PUBLIC DISCLOSURE

September 22, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The State Bank of Lima
RSSD# 493143

514 N. Range Line
Lima, Illinois 62348

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

NOTE: **This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of the 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'S CRA RATING: This institution is rated SATISFACTORY.

The State Bank of Lima (TSBL) meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending activity. The borrower's profile analysis reveals reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI) levels, and businesses and farms of different sizes. Secondly, the geographic distribution of loans analysis reflects reasonable dispersion throughout the bank's assessment area. The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs, and a majority of the bank's loans and other lending-related activities are in the bank's assessment area. Lastly, no CRA-related complaints were filed against the bank for this review period.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency CRA Procedures for Small Institutions*. The period of review spanned from the date of the bank's previous CRA evaluation on September 13, 2010 to September 22, 2014. Lending performance was based on a sample of the loan products and corresponding time periods displayed in the following table:

Product	Time Period
Small Farm Loans	January 1, 2012 – December 31, 2013
Small Business Loans	January 1, 2012 – December 31, 2013
Consumer Motor Vehicle Loans	January 1, 2012 – December 31, 2013

These three loan categories are considered the bank's primary lines of business, based on lending volume by number and dollar amounts and in light of the bank's stated business strategy; therefore, loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, as the bank has a particular emphasis on agricultural lending, performance based on the small farm loan product carried the most significance toward the bank's overall performance conclusions. In addition, the bank is active in making small business participation loans whereby funds are pooled with other financial institutions; some of these pooled loans are made outside of the bank's assessment area.

Under the small bank CRA performance criteria, analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; however, certain business and farm geodemographics are based on Dun & Bradstreet data, which are applicable to the years of loan data being evaluated. Additionally, the FFIEC's *Interagency CRA Procedures for Small Institutions* indicates that aggregate figures may only be relied on for performance comparisons if the loan sample period matches the available years of aggregate data. Because the bank's lending performance was based on a combined two years of data and aggregate data is based on individual years, a direct comparison of bank performance to aggregate performance cannot be made. Nevertheless, aggregate data for each of the year in which the bank's lending was reviewed and is included in the tables for reference.

Furthermore, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating within the assessment area. Three other banks were identified as similarly situated peers, with asset sizes ranging from $35.4 million to $48.5 million.

To augment this evaluation, two interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. Both interviewees are members of organizations that serve the bank's assessment area. Key details from these interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

TSBL is a full-service retail bank offering consumer, agricultural, and commercial loan and deposit products. The bank is wholly owned by Lima Bancshares, Inc., a one-bank holding company, also located in Lima, Illinois. The bank operates only one office and has not opened or closed any branches during this review period. The office has drive-up accessibility and a cash-dispensing automated teller machine; furthermore, the bank offers traditional services, online banking capabilities, and other products associated with a full-service community bank. TSBL is the only bank in the village of Lima, which has a population of 163. Lima is in a rural portion of Adams County and is located 19 miles from the city of Quincy, the largest city in the county. Based on the bank's single location in a rural part of the county, it is competitively disadvantaged in serving the entire assessment area; therefore, additional weight was placed on the analysis of lending to LMI individuals and businesses and farms of different sizes over the geographic distribution of loans among LMI geographies.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of June 30, 2014, the bank reported total assets of $34.7 million. As of the same date, loans and leases outstanding were $16.7 million (48.0 percent of total assets), and deposits totaled $29.4 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of June 30, 2014		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$1,063	6.4%
Commercial Real Estate	$3,828	23.0%
Multifamily Residential	$1,793	10.8%
1–4 Family Residential	$729	4.4%
Farmland	$3,608	21.7%
Farm Loans	$1,152	6.9%
Commercial and Industrial	$3,934	23.6%
Loans to Individuals	$272	1.6%
Total Other Loans	$277	1.7%
TOTAL	**$16,656**	**100%**

As indicated in the previous table, a significant portion of the bank's lending resources is directed to commercial and industrial loans, commercial real estate loans, and loans secured by farmland. It is also worth noting that, by number of loans originated, loans to individuals (such as consumer motor vehicle loans) represents a significant product offering of the bank. As consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products, consumer loans often represent a significant product line by number of loans made, even if not reflected as such by dollar amount outstanding.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on September 13, 2010, by the Federal Reserve Bank of St. Louis.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

TSBL's assessment area encompasses the contiguous counties of Adams and Hancock and is comprised of 25 census tracts. The assessment area is located in a nonmetropolitan statistical area (nonMSA) portion of western Illinois and borders both Missouri and Iowa to the west. The assessment area is primarily rural, with most of the land used for agriculture, except the city of Quincy, Illinois, which is the county seat of Adams County. According to 2010 U.S. Census data, Quincy has a population of 40,633, comprising nearly half of the assessment area's total population (86,207). According to the Federal Deposit Insurance Corporation Deposit Market Share Report as of June 30, 2014, the bank is ranked 18^{th} of 26 banks, encompassing 1.4 percent of the total deposits of institutions with a branch presence in TSBL's assessment area.

Due to the rural nature of the assessment area, agricultural lending is the primary credit need. Other particular credit needs in the assessment area, as noted primarily from community contacts, include increased access to funding for entrepreneurs and small businesses.

Income and Wealth Demographics

As described above, the bank's assessment area is comprised of the entire Adams and Hancock Counties and consists of 25 census tracts. The following table reflects the number and population of the census tracts within the assessment area in each income category.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	1 4.0%	4 16.0%	16 64.0%	4 16.0%	0 0.0%	**25** **100%**
Family Population	166 0.7%	2,922 12.7%	14,236 61.7%	5,757 24.9%	0 0.0%	**23,081** **100%**

The previous table reveals that the bank's assessment area contains one low- and four moderate-income census tracts, all of which are located in the city of Quincy (Adams County). Although the percentage of LMI census tracts in the assessment area (20.0 percent) is significant, the family population residing in those tracts is far lower (13.4 percent). By far, the largest portion of the assessment area family population resides in middle-income census tracts. None of the middle-income census tracts are considered distressed or underserved.

Based on 2010 U.S. Census data, the median family income for the assessment area is $55,287. At the same time, the nonMSA Illinois median family income is $54,549. More recently, the FFIEC estimates the nonMSA median family income for the state of Illinois to be $57,400 in 2012 and $56,200 for 2013. The following table displays population percentages of assessment area families by income level, compared to the nonMSA Illinois population as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	4,349 18.8%	4,207 18.2%	5,138 22.3%	9,387 40.7%	0 0.0%	**23,081** **100%**
NonMSA Illinois	86,539 19.6%	81,812 18.5%	98,309 22.3%	174,911 39.6%	0 0.0%	**441,571** **100%**

Based on the data in the preceding table, the assessment area is slightly more affluent than nonMSA Illinois as a whole. Although the first table in this section indicated that the vast majority of the assessment area families live in middle-income census tracts, this table reveals that, a good portion of assessment area families (37.0 percent) is considered LMI. This LMI family population figure is below the nonMSA Illinois figure (38.1 percent). Lastly, the level of assessment area families living below the poverty level (8.5 percent) is below that of all nonMSA Illinois families (10.0 percent).

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be comparable with that of nonMSA Illinois. The median housing value for the assessment area is $93,592, which is above the figure for nonMSA Illinois, $89,906. While the median housing value is higher for the assessment area, the assessment area affordability ratio of 46.4 percent is commensurate to the nonMSA Illinois figure of 47.0 percent. Conversely, the median gross rent for the assessment area of $541 per month is more affordable compared to $563 per month for nonMSA Illinois. Given that housing in the assessment area is comparable in affordability to statewide nonMSA data, housing appears to be within reach of most of the population, including the LMI population.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of service-oriented and manufacturing sectors. According to the U.S. Census Bureau 2012 County Business Patterns, by number of paid employees in the assessment area, health care and social assistance leads with 5,858, followed closely by manufacturing (5,379) and retail trade (5,379). Although agriculture-related industries are dominant in the assessment area, this activity is not reflected in the County Business Patterns data, as it excludes crop production statistics. Furthermore, business demographic estimates indicate that 89.5 percent of assessment area businesses and 99.6 percent of farms have gross annual revenues of $1 million or less.

The assessment area has a more favorable unemployment level than the state. Unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) indicates that the 2013 annual unemployment rates for Adams County and Hancock County were 6.5 percent and 9.6 percent, respectively. The 2013 average unemployment rate for the whole assessment area is 7.2 percent, which is below the figure for the state of Illinois (8.9 percent) for the same time period.

Community Contact Information

Information from two community contacts was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. Both interviews were conducted with individuals working in community and economic development roles. The community contact interviewees categorized the economy as stable, with low levels of unemployment compared to surrounding communities and statewide, as is evidenced by the data above. Both community contact interviewees indicated that the primary unmet credit need in the area is small business lending. Furthermore, both contacts specifically stated that the city of Quincy is saturated with financial institutions, and local banks face strong competition from larger, more aggressive financial institutions. However, all banks in the area were noted to be active in the community and willing to assist in meeting the needs of the residents.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

TSBL meets the standards for a Satisfactory rating under the FFIEC's *Interagency CRA Procedures for Small Institutions*, which evaluate bank performance under the following five criteria as applicable.

- Loan distribution by borrower's profile (applicant income or business/farm revenue).
- The geographic distribution of loans.
- The bank's average LTD ratio.
- The concentration of lending within the assessment area.
- A review of the bank's response to written CRA complaints.

The remaining sections of this evaluation are based on analyses of the bank's lending performance under these five performance criteria.

Loan Distribution by Borrower's Profile

The bank's distribution of small farm loans to farms of various sizes was reviewed. The following table reflects TSBL's distribution of small farm loans by gross annual farm revenue and loan amount.

Lending Distribution by Farm Revenue Level January 1, 2012 – December 31, 2013				
Gross Revenue	**Loan Origination Amount (in $000s)**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$500**	
$1 Million or Less	44 75.9%	4 6.9%	5 8.6%	**53 91.4%**
Greater than $1 Million	0 0.0%	4 6.9%	1 1.7%	**5 8.6%**
TOTAL	**44 75.9%**	**8 13.8%**	**6 10.3%**	**58 100%**
2012 CRA Aggregate Data	-	-	-	**51.2%**
2013 CRA Aggregate Data	-	-	-	**49.0%**

Based on this analysis of small farm loans, TSBL is doing a reasonable job of meeting the credit needs of small farms. The table above demonstrates that 53 of 58 loans reviewed (91.4 percent) were made to farms with gross annual revenues of $1 million or less. In comparison, 2013 business geodemographic data from Dun & Bradstreet indicate that 99.6 percent of agricultural institutions inside the assessment area are small farms; therefore, the bank's lending performance approaches the demographic data. Additionally, the fact that 44 of 53 loans to small farms reviewed (83.0 percent) were in amounts of $100,000 or less further indicates the bank's willingness to meet the credit needs of small farms.

As with the bank's small farm loan activity, the borrower distribution of small business loans was also analyzed by business revenue level. The following table reflects TSBL's distribution of small business loans by gross annual business revenue and loan amount.

Lending Distribution by Business Revenue Level January 1, 2012 – December 31, 2013				
Gross Revenue	**Loan Origination Amount (in $000s)**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	32 80.0%	1 2.5%	0 0.0%	**33** **82.5%**
Greater than $1 Million	6 15.0%	1 2.5%	0 0.0%	**7** **17.5%**
TOTAL	**38** **95.0%**	**2** **5.0%**	**0** **0.0%**	**40** **100%**
2012 CRA Aggregate Data	-	-	-	**24.2%**
2013 CRA Aggregate Data	-	-	-	**37.7%**

The bank's level of lending to small businesses is considered reasonable. The table above demonstrates that 33 of 40 loans reviewed (82.5 percent) were made to businesses with gross annual revenues of $1 million or less. In comparison, 2013 business demographic data from Dun & Bradstreet indicate that 89.5 percent of businesses inside the assessment area are small businesses, which is slightly above the bank's lending performance. Moreover, the fact that 32 of 33 (97.0 percent) loans to small businesses reviewed were in amounts of $100,000 or less further indicates the bank's willingness to meet the credit needs of small businesses.

Similarly, the bank's geographic distribution of consumer motor vehicle loans was reviewed. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC ($57,400 for nonMSA Illinois in 2012 and $56,200 for nonMSA Illinois in 2013). The following table displays the results of this review, along with the household population in each geography income category for comparison purposes.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Motor Vehicle Loans	13 26.5%	13 26.5%	13 26.5%	8 16.3%	2 4.1%	**49** **100%**
Household Population	22.9%	17.1%	17.7%	42.3%	0.0%	**100%**

The analysis of consumer motor vehicle loans revealed lending performance above data used for comparison purposes. Performance in low-income census tracts (26.5 percent) exceeded the household population in the assessment area (22.9 percent). Furthermore, 26.5 percent of the bank's consumer motor vehicle loans were made in moderate-income census tracts, while only 17.1 percent of the assessment area household population resides in moderate-income tracts. As lending in both low- and moderate- income geographies is excellent, the bank's performance by borrower's profile for this loan category is excellent.

Therefore, the bank's overall borrower's profile performance, based on the analyses of all three loan categories, is reasonable.

Geographic Distribution of Loans

As noted in the *Description of Assessment Area* section, the bank's assessment area contains 1 low-income census tract, 4 moderate-income census tracts, 16 middle-income census tracts, and 4 upper-income census tracts. The analysis in this section illustrates the distribution of the bank's loan activity across these geographies. The following table displays the geographic distribution of TSBL's small farm loans, along with the estimated percentages of agricultural institutions located in each geography income category used for comparison.

Distribution of Loans Inside Assessment Area by Income Level of Geography
January 1, 2012 – December 31, 2013

Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Farm Loans	0 0.0%	0 0.0%	57 98.3%	1 1.7%	0 0.0%	**58** **100%**
Agricultural Institutions	0.0%	1.0%	90.6%	8.4%	0.0%	**100%**
2012 CRA Aggregate Data	0.0%	0.0%	95.1%	4.9%	0.0%	**100%**
2013 CRA Aggregate Data	0.0%	1.0%	92.0%	7.0%	0.0%	**100%**

The bank's level of lending is similar to the data used for comparison, even though the bank did not originate any loans in LMI census tracts. The bank's performance in the low-income tract is reasonable as it mirrors Dun & Bradstreet 2013 geodemographic data (0.0 percent). However, performance in the moderate-income tracts is slightly lower than the demographic figure of 1.0 percent. Despite underperforming demographic data, this lending level is still considered reasonable based on other factors. Because the nine farms in moderate-income census tracts are located in the city of Quincy in Adams County, the bank is at a competitive disadvantage in this area based primarily on its sole office location and the distance to the moderate-income tracts, as previously discussed under the *Description of Assessment Area* section. Therefore, due to the location of the bank's office location relative to the farms in the moderate-income tracts, TSBL's distribution of small farm loans is reasonable. As specified in the table above, CRA aggregate data for the assessment area reflect that in 2012, no small farm lending occurred in the LMI census tracts; additionally, 2013 aggregate data indicate that no small farm lending occurred in the low-income tract, while 1.0 percent occurred in the moderate-income tracts.

The geographic distribution of small business loans was also reviewed and is displayed in the following table.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2012 – December 31, 2013						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	0 0.0%	0 0.0%	38 95.0%	2 5.0%	0 0.0%	**40** **100%**
Business Institutions	9.6%	9.8%	57.4%	23.3%	0.0%	**100%**
2012 CRA Aggregate Data	8.8%	10.9%	50.6%	22.2%	7.6%	**100%**
2013 CRA Aggregate Data	11.8%	10.1%	48.6%	26.6%	3.0%	**100%**

The analysis of small business loans revealed lending performance far below data used for comparison purposes. The bank made no loans to small businesses operating in LMI census tracts. In comparison, demographic data indicate that the percentage of small businesses located in low- and moderate-income geographies is 9.6 percent and 9.8 percent, respectively. The bank's competitive disadvantage in serving the LMI tracts, as discussed in the geographic distribution of small farm loans analysis, was also considered in the analysis of small business loans; however, TSBL's distribution of small business loans is poor.

As with the previous two loan categories, the bank's geographic distribution of consumer motor vehicle loans was reviewed and is displayed in the following table. In addition to the bank's lending performance, the table provides the estimated percentages of households located in each geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2012 – December 31, 2013						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Motor Vehicle Loans	0 0.0%	3 6.1%	46 93.9%	0 0.0%	0 0.0%	**49** **100%**
Household Population	2.4%	13.1%	60.2%	24.2%	0.0%	**100%**

As displayed in the table, consumer lending in the LMI tracts is below population figures. The bank originated no consumer loans to individuals residing in the low-income geography, while the household population percentage is 2.4 percent. In the moderate-income census tract, the bank's lending performance (6.1 percent) is also below comparison data (13.1 percent). Although the bank's performance is below the demographic, TSBL's lending level is still considered reasonable based on its limited opportunities to lend to the LMI tracts in Quincy. Consequently, the geographic distribution of consumer motor vehicle loans category reflects reasonable penetration throughout the assessment area.

Overall, for the three loan categories analyzed, the bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's average LTD ratio compared to those of local peers. The average LTD ratio represents a 16-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Asset Size ($000s) as of June 30, 2014**	**Headquarters**	**Average LTD Ratio**
TSBL	$34,690	Lima, Illinois	62.9%
Local Banks	$35,442	Ursa, Illinois	66.1%
	$48,465	Camp Point, Illinois	38.0%
	$37,279	Warsaw, Illinois	70.1%

Based on data from the previous table, the bank's level of lending is similar to those of similarly situated banks in the region. During the review period, the bank's LTD ratio ranged from a high of 75.8 percent on September 30, 2010 to a low of 48.2 percent on March 31, 2013, with a generally decreasing trend. The average LTD ratios for the bank's peers ranged from a high of 70.1 percent to a low of 38.0 percent. All of the similarly situated banks experienced decreases in their LTD ratios since their previous CRA evaluations, evidencing an overall local trend. Therefore, compared to data from local banks, TSBL's average LTD ratio appears to be reasonable given the bank's size, financial condition, and assessment area credit needs.

Assessment Area Concentration

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside and outside the bank's assessment area.

Lending Inside and Outside of Assessment Area ($000s) January 1, 2012 – December 31, 2013			
Loan Type	**Inside Assessment Area**	**Outside Assessment Area**	**TOTAL**
Small Farm Loans	58 90.6%	6 9.4%	**64** **100%**
	$4,459 84.2%	$836 15.8%	**$5,295** **100%**
Small Business Loans	40 67.8%	19 32.2%	**59** **100%**
	$1,308 24.3%	$4,082 75.7%	**$5,390** **100%**
Consumer Motor Vehicle Loans	49 90.7%	5 9.3%	**54** **100%**
	$338 84.5%	$61 15.3%	**$399** **100%**
TOTAL	**147** **83.1%**	**30** **16.9%**	**177** **100%**
	$6,106 **55.1%**	**$4,980** **44.9%**	**$11,086** **100%**

As shown above, a majority of the loans sampled were extended to farms, businesses, or borrowers that operate or reside in the bank's assessment area. Overall, 83.1 percent of total loans were made inside the assessment area, accounting for 55.1 percent of the dollar volume of total loans. The overall dollar volume of loans inside the assessment area is adversely affected by small business participation loans made outside of the bank's assessment area.

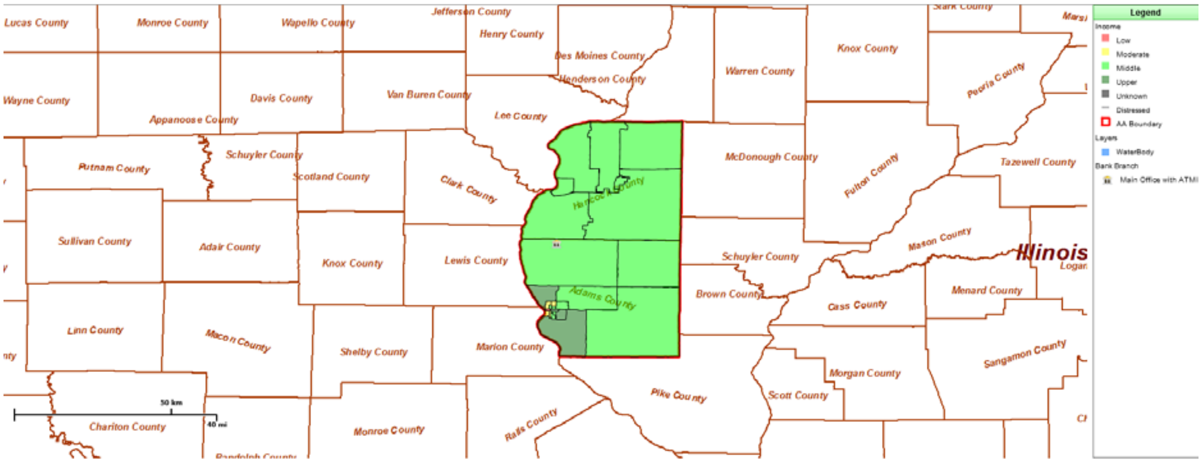
Review of Complaints

No CRA-related complaints were filed against the bank during this review period (September 13, 2010 through September 22, 2014).

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements, conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

ASSESSMENT AREA DETAIL



GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

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

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) <u>affordable housing</u> (including multifamily rental housing) for low- and moderate- income individuals; (2) <u>community services</u> targeted to low- and moderate- income individuals; (3) activities that promote <u>economic development</u> by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that <u>revitalize or stabilize</u> low- and moderate- income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

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

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders who do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Is calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

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

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were $1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured by either nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.