the assessment area.

Assessment Area Demographics – 2010								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	1,005	20.5
Moderate-income	2	40.0	2,255	46.0	129	5.7	1,324	27.0
Middle-income	3	60.0	2,649	54.0	132	5.0	1,474	30.0
Upper-income	0	0	0	0.0	0	0.0	1,101	22.5
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>5</b>	<b>100.0</b>	<b>4,904</b>	<b>100.0</b>	<b>261</b>	<b>5.3</b>	<b>4,904</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	3,413	2,410	45.9	70.6	809	23.7	194	5.7
Middle-income	4,023	2,836	54.1	70.5	907	22.5	280	7.0
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>7,436</b>	<b>5,246</b>	<b>100.0</b>	<b>70.5</b>	<b>1,716</b>	<b>23.1</b>	<b>474</b>	<b>6.4</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	505	45.3	458	44.6	29	54.7	18	50.0
Middle-income	610	54.7	568	55.4	24	45.3	18	50.0
Upper-income	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>1,115</b>	<b>100.0</b>	<b>1,026</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>92.0</b>		<b>4.8</b>		<b>3.2</b>

Based on 2008 D&B information according to 2000 Census Boundaries.

*Population Characteristics*

The population in Washington County, which represents the majority of the assessment area, has grown at an estimated rate of 5.0 percent since the 2000 census. The increase represents slightly higher growth than the state of Iowa’s 4.1 percent growth rate since the 2000 census. Keokuk County, in contrast, has seen a sharp decrease of 7.8 percent since the 2000 census, continuing the trend of population loss in rural Iowa.

Population Changes 2000 Census vs. 2010			
Area	2000 Census	2010 Estimates	Percentage Change
Assessment Area	17,698	N/A	N/A
Keokuk County	11,400	10,511	-7.8
Washington County	20,670	21,704	5.0
Iowa	2,926,324	3,046,355	4.1

*Source: U.S. Census Bureau*

*Income Characteristics*

The median family income has increased since the 2000 census in both counties. In the State of Iowa, median family income has increased by 33.3 percent to \$64,000 since the 2000 census, and both counties have had similar percentage increases. Since the 2000 census, Keokuk County’s median family income has increased by 31.8 percent to \$55,100 which is slightly less than the state of Iowa. Washington County’s median family income has increased by 39.1 percent to \$63,500, which remains lower than the State of Iowa’s median family income, but its rate of increase is higher than the state’s.

Median Family Income Changes 2000 Census vs. Year 2011			
Area	2000 Census	2011 Estimates	Percentage Change
Assessment Area	\$44,794	N/A	N/A
Keokuk County	\$41,818	\$55,100	31.8
Washington County	\$45,636	\$63,500	39.1
Iowa	\$48,005	\$64,000	33.3

*Source: U.S. Department of Housing and Urban Development*

*Bankruptcy Rates*

Both counties have bankruptcy rates lower than the national average and close to the State of Iowa’s rate. The bankruptcy filing rate for the United States and Iowa for 2010 was 4.9 percent and 3.1 percent, respectively. The bankruptcy filing rate in Keokuk County was 4.1 percent in 2010 which ranks 10<sup>th</sup> highest in the state of Iowa. This rate compares favorably to the national average, but is almost a full percentage point higher than the state of Iowa. Washington County’s

bankruptcy filing rate was 3.1 percent which ranks 27<sup>th</sup> in the state of Iowa. This rate compares favorably to the national average and is essentially equal to the statewide average.

*Housing Characteristics*

The assessment area’s housing characteristics are similar to the State of Iowa’s housing characteristics. The assessment area has 7,436 housing units of which 70.5 percent are owner-occupied, 23.1 percent are rental units, and 6.4 percent are vacant. In comparison, 67.5 percent of the State of Iowa’s housing units are owner-occupied, with 25.8 percent serving as rental units, and 6.7 percent remaining vacant. The median age of housing stock in the assessment area is 57 years, which is higher than the state of Iowa at 41 years. The assessment area’s median housing value is \$78,100, which is lower than the state of Iowa at \$82,100.

The affordability ratios for the assessment area and the state of Iowa are .49 and .48 respectively, indicating that affordability of housing in the bank’s assessment area is equally as affordable as housing in the state of Iowa. Please reference Appendix A for a description of the affordability ratio calculation.

Both counties and the State of Iowa have lower foreclosure rates than the national average. According to RealtyTrac, the foreclosure rate for Washington County and Keokuk County in October 2011 were .07 percent and .14 percent, respectively. These rates compare to the state of Iowa rate of 0.13 percent and the national rate of .18 percent.

The following table puts the assessment area’s housing costs into context:

Housing Costs				
Location	Median Housing Value	Median Gross Rent	Fair Market Rent *	Affordability Ratio
Assessment Area	\$78,180	\$415	N/A	49
Keokuk County	\$55,200	\$372	\$534	61
Washington County	\$84,200	\$424	\$567	46
Iowa	\$82,100	\$470	N/A	48

*2000 United States Census Data;  
\*Department of Housing and Urban Development for Fiscal Year 2012*

*Employment Conditions*

The assessment area’s largest employers are in the hotel and motel industry, rehabilitation services industry, and the federal government-national security sectors. Based on conversations with community contacts and management, agriculture is a big driver of the economy with livestock, corn, and soybeans as major agricultural focuses. Manufacturers are also beginning to hire more employees as the economy improves.

The following table shows examples of some of the assessment area's top employers:

Largest Employers in the Assessment Area		
Company	# Employed	Industry
Riverside Hotel	500-999	Hotels & Motels
Systems Unlimited	100-249	Rehabilitation Services
US Army National Guard Armory	100-249	Federal Government- National Security
Ainsworth 4 Corners Fuel	100-249	Convenience Stores
Hy-Vee	100-249	Grocers-Retail
Iowa Bridge & Culvert	100-249	Contractors
Walmart	100-249	Department Stores
Washington County Hospital	100-249	Hospitals
Pleasantview Home	100-249	Nursing & Convalescent Homes

*Source: Iowa Workforce Information Network*

### Unemployment

The unemployment rate in the assessment area has risen since 2008, but remains lower than the rates in both the state of Iowa and the United States as a whole. Keokuk County has seen a slightly sharper increase going from 4.7 percent in 2008 to 5.6 percent in 2011. Washington County has had smaller increases in unemployment as the 4.2 percent unemployment rate from 2008 has risen slightly to 4.3 percent in 2011. These trends are similar to the national and statewide rates and trends, though these counties did not have unemployment to the same degree.

Unemployment Statistics				
Region	October 2011	2010	2009	2008
United States	9.0%	9.6%	9.3%	5.8%
Iowa	6.0%	6.1%	5.6%	4.3%
Keokuk	5.6%	6.7%	7.0%	4.7%
Washington County	4.3%	5.3%	4.9%	4.2%

*Source: United States Department of Labor – Bureau of Labor Statistics; Iowa Workforce Information Network*

### Community Representatives

Two community representatives were contacted for this evaluation to provide a local perspective on the economy and credit needs of the community. Both contacts in general had a positive tone regarding the lenders in the community. In their opinions, banks are proactive in meeting the community's credit needs, and residents do not generally need to use non-local banks to meet credit needs. The area's economic strengths include its agricultural sector and low unemployment rate relative to other parts of the country. Weaknesses include resistance to change in areas such as technology and lack of land to develop. While banks are doing a favorable job, the contacts expressed that there may be opportunities for housing development at all levels, possibly including among lower income populations. Also, there may be opportunities to develop land for commercial use.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

West Chester Savings Bank's performance under the loan-to-deposit (LTD) ratio criterion is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank was compared to its competitors and its peer group for the loan-to-deposit ratio test. The bank's peer group consists of insured commercial banks having assets less than \$50 million, with one full service banking office located in a metropolitan statistical area.

At 77.8 percent, the bank's average LTD ratio exceeds the peer group average LTD ratio of 61.2 percent. The bank falls in the middle of its competitors for this test. The bank's LTD has declined from the previous evaluation when it was 87.3 percent.

The following table provides context for comparing the bank's LTD to its competitors and peer group:

Comparative Loan-to-Deposit Ratios		
Institution	Asset Size 9/20/2011	Loan-to-Deposit Ratio (%) 16 - Quarter Average
West Chester Savings Bank	\$49,629	77.8
National Peer Group 14	N/A	61.2
Competitors		
Farmers Savings Bank	\$80,465	56.5
Federation Bank	\$110,283	79.7
Hills Bank and Trust	\$1,994,520	110.7
People's Savings Bank	\$28,584	58.8
People's Trust and Savings Bank	\$23,956	30.1
US Bank NA	\$319,449,271	99.3
Washington State Bank	\$223,716	80.7

### Assessment Area Concentration

A substantial majority of loans are made within the assessment area. The bank originated 89.3 percent of its loans within the assessment area by number of loans, and 86.0 percent of the total dollar amount are within the assessment area. The bank's record improved since the previous evaluation. At the time of the previous evaluation, 81.3 percent of its loans by number were originated within the assessment area.

The HMDA-reportable loans reviewed to assess bank performance under this criterion represent two years of data while the small business loans represent one year of data. The following table presents the bank's primary loan products originated inside and outside of the assessment area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase Loans	55	90.2	4,523	88.8	6	9.8	573	11.2
Refinanced Loans	77	86.5	6,482	87.2	12	13.5	955	12.8
Home Improvement Loans	39	92.9	1,637	93.6	3	7.1	112	6.4
Total HMDA-Reportable Loans	171	89.1	12,642	88.5	21	10.9	1,640	11.5
Total Small Business Loans	63	90.0	2,573	75.4	7	10.0	840	24.6
Total Loans	234	89.3	15,215	86.0	28	10.7	2,480	14.0

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The analysis considers both residential real estate loans and commercial loans.

The distribution of residential real estate loans shows reasonable dispersion. The bank lends 43.5 percent of its loans to borrowers in moderate-income census tracts and 56.5 percent to borrowers in middle-income census tracts. The distribution is similar to the previous evaluation when the bank lent 45.5 percent of its residential real estate loans to borrowers in moderate-income census tracts and 54.5 percent to borrowers in middle-income census tracts. The percentage lent to borrowers in moderate-income census tracts is slightly below the aggregate percentages of 48.3; however, the bank's loan distribution essentially mirrors the family distribution by census tract as 46.0 percent of families are located in moderate-income census tracts and 54.0 percent of families are in middle-income census tracts.

2010 Home Mortgage Lending Geographic Distribution (000's)								
Census Tract Income Level	Bank Loans				Aggregate of All Lenders		Owner-Occupied Housing	Families by Census Tract Income Level
	#	%	\$	%	# %	\$ %	%	%
<b>Home Purchase Loans</b>								
Low	0	0.0	0	0.0	0.0	0.0	0.0	0.0
Moderate	5	45.5	398	45.2	50.0	49.1	45.9	46.0
Middle	6	54.5	483	54.8	50.0	50.9	54.1	54.0
Upper	0	0.0	0	0.0	0.0	0.0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0	0.0	0.0	0.0
Total	11	100.0	881	100.0	100.0	100.0	100.0	100.0
<b>Refinanced Loans</b>								
Low	0	0.0	0	0.0	0.0	0.0	0.0	
Moderate	12	46.2	850	35.8	49.3	46.5	45.9	
Middle	14	53.8	1,527	64.2	50.7	53.5	54.1	
Upper	0	0.0	0	0.0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.0	0.0	0.0	
Total	26	100.0	2,377	100.0	100.0	100.0	100.0	
<b>Home Improvement Loans</b>								
Low	0	0.0	0	0.0	0.0	0.0	0.0	
Moderate	3	33.3	187	31.6	41.3	30.8	45.9	
Middle	6	66.7	404	68.4	58.7	69.2	54.1	
Upper	0	0.0	0	0.0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.0	0.0	0.0	
Total	9	100.0	591	100.0	100.0	100.0	100.0	
<b>Total Home Mortgage Loans</b>								
Low	0	0.0	0	0.0	0.0	0.0	0.0	
Moderate	20	43.5	1,435	37.3	48.5	46.3	45.9	
Middle	26	56.5	2,414	62.7	51.5	53.7	54.1	
Upper	0	0.0	0	0.0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.0	0.0	0.0	
Total	46	100.0	3,849	100.0	100.0	100.0	100.0	

The distribution of small business loans shows reasonable distribution to small businesses in moderate- income census tracts. The bank lends 58.6 percent of its small business loans to borrowers in moderate-income census tracts while lending 41.4 percent of its small business loans to borrowers in middle-income census tracts. This distribution compares favorably to the demographics of businesses within the census tract as 47.5 percent of businesses are located within moderate-income census tracts. The bank's distribution has narrowed slightly since the previous evaluation when the bank lent 64.5 percent of its small business loans to borrowers in moderate-income census tracts and 35.5 percent of its small business loans to borrowers in middle-income census tracts.

Small Business Lending Geographic Distribution (000's)						
Census Tract Income Level	Bank Loans					Businesses by Census Tract Income Level
	#	%	\$	%		%
Low	0	0.0	0	0.0		0.0
Moderate	34	58.6	1,071	60.4		47.5
Middle (Distressed)	5	8.6	296	16.7		N/A
Middle	19	32.8	405	22.9		N/A
Middle Combined	24	41.4	701	39.6		52.5
Upper	0	0.0	0	0.0		0.0
Unknown	0	0.0	0	0.0		0.0
Total	58	100.0	1,772	100.0		100.0

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

The bank has reasonable penetration among individuals of different incomes levels and businesses of different sizes. The penetration is reasonable given the assessment area's demographics and economic realities.

Home Mortgage Lending Borrower Distribution (000's)							
Income Level of the Borrower	Bank Loans				Aggregate of All Lenders		Families by Family Income Level
	#	%	\$	%	# %	\$ %	%
<b>Home Purchase Loans</b>							
Low	2	18.2	108	12.3	26.2	19.8	20.5
Moderate	4	36.3	362	41.0	29.1	24.3	27.0
Middle	3	27.3	293	33.3	22.8	29.7	30.0
Upper	2	18.2	118	13.4	11.2	16.3	22.5
Unknown	0	0.0	0	0.0	10.7	9.9	0.0
Total	11	100.0	881	100.0	100.0	100.0	100.0
<b>Refinanced Loans</b>							
Low	4	15.4	165	6.9	14.3	7.7	20.5
Moderate	3	11.5	209	8.8	20.9	17.2	27.0
Middle	9	34.6	743	31.3	25.4	25.8	30.0
Upper	8	30.8	974	41.0	30.0	39.4	22.5
Unknown	2	7.7	286	12.0	9.4	9.9	0.0
Total	26	100.0	2,377	100.0	100.0	100.0	100.0
<b>Home Improvement Loans</b>							
Low	1	11.1	54	9.1	18.3	10.6	20.5
Moderate	2	22.2	82	13.9	29.4	23.5	27.0
Middle	3	33.3	198	33.4	19.3	15.3	30.0
Upper	3	33.3	257	43.5	23.8	48.6	22.5
Unknown	0	0.0	0	0.0	9.2	2.0	0.0
Total	9	100.0	591	100.0	100.0	100.0	100.0
<b>Total Home Mortgage Loans</b>							
Low	7	15.2	327	8.5	18.2	11.2	20.5
Moderate	9	19.6	653	17.0	24.5	19.5	27.0
Middle	15	32.6	1,234	32.1	23.6	25.9	30.0
Upper	13	28.3	1,349	35.0	23.6	33.6	22.5
Unknown	2	4.3	286	7.4	10.1	9.8	0.0
Total	46	100.0	3,849	100.0	100.0	100.0	100.0

Home mortgage lending penetration is reasonable, but it is below the aggregate and area demographics. The bank's home mortgage lending portfolio shows 15.2 percent of its loans are to low-income borrowers, and 19.6 percent of its loans are to moderate-income borrowers. The aggregate data reveals that 18.2 percent of loans are to low-income borrowers and 24.4 percent are to moderate-income borrowers. Home mortgage lending portfolio is also below the assessment area demographics for low and moderate income families. The lower numbers are attributed to the bank focus of originating shorter term loans in-house while utilizing the secondary market to fund long-term loans including USDA loans which require lower down payments and are most beneficial to low and moderate income borrowers.

Small Business Loan Distribution By Revenue and Loan Size (000's)					
Category	Bank Loans				Businesses By Annual Revenues
	#	%	\$	%	# %
<b>By Revenue</b>					
\$1 Million or Less	58	92.1	1,772	68.9	90.8
Over \$1 Million	5	7.9	801	31.1	6.9
Not Known	0	0.0	0	0.0	2.3
Total	63	100.0	2,573	100.0	100.0
<b>By Loan Size</b>					
\$100,000 or less	57	90.4	1,195	46.4	
\$100,000 - \$250,000	3	4.8	578	22.5	
\$250,000 - \$1 Million	3	4.8	800	31.1	
Total	63	100.0	2,573	100.0	
<b>By Loan Size and Revenue \$1 Million or Less</b>					
\$100,000 or less	55	94.8	1,128	63.7	
\$100,000 - \$250,000	2	3.5	378	21.3	
\$250,000 - \$1 Million	1	1.7	266	15.0	
Total	58	100.0	1,772	100.0	

Small business lending reflects reasonable penetration among small businesses in the assessment area. Overall, 92.1 percent of commercial loans are to businesses with revenues of \$1 million or less. Of these loans, 94.8 percent are for less than \$100,000. Small businesses typically seek loans with origination amounts of less than \$100,000 to meet their credit needs. A substantial majority (90.5 percent) of commercial loans have origination amounts under \$100,000.

### Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous evaluation.

### 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.

## CRA APPENDIX A

### GLOSSARY

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Affordability ratio:** To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

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

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

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Fair market rent:** Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

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

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

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area:** 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. A metropolitan statistical area that crosses into two or more



bordering states is called a multistate metropolitan statistical area (**MMSA**). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

**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.

**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.

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

**Small loans to farms:** 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 thousand or less and are either secured by farmland, including farm residential and other improvements, 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.

### Appendix B

The following map shows the assessment area with its four census tracts in Washington County and one census tract to the west in Keokuk County:

