

PUBLIC DISCLOSURE

October 21, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Huron Community Bank
RSSD# 475345

301 Newman Street
East Tawas, Michigan 48730

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 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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INSTITUTION'S CRA RATING

Huron Community Bank (the bank) is rated **Satisfactory**. This rating is based on the following conclusions with respect to the performance criteria:

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

SCOPE OF EXAMINATION

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

- ***Loan-to-Deposit Ratio*** – A 16-quarter average LTD ratio ending June 30, 2019, was calculated for the bank, and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's home mortgage, small business, and small farm loans originated from January 1, 2018 through December 31, 2018, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2018 through December 31, 2018, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Businesses and Farms of Different Sizes*** – The bank's home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2018 through December 31, 2018, 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* – Neither Huron Community Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: economic development, and affordable housing.

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 September 21, 2015 performance evaluation.

DESCRIPTION OF INSTITUTION

Huron Community Bank is a wholly owned subsidiary of Huron Community Financial Services, Inc., a one bank-holding company headquartered in East Tawas, Michigan, with \$217.1 million in total assets. In addition to its main office in East Tawas, the bank operates six additional offices located in Iosco, Alcona, Ogemaw, and Arenac Counties in northeastern Michigan. All locations maintain their own full-service automated teller machine (ATM) and are located in middle-income census tracts.

As of June 30, 2019, the bank reported total assets of \$217.1 million. The bank's primary business focus is commercial lending as shown in the table below; however, additional products are offered, including residential real estate and consumer loans.

Composition of Loan Portfolio as of June 30, 2019		
Loan Type	\$(000)	%
Agricultural	153	0.1
Commercial	113,244	78.1
Residential Real Estate	28,127	19.4
Consumer	2,760	1.9
Other	744	0.5
Gross Loans	145,028	100.0

Note: Percentages may not total 100.0 percent due to rounding.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is comprised of Alcona, Arenac, Iosco, and Ogemaw Counties in their entirety (see Appendix A for an AA map). The assessment area is comprised of 30 census tracts, five moderate-income, 21 middle-income, and four census tracts with unknown income. The unknown-census tracts are located in Lake Huron. All middle-income census tracts are considered distressed and underserved; five in Arenac County due to unemployment and population loss, while the middle-income census tracts in the remaining counties are due to unemployment.

In March 2016, the bank added Ogemaw County to its assessment area due to the opening of a Loan Production Office in West Branch, Michigan. In August 2017, the Loan Production Office was converted to a full-service branch office. The FDIC deposit market share report indicates that as of June 30, 2019, the bank ranks second out of six banks in the assessment area with 21.9 percent of overall deposits.

The following table provides additional demographic information about the bank's assessment area.

Assessment Area: 2018 MI Non MSA								
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	4,901	23.7
Moderate-income	5	16.7	3,595	17.4	723	20.1	4,541	22.0
Middle-income	21	70.0	17,041	82.6	2,053	12.0	4,692	22.7
Upper-income	0	0.0	0	0.0	0	0.0	6,502	31.5
Unknown-income	4	13.3	0	0.0	0	0.0	0	0.0
Total Assessment Area	30	100.0	20,636	100.0	2,776	13.5	20,636	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	12,340	4,857	18.3	39.4	989	8.0	6,494	52.6
Middle-income	44,897	21,729	81.7	48.4	4,650	10.4	18,518	41.2
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
Total Assessment Area	57,237	26,586	100.0	46.4	5,639	9.9	25,012	43.7
	Total Businesses Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	375	12.1	341	12.3	24	10.0	10	12.0
Middle-income	2,729	87.9	2,439	87.7	217	90.0	73	88.0
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
Total Assessment Area	3,104	100.0	2,780	100.0	241	100.0	83	100.0
	Percentage of Total Businesses:			89.6		7.8		2.7
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	40	19.9	40	20.4	0	0.0	0	0.0
Middle-income	161	80.1	156	79.6	4	100.0	1	100.0
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
Total Assessment Area	201	100.0	196	100.0	4	100.0	1	100.0
	Percentage of Total Farms:			97.5		2.0		0.5
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Population Change

The assessment area has seen population decrease in all its composite counties. The highest percentage decrease was in Alcona County, which saw a 3.6 percent decrease in population from 2010 to 2015. This is in contrast with the population changes overall in the state of Michigan, which had a 0.2 percent increase in its population from 2010 to 2015. A community representative indicated that the population decrease can be attributed to the aging population. Additionally, the assessment area does not possess a four-year advanced education institution, which has led to many of the younger population moving away to attend higher education.

Population Change			
Area	2010 Population	2015 Population	Percent Change
Alcona County, MI	10,942	10,550	-3.6
Arenac County, MI	15,899	15,424	-3.0
Iosco County, MI	25,887	25,401	-1.9
Ogemaw County, MI	21,699	21,222	-2.2
State of Michigan	9,833,640	9,900,571	0.2
<small>Source: 2010 U.S. Census Bureau Decennial Census 2011-2015 U.S. Census Bureau: American Community Survey</small>			

Income Characteristics

According to the 2011-2015 American Community Survey, the median family income in the counties that make up the assessment area is as follows: \$47,514 (Alcona), \$46,436 (Arenac), \$46,042 (Iosco), and \$44,501 (Ogemaw). The median income in these counties is considerably lower than that of the state of Michigan, at \$62,247. A community representative stated that this difference can be attributed to the state of Michigan raising its minimum wage. While this has helped some families, the contact indicated that another consideration is that poor economic conditions force many residents to work multiple jobs, suggesting that the state's median family income is not the most reliable indicator of prosperity in this context.

Despite the majority of the assessment area being designated as middle-income, 45.8 percent of families are of low- or moderate-income, with 13.5 percent below the poverty level, further indicating poor economic conditions. Conversely, the growth rates in the median family income of the assessment area counties surpass the rate of the state. Alcona County experienced the largest increase in median family income of 9.3 percent. This can be attributed, at least in part, to the employment opportunities following the opening of the Alcona Health Center.

Arenac County experienced the smallest increase in median family income at 2.3 percent. Although this rate of growth is similar the state's 3.2 percent increase in median family income, it reflects a substantial disparity in growth compared to the rest of the counties. This can be explained by the county's geography as it is located at a greater distance from the assessment

area’s largest employers compared to the rest of the counties.

Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Alcona County, MI	43,482	47,514	9.3
Arenac County, MI	45,376	46,436	2.3
Iosco County, MI	44,175	46,042	4.2
Ogemaw County, MI	41,810	44,501	6.4
State of Michigan	60,341	62,247	3.2

*Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey*

Housing Characteristics

The assessment area has seen a decrease in median housing value from between 11.6 and 18.3 percent across all its composite counties. The highest housing value decrease was in Alcona County, which saw an 18.3 percent decrease in median housing value from 2010 to 2015. Conversely, median gross rent in the assessment area increased at a range of 2.8 to 19.3 percent across all its composite counties. The highest median gross rent increase was in Arenac County, with a 19.3 increase in median gross rent from 2010 and 2015. These changes are similar to the changes in median housing value and median gross rent in the state of Michigan, which had a 15.1 percent decrease in median housing value and an 8.3 percent increase in median gross rent from 2010 to 2015. Median gross rent remained relatively flat in Iosco County compared to other assessment area counties, increasing at a rate of 2.8 percent. Much of Iosco County consists of Lake Huron and the Huron National Forest; therefore, the housing supply remains relatively flat.

Through discussions with community contacts, the median housing value has been decreasing due to an aging population and the need for home renovations. Homes in the assessment area are deteriorating as residents cannot afford to maintain the properties. The decrease in home values, coupled with the area’s shortage of permanent, skilled employment opportunities makes renting more attractive than owning for residents.

Housing Costs Change						
Area	Median Housing Value		Percent Change	Median Gross Rent		Percent Change
	2010	2015		2010	2015	
Alcona County, MI	119,300	97,500	-18.3	545	609	11.7
Arenac County, MI	99,000	87,500	-11.6	492	587	19.3
Iosco County, MI	102,300	85,400	-16.5	565	581	2.8
Ogemaw County, MI	105,900	86,900	-17.9	585	670	14.5
State of Michigan	144,200	122,400	-15.1	723	783	8.3

*Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey*

Employment Conditions

The assessment area has seen a steady decrease in unemployment rates that is in line with national unemployment trends. Of the composite counties, Arenac County had the highest unemployment rate at 8.1 percent. Assessment area unemployment rates consistently trend higher than state of Michigan and national unemployment rates. For instance, in 2016 the assessment area unemployment rates ranged from 7.1 to 8.1 percent, while the state of Michigan had an unemployment rate of 4.9 percent.

A community representative stated that due to northeast Michigan’s rural nature, there are not many job opportunities. The general area has had difficulty recovering from the 2008 recession as its impact was most prevalent in smaller communities, forcing skilled individuals to leave the area in search of better paying jobs.

Unemployment Rates				
Region	2013	2014	2015	2016
Alcona County, MI	12.0	10.5	8.0	7.4
Arenac County, MI	12.3	10.8	8.9	8.1
Iosco County, MI	12.4	9.6	7.5	7.1
Ogemaw County, MI	11.2	9.7	7.8	7.5
State of Michigan	8.8	7.3	5.4	4.9

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Industry Characteristics

An Air Force base is located in Iosco County, which serves as a major employer in the area. The proximity to Lake Huron offers tourist attractions such as camp sites and waterpark/watersport-related activities that create employment opportunities. Further, the recent opening of the Alcona Health Center has created additional employment opportunities in the assessment area.

Iosco County is home to the top four largest employers in the assessment area. This includes Kalitta Air, St. Joseph Health System, Plastic Trim International Inc., and Cooper Automotive Fluid System. The majority of employers are in automotive, retail, and health service fields.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and business of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

Huron Community Bank's performance relative to the lending test is rated Satisfactory based on a reasonable loan-to-deposit ratio given the bank's size, financial condition, and assessment area credit needs; a majority of loans are made in the assessment area, the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, and lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.

Loan-to-Deposit Ratio

The bank's LTD ratio is reasonable given the bank's size, financial conditions, and assessment area credit needs. This performance criterion evaluates the bank's average LTD ratio to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the assessment area compared to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on the similarities of their locations, as they operate in the same counties as Huron Community Bank. A majority of the bank's competitors are local credit unions that were not used for comparative LTD ratio.

Comparative LTD Ratios			
Institution	Location	Asset Size (\$000s)	LTD Ratio (%)
			16 Quarter Average
Huron Community Bank	East Tawas, MI	217,072	81.5
Independent Bank	Grand Rapids, MI	3,437,152	98.1
Mercantile Bank of Michigan	Grand Rapids, MI	3,558,287	103.1

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the assessment area. A majority of loans, by number and dollar, are inside the assessment area. Based on a statistical sample of loans, the bank originated 80.3 percent of total loans by volume and 64.8 percent by dollar amount within the assessment area. Additionally, the bank originated a majority of its loans inside the assessment area for each loan type.

Lending Inside and Outside the AA								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Loans	77	85.6	5,962	73.7	13	14.4	2,131	26.3
Total Consumer Related	77	85.6	5,962	73.7	13	14.4	2,131	26.3
Small Business	41	71.9	6,883	58.7	16	28.1	4,833	41.3
Total Small Bus. Related	41	71.9	6,883	58.7	16	28.1	4,883	41.3
TOTAL LOANS	118	80.3	12,845	64.8	29	19.7	6,965	35.2

Note: Percentages may not add to 100.0 percent due to rounding.

Geographic Distribution of Loans

The bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area. This performance criterion evaluates the bank's distribution of lending within its assessment area by income level of census tracts.

A gap analysis was completed as part of the evaluation. As of 2018, Huron Community Bank's assessment area is comprised of thirty census tracts, including five moderate-, twenty-one middle- and four unknown-income census tracts. The gap analysis indicates that the bank did not to make loans in one moderate-income census tract and in three middle-income census tracts. Considering the bank's size and complexity, lending penetration throughout the assessment area is considered reasonable. Overall, no disparities or concerns were noted.

Home Mortgage Lending

The geographic distribution of home mortgage lending is reasonable. Residential real estate loans make up 19.4 percent of the loan portfolio and have remained relatively stable. Approximately 18.2 percent of the bank’s residential real estate home mortgage loans were located in moderate-income census tracts, while 81.8 percent were located in middle-income census tracts. This distribution is appropriate considering the distribution of census tracts within the assessment area (16.7 percent are moderate-income and 70.0 percent are middle-income), and that all middle-income census tracts are considered distressed and underserved. Further, the bank’s performance is comparable to the percentage of owner-occupied units within moderate- (18.3 percent) and middle-income census tracts (81.7 percent).

Geographic Distribution of Home Mortgage Loans						
Assessment Area: 2018 MI Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2018		2018		
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	14	18.2	941	15.8	18.3
	Middle	63	81.8	5,021	84.2	81.7
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	77	100.0	5,962	100.0	100.0

2018 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

Small Business Lending

The geographic distribution of small business lending is reasonable. The bank originated 100.0 percent of its small business loans within middle-income census tracts; however, no small business loans were originated in the moderate-income census tracts. This is below the 12.1 percent of small businesses located within the moderate-income census tracts; however, two of five moderate-income census tracts are occupied by the Huron National Forest and are sparsely populated, which limits lending opportunities.

Geographic Distribution of Small Business Loans						
Assessment Area: 2018 MI Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2018 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	12.1
	Middle	41	100.0	6,883	100.0	87.9
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	41	100.0	6,883	100.0	100.0

2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS
 Note: Percentages may not add to 100.0 percent due to rounding

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

This performance criterion evaluates the bank’s lending to borrowers of different income levels and businesses of different revenue sizes. The bank’s lending has a reasonable penetration among individuals of different income (including low- and moderate-income) levels and businesses of different sizes.

Home Mortgage Lending

The borrower distribution of home mortgage lending is reasonable. The bank originated 18.2 percent of home mortgage loans to low-income individuals, which is slightly below the percent of families designated as low-income within the assessment area at 23.7 percent. Additionally, the bank originated 18.2 percent of home mortgage loans to moderate-income individuals, which is slightly below the 22.0 percent of families designated as moderate-income.

Borrower Distribution of Home Mortgage Loans						
Assessment Area: 2018 MI Non MSA						
	Borrower Income Levels	Bank & Demographic Comparison 2018				Families by Family Income %
		Count		Dollar		
		#	%	\$ (000s)	\$ %	
Totals	Low	14	18.2	569	9.5	23.7
	Moderate	14	18.2	743	12.5	22.0
	Middle	24	31.2	1,308	21.9	22.7
	Upper	25	32.5	3,343	56.1	31.5
	Unknown	0	0.0	0	0.0	0.0
	Total	77	100.0	5,963	100.0	100.0

2018 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

Small Business Lending

The borrower distribution of small business lending is reasonable. During the evaluation period, the sample included 41 business loans, of which 58.5 percent were made to businesses with gross annual revenues of \$1.0 million or less. The bank's lending performance is below the gross annual revenue composition of businesses in the assessment area, as 89.6 percent of businesses have gross annual revenues of \$1.0 million or less. The bank indicated that the credit union competition in the assessment area has led to fewer opportunities for small business lending. Of the loans made to small business, 66.7 percent were in an amount equal to or less than \$100,000, which is considered most beneficial to small businesses.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2018 MI Non MSA							
Product Type		Bank & Demographic Comparison					
		2018		2018		Total Businesses %	
Revenue	Loan Size	Count Bank	Dollar Bank				
		#	%	\$ 000s	\$ %		
Small Business	\$1 Million or Less	24	58.5	3,208	46.6	89.6	
	Over \$1 Million or Unknown	17	41.5	3,675	53.4	10.4	
	Total	41	100.0	6,883	100.0	100.0	
Small Business	\$100,000 or Less	25	61.0	1,252	18.2		
	\$100,001 - \$250,000	8	19.5	1,550	22.5		
	\$250,001 - \$1 Million	8	19.5	4,080	59.3		
	Total	41	100.0	6,882	100.0		
Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	16	66.7	530	16.5		
	\$100,001 - \$250,000	5	20.8	906	28.2		
	\$250,001 - \$1 Million	3	12.5	1,772	55.2		
	Total	24	100.0	3,208	100.0		
Originations & Purchases							
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Response to Complaints

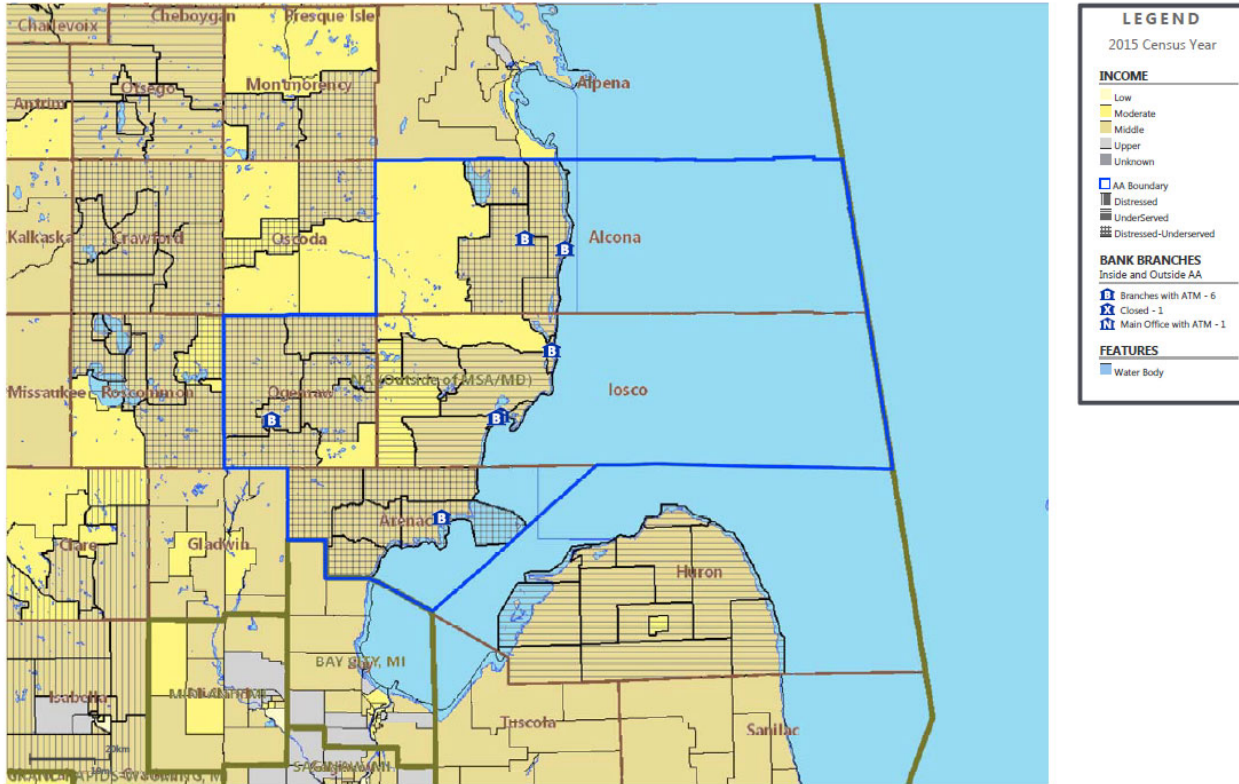
Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank’s fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. Although no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified, two violations of the Federal Trade Commission Act Section 5 (Unfair or Deceptive Acts or Practices) were identified within the bank’s overdraft fee assessment practices.

APPENDIX A – MAP OF THE ASSESSMENT AREA

Huron Community Bank 475345
MI Non MSA



APPENDIX B – 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.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

¹ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

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.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. 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 definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) 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, or 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 services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

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.

Full review: Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

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.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 census tract;
- 3) Middle-income – an 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 census tract; and

- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan production office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 MA/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 single core 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.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. 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.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).