

# **PUBLIC DISCLOSURE**

**March 20, 2023**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First State Bank of De Queen  
RSSD #519146**

**402 West Collin Raye Drive  
De Queen, Arkansas 71832**

**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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. 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 institution.

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## INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

First State Bank of De Queen is rated **Satisfactory**. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans and other lending-related activities are originated inside the AA.
- The borrower's profile analysis reveals excellent distribution among individuals of different income levels, including low- and moderate-income (LMI), and businesses and farms of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- 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 AA.

Small farm, small business, and 1–4 family residential real estate loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Due to First State Bank of De Queen being considered an agricultural bank, small farm lending was weighted more heavily, followed by small business, and then 1–4 family residential real estate lending. The following table includes the corresponding time period for each performance category.

Performance Criterion	Time Period
LTD Ratio	September 30, 2018 – December 31, 2022
Assessment Area Concentration	January 1, 2021 – December 31, 2021
Geographic Distribution of Loans	
Loan Distribution by Borrower's Profile	
Response to Written CRA Complaints	July 30, 2018 – March 19, 2023

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Lending Test analyses often entail comparisons of bank performance to AA demographics and the performance of other lenders, based on Home Mortgage Disclosure Act and CRA aggregate lending data. Unless otherwise noted, AA demographics are based on 2015 American Community Survey data, and certain business and farm demographics are based on 2021 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an AA. Aggregate lending datasets are updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from \$164.9 million to \$784.1 million as of December 31, 2022.

To augment this evaluation, one community contact interview with a member of the local community was utilized to ascertain specific credit needs, opportunities, and local market conditions within the bank's AA. Information from this interview also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from this community contact interview are included in the *Description of Assessment Area* section.

**DESCRIPTION OF INSTITUTION**

First State Bank of De Queen is an intrastate community bank headquartered in De Queen, Arkansas. The bank's characteristics include:

- The bank is a wholly owned subsidiary of First State Bancshares, Inc., De Queen, Arkansas.
- The bank has total assets of \$310.8 million as of December 31, 2022. That represents an increase of 31.1 percent since the last evaluation.
- Including its main office in the city of De Queen, the bank has a total of seven offices located in Howard, Pike, and Sevier counties.
- Five of the bank's branches offer deposit and lending services, as well as cash-dispensing ATMs, and two branches offer drive-up only and are limited to deposit-related services.
- As shown in the following table, the bank's primary business focus is small farm, small business, and 1–4 family residential real estate lending.

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<b>Composition of Loan Portfolio as of December 31, 2022</b>		
<b>Loan Type</b>	<b>Amount \$ (000s)</b>	<b>Percentage of Total Loans</b>
Farmland	\$108,724	48.1%
1-4 Family Residential	\$43,645	19.3%
Commercial Real Estate	\$26,328	11.6%
Commercial and Industrial	\$19,912	8.8%
Farm Loans	\$11,219	5.0%
Loans to Individuals	\$10,059	4.4%
Construction and Development	\$5,851	2.6%
Multifamily Residential	\$231	0.1%
Total Other Loans	\$245	0.1%
<b>TOTAL</b>	<b>\$226,214</b>	<b>100%</b>
<i>Note: Percentages may not total 100.0% due to rounding.</i>		

The bank was rated Satisfactory under the CRA at its July 30, 2018 performance evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

**DESCRIPTION OF ASSESSMENT AREA**

The bank's Southwest Arkansas AA consists of the entirety of Howard, Pike, and Sevier counties, which are located in a nonmetropolitan statistical area (nonMSA) portion of the state (see Appendix A for an AA map).

- The AA delineation has remained unchanged since the prior CRA evaluation.
- According to the June 30, 2022 Federal Deposit Market Share report, the bank has a market share of 24.7 percent, which ranks second out of eight FDIC-insured depository institutions operating in the AA.
- According to the Bureau of Labor Statistics (as of second quarter 2022), the three largest nongovernmental industries in the AA, determined by number of employees, are manufacturing (30.9 percent), retail trade (13.7 percent), and healthcare and social services (11.0 percent).
- One community contact was used for the purpose of this examination. This individual represented a small business and technology development program in the area.

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Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown-	TOTAL
Census Tracts	0	0	9	1	0	<b>10</b>
	0.0%	0.0%	90.0%	10.0%	0.0%	100%
Family Population	0	0	10,178	738	0	10,916
	0.0%	0.0%	93.2%	6.8%	0.0%	100%

- One key change in the geographical demographics since the previous evaluation is the AA no longer has any LMI tracts. The tracts that were previously moderate-income are now middle-income.

Population Change			
Area	2015 Population	2020 Population	Percent Change
Assessment Area	41,910	38,795	-7.43%
NonMSA Arkansas	1,133,475	1,086,823	-4.12%
Arkansas	2,958,208	3,011,524	1.80%

*Source: 2020 U.S. Census Bureau: Decennial Census  
2011–2015 U.S. Census Bureau: American Community Survey*

- The community contact stated that developers are reluctant to invest in areas like De Queen because nearby metropolitan areas like Dallas and Tulsa offer more financially attractive projects. Furthermore, the community contact stated that because the area is largely rural and driven by agriculture, finding a higher-paying white-collar job is a challenge. The lack of investment and employment opportunities in the AA could be factors influencing the declining population.

Median Family Income Change			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Assessment Area	\$48,758	\$53,481	9.69%
NonMSA Arkansas	\$49,217	\$53,702	9.11%
Arkansas	\$56,576	\$62,067	9.71%

*Source: 2011–2015 U.S. Census Bureau: American Community Survey  
2016–2020 U.S. Census Bureau: American Community Survey*  
*Note: Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.*

- Over the last several years, median family income has improved and is comparable to nonMSA Arkansas. However, the community contact stressed that the AA is economically depressed, with income levels below the state average. The community contact also mentioned that farming families are struggling to keep their farms operational and are forced to hold day jobs for consistent income.

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Unemployment Rates					
Area	2018	2019	2020	2021	2022
Assessment Area	3.98%	3.91%	5.69%	4.07%	3.63%
NonMSA Arkansas	4.31%	4.27%	6.56%	4.52%	3.92%
Arkansas	3.65%	3.50%	6.18%	4.06%	3.32%

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics*

- The unemployment rate in the AA has remained relatively steady over the previous five years, notwithstanding the spike in 2020 that occurred nationwide as a result of the COVID-19 pandemic. Furthermore, the unemployment levels in the AA have consistently been below the levels seen in nonMSA Arkansas.
- According to the community contact, several small businesses have opened the last couple years, and a new Husqvarna plant opened in Howard County.

Housing Cost Burden						
Area	Cost Burden – Renters			Cost Burden – Owners		
	Low-Income	Moderate-Income	All Renters	Low-Income	Moderate-Income	All Owners
Assessment Area	55%	16%	29%	55%	16%	15%
NonMSA Arkansas	64%	30%	36%	50%	22%	16%
Arkansas	70%	31%	38%	52%	24%	15%

*Cost burden is housing cost that equals 30% or more of household income.*  
*Source: 2015–2019 U.S. Department of Housing and Urban Development (HUD): Comprehensive Housing Affordability Strategy*

- As illustrated in the table above, the housing cost burden for LMI renters and moderate-income owners in the AA is less than nonMSA Arkansas and the state as a whole. This is impacted by the median home values and median rents in the AA, which are considerably lower than nonMSA Arkansas and the state of Arkansas. In the AA, the median home value is \$75,394, and the median gross rent is \$533 per month. In comparison, the median home values in the nonMSA Arkansas and the state are \$85,869 and \$111,400, respectively, and the median gross rents are \$588 and \$677, respectively.

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## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank meets the standards for a Satisfactory rating under the small bank procedures, which evaluate bank performance under the following criteria, as applicable.

### Loan-to-Deposit (LTD) Ratio

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 AA, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, market share, and locations of operations.

Comparative LTD Ratios September 30, 2018 – December 31, 2022			
Institution	Location	Asset Size \$ (000s)	LTD Ratio (%)
			18-Quarter Average
First State Bank of De Queen	De Queen, Arkansas	\$310.8	81.6%
Similarly Situated Institutions			
Regional Banks	Murfreesboro, Arkansas	\$784.1	81.1%
	Horatio, Arkansas	\$265.1	87.3%
	Delight, Arkansas	\$164.9	94.3%

The bank's LTD ratio is reasonable. The bank's 18-quarter average LTD ratio is comparable to the bank's previous evaluation when the average LTD ratio was 82.0 percent, and it is also within the range of average LTD ratios of the similarly situated institutions.

### Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	# %	\$ (000s)	\$ %	#	# %	\$ (000s)	\$ %
Small Farm	74	83.1	5,385	74.7	15	16.9	1,821	25.3
Small Business	83	79.0	5,325	81.9	22	21.0	1,177	18.1
1-4 Family Residential Real Estate	68	91.9	6,150	90.6	6	8.1	634	9.3
<b>TOTAL LOANS</b>	225	84.0	16,860	82.3	43	16.0	3,632	17.7
<i>Note: Percentages may not total 100.0% due to rounding.</i>								

A majority of the bank's loans, by number and dollar, are originated inside the AA and have trended slightly lower than at the previous evaluation when the lending concentration was 89.4 percent and 90.6 percent, respectively.



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### Loan Distribution by Borrower's Profile

This performance criterion evaluates the bank's lending to borrowers of different income levels and businesses and farms of different revenue sizes. The bank's lending has an excellent distribution among individuals of different income levels and businesses and farms of different sizes. Small farm lending carried the most weight when determining the overall rating.

#### Small Farm Lending

The borrower distribution of small farm lending is excellent. As displayed in the following table, the bank's lending to small farms (95.9 percent) far exceeds aggregate (63.3 percent) and is above the demographic (93.3 percent).

Distribution of 2021 Small Farm Lending by Revenue Size of Farms								
Assessment Area: Southwest Arkansas								
Farm Revenue and Loan Size		Count			Dollars			Total Farms
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Farm Revenue	\$1 Million or Less	71	95.9%	63.3%	\$4,866	90.4%	78.0%	93.3%
	Over \$1 Million/ Unknown	3	4.1%	36.7%	\$518	9.6%	22.0%	6.7%
	<b>TOTAL</b>	74	100.0%	100.0%	\$5,384	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less	56	75.7%	92.8%	\$1,941	36.1%	53.0%	
	\$100,001 – \$250,000	14	18.9%	4.2%	\$2,047	38.0%	18.9%	
	\$250,001 – \$1 Million	4	5.4%	3.0%	\$1,396	25.9%	28.0%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	<b>TOTAL</b>	74	100.0%	100.0%	\$5,384	100.0%	100.0%	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	55	77.5%		\$1,880	38.6%		
	\$100,001 – \$250,000	13	18.3%		\$1,894	38.9%		
	\$250,001 – \$1 Million	3	4.2%		\$1,092	22.4%		
	Over \$1 Million	0	0.0%		\$0	0.0%		
	<b>TOTAL</b>	71	100.0%		\$4,866	100.0%		
<p>Source: 2021 FFIEC Census Data 2020 Dun &amp; Bradstreet Data 2011–2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0% due to rounding.</p>								

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Small Business Lending

The borrower distribution of small business lending is excellent. As displayed in the following table, the bank's lending to small businesses (81.9 percent) far exceeds the aggregate (44.9 percent) and is slightly below the demographic (88.8 percent). Furthermore, 89.7 percent of the bank's small business lending was made in dollar amounts of \$100,000 or less, which further demonstrates the bank's willingness to make small dollar loans to small businesses. This is consistent with a comment from the community contact, who stated that banks in the AA are receptive to making small dollar loans up to \$25,000 to businesses.

Distribution of 2021 Small Business Lending by Revenue Size of Businesses								
Assessment Area: Southwest Arkansas								
Business Revenue and Loan Size		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	%
		#	%	%	\$ (000s)	\$ %	\$ %	
Business Revenue	\$1 Million or Less	68	81.9%	44.9%	\$3,491	65.6%	42.8%	88.8%
	Over \$1 Million/ Unknown	15	18.1%	55.1%	\$1,833	34.4%	57.2%	11.2%
	<b>TOTAL</b>	83	100.0%	100.0%	\$5,324	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less	72	86.7%	91.2%	\$1,571	29.5%	47.3%	
	\$100,001 – \$250,000	6	7.2%	6.8%	\$998	18.7%	31.9%	
	\$250,001 – \$1 Million	5	6.0%	2.0%	\$2,755	51.7%	20.9%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	<b>TOTAL</b>	83	100.0%	100.0%	\$5,324	100.0%	100.0%	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	61	89.7%		\$1,130	32.4%		
	\$100,001 – \$250,000	3	4.4%		\$406	11.6%		
	\$250,001 – \$1 Million	4	5.9%		\$1,955	56.0%		
	Over \$1 Million	0	0.0%		\$0	0.0%		
	<b>TOTAL</b>	68	100.0%		\$3,491	100.0%		

Source: 2021 FFIEC Census Data  
2020 Dun & Bradstreet Data  
2011–2015 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0% due to rounding.

Residential Real Estate Lending

The bank's 1–4 residential real estate loan distribution is reasonable. The bank's performance to low-income borrowers (7.4 percent) is significantly above the aggregate (4.2 percent); however, it trails the demographic (20.9 percent). The bank's performance to moderate-income borrowers (22.1 percent) exceeds the aggregate (14.2 percent) and the demographic (20.8 percent). Therefore, when combining both income categories, the bank's lending to LMI borrowers (29.5 percent) is above the aggregate (18.4 percent) while lagging the demographic (41.7 percent).

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Distribution of 2021 1–4 Residential Real Estate Lending by Borrower Income Level							
Assessment Area: Southwest Arkansas							
Borrower Income Level	Bank and Aggregate Loans						Families by Family Income %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	\$ (000s)	\$ %	\$ %	
Low	5	7.4%	4.2%	\$233	3.8%	1.6%	20.9%
Moderate	15	22.1%	14.2%	\$782	12.7%	8.6%	20.8%
Middle	13	19.1%	20.8%	\$1,123	18.3%	18.0%	17.3%
Upper	35	51.5%	39.9%	\$4,013	65.3%	47.3%	41.0%
Unknown	0	0.0%	20.9%	\$0	0.0%	24.5%	0.0%
<b>TOTAL</b>	<b>68</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$6,150</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*Source: 2021 FFIEC Census Data  
2011–2015 U.S. Census Bureau: American Community Survey*

*Note: Percentages may not total 100.0% due to rounding. Multifamily loans are not included in the borrower distribution analysis.*

### Geographic Distribution of Loans

Under the geographic distribution of loans analysis, emphasis is normally placed on the bank's performance in LMI geographies. However, the bank's AA does not contain any LMI census tracts. As previously stated, the bank's AA is comprised of nine middle-income census tracts and one upper-income census tract. Therefore, a detailed geographic distribution of loans analysis would not prove meaningful and was not performed as part of this evaluation. Nevertheless, the loan dispersion within the AA census tracts was reviewed, the results of which indicated that loan activity was adequately dispersed throughout the AA, consistent with demographics and bank structure. Therefore, the bank's geographic distribution of loans is reasonable.

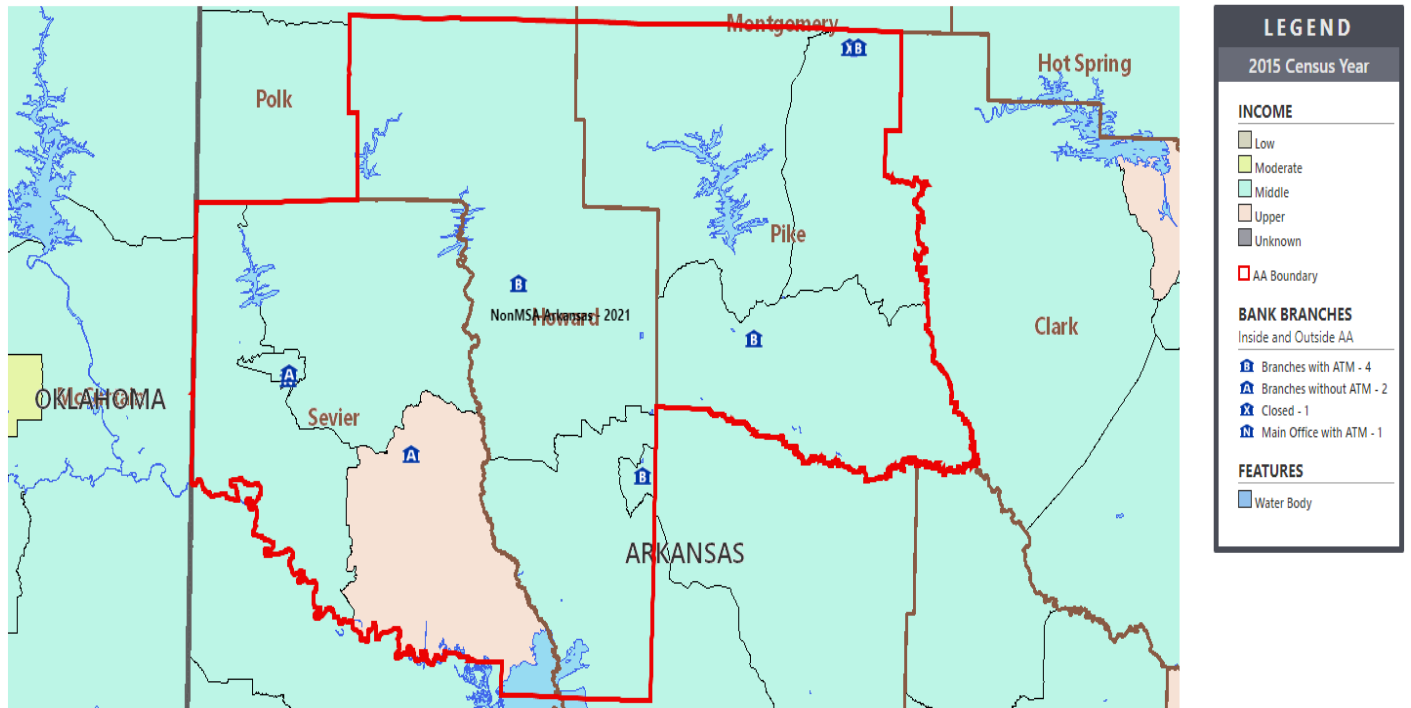
### FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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.

**APPENDIX A – MAP OF THE ASSESSMENT AREA**  
Southwest Arkansas AA – Howard, Pike, and Sevier Counties

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NonMSA, AR - 2021



**APPENDIX B – 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) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or 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; (4) activities that revitalize or stabilize low- or 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 (e.g., age, race, sex, and income) 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 income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

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