PUBLIC DISCLOSURE

January 11, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers Bank
RSSD #524757

29 East Main Street
Parsons, Tennessee 38363

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.**

TABLE OF CONTENTS

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

Farmers Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending activity. The factors supporting the institution's rating are as follows:

- The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

- A majority of the bank's loans and other lending-related activities are in the bank's assessment area.

- The borrower's profile analysis reveals reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI) levels, and businesses of different revenue sizes.

- The geographic distribution of loans reflects a reasonable dispersion throughout the bank's assessment area.

- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) Examination Procedures for Small Institutions. Residential real estate, small business, and consumer motor vehicle loans originated since the previous CRA evaluation were used to evaluate the bank's lending performance.[1] These loan categories are considered the bank's core business lines, based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, greater significance was placed on 1–4 family residential real estate loans in reaching performance conclusions as they represent the highest concentration of the bank's loan portfolio mix. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	September 30, 2016 – September 30, 2020
Assessment Area Concentration	June 20, 2016 – December 31, 2019
Loan Distribution by Borrower's Profile	June 20, 2016 – December 31, 2019
Geographic Distribution of Loans	June 20, 2016 – December 31, 2019
Response to Written CRA Complaints	June 20, 2016 – January 10, 2021

[1] 1 – 4 family residential real estate, small business, and consumer loans were sampled in accordance with CA Letter 02-3, "Policy for Sampling at Small Banks."

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are obtained from American Community Survey (ACS) and U.S. Census data; certain business demographics are derived from 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 assessment area. 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 $25.1 million to $187.5 million as of September 30, 2020.

To augment this evaluation, two community contact 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. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Farmers Bank is a full-service retail bank offering consumer and commercial loan and deposit products that is wholly owned by Townsend Financial Corporation, a one-bank holding company headquartered in Parsons, Tennessee. Farmers Bank operates exclusively from its office in Parsons, which is located in a middle-income, underserved census tract in Decatur County, Tennessee. In addition to being a full-service facility, the office has drive-up accessibility and a cash-dispensing automated teller machine (ATM) on-site. The bank did not open or close any branch offices during this review period. Based on this single full-service location, as well as other service delivery systems such as full-service online banking capabilities, the bank is well positioned to deliver financial services to its entire assessment area, including distressed and underserved geographies located within Decatur County.

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 September 30, 2020, the bank reported total assets of $42.1 million. As of the same date, loans and leases outstanding were $17.1 million (40.6 percent of total assets), and deposits totaled $36.8 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2020		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$445	2.6%
Commercial Real Estate	$2,771	16.0%
1–4 Family Residential	$6,895	39.8%
Farmland	$1,525	8.8%
Farm Loans	$13	0.1%
Commercial and Industrial (C&I)	$1,686	9.7%
Loans to Individuals	$3,995	23.1%
TOTAL	**$17,330**	**100%**

As indicated by the table above, a significant portion of the bank's lending resources is directed to loans secured by 1–4 family residential properties, followed by commercial loans (real estate and C&I combined), and loans to individuals.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on June 20, 2016, by the Federal Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 11,686, is located in a western nonmetropolitan statistical area (nonMSA) portion of Tennessee and is comprised of one county (Decatur County). The assessment area, which is comprised of four middle-income census tracts, is remote and rural. All four tracts in the assessment area are designated as underserved middle-income census tracts. Interstate 40 provides access to the northern portion of Decatur County; U.S. Highway 412 runs east and west through the central portion of the county; and U.S. Highway 641 provides northern-southern access to the entire county and assessment area. The assessment area is located approximately 50 miles from Jackson, Tennessee. Decaturville, the county seat of Decatur County, has a population of 867. The city of Parsons, where the bank is located, has a population of 2,373.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2020, there are four FDIC-insured depository institutions in the assessment area that operate seven offices. Farmers Bank ranked fourth in terms of deposit market share in this assessment area, encompassing 9.6 percent of the total assessment area deposit dollars.

Commercial real estate and residential 1–4 family loan products represent a credit need in the assessment area. Community contacts noted that consumer loan products, particularly consumer motor vehicle loans, are another credit need in the assessment area. Due to the rural nature of the area, motor vehicles are the main source of transportation, which creates a demand for automobiles. Commercial loan products with flexible credit and collateral standards targeted to small businesses were also addressed by community contacts as a credit need in the assessment area.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population within those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0	0	4	0	0	**4**
	0.0%	0.0%	100%	0.0%	0.0%	**100%**
Family Population	0	0	3,394	0	0	**3,394**
	0.0%	0.0%	100%	0.0%	0.0%	**100%**

As shown above, all of the census tracts in the assessment area are middle-income geographies. All four of the census tracts within the assessment area are considered underserved tracts due to their remote rural locations.

According to 2015 ACS data, the median family income for the assessment area was $46,073. At the same time, the nonMSA Tennessee median family income was $46,066. More recently, the FFIEC estimates the 2019 median family income for nonMSA Tennessee to be $50,100. The following table displays population percentages of assessment area families by income level compared to the nonMSA Tennessee family population as a whole.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	794	539	628	1,433	**3,394**
	23.4%	15.9%	18.5%	42.2%	**100%**
NonMSA Tennessee	81,163	70,532	77,971	159,460	**389,126**
	20.9%	18.1%	20.0%	41.0%	**100%**

As shown in the table above, 39.3 percent of families within the assessment area were considered LMI, which is similar to the LMI family percentage of 39.0 percent in nonMSA Tennessee. The percentage of families living below the poverty threshold in the assessment area, 16.7 percent, is slightly higher than the 15.4 percent level in nonMSA Tennessee. Considering these factors, the assessment area appears to be comparable to nonMSA Tennessee as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than in nonMSA Tennessee as a whole. Median housing values and median gross rents are lower, and the affordability ratio is higher, translating to more affordable housing based on area incomes. The median housing value for the assessment area is $90,546, which is below the figure for nonMSA Tennessee ($106,819). The assessment area housing affordability ratio of 41.4 percent is above the nonMSA Tennessee figure of 34.0 percent. In addition, the median gross rent for the assessment area of $533 per month is lower than the $601 per month for nonMSA Tennessee.

Within the assessment area, total housing units are composed of 56.0 percent owner-occupied units, 16.7 percent rental units, and 27.3 percent vacant units. Owner-occupied units for the assessment area are slightly lower than nonMSA Tennessee (59.6 percent), and rental units within the assessment area are also lower than nonMSA Tennessee (23.3 percent). In contrast, the number of vacant units for the assessment area is higher than nonMSA Tennessee (17.1 percent). Based on housing data and community contact interviews, while borrowers face difficulty in obtaining financing, housing does appear to be within reach of the LMI population in the assessment area. However, community contacts also stated that the affordable homes that go on the real estate market in the area often require updates for fuel efficiency and safety due to the age of the homes. As a result, borrowers who may qualify for a first mortgage loan and have sufficient funds for the down payment may not qualify for the second lien loan needed to make updates for fuel efficiency and safety.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of healthcare services, manufacturing, retail trade, and service-oriented sectors. County business patterns indicate that there are 3,064 paid employees in the assessment area. By percentage of employees, the largest job categories in the assessment area are healthcare and social assistance (35.9 percent), manufacturing (17.5 percent), retail trade (10.7 percent), and accommodation and food services (5.9 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted), for the assessment area compared to the nonMSA Tennessee in its entirety.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**NonMSA Tennessee**
2016	6.9%	5.6%
2017	5.2%	4.5%
2018	5.1%	4.2%
2019	5.3%	4.1%
2020 (8 month average)	9.1%	8.9%

As shown in the table above, unemployment levels decreased from 2016 to 2017, remained relatively stable through 2019, and then experienced a significant increase over the first eight months of 2020, for both the assessment area and nonMSA Tennessee. However, unemployment levels in the assessment area were higher throughout the entire period than what was experienced in nonMSA Tennessee.

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. Of these community contact interviews, one was with an organization that specializes in providing comprehensive planning and promoting economic, community, and human resource development; and one was with a federal and state agency that delivers social services and resources, including housing assistance. The community contact interviewees categorized the economy as declining. In comparison to other Tennessee counties, the assessment area has not been as economically successful. Community contacts identified affordable housing as a challenge due to the difficulty investors face in obtaining financing for affordable housing developments in a rural community. In addition, housing stock in the county is older and, when affordable homes come on the market, buyers generally require funds to purchase the home, as well as additional funds to make updates to the home for improved fuel efficiency and safety. Barriers to homeownership faced by LMI borrowers include poor credit history and difficulty in meeting down payment requirements. One community contact stated that the down payment needs could be aided by banks offering a specific savings product to assist LMI individuals in saving funds for down payments on new homes and by offering United States Department of Agricultural Rural Development home mortgages.

The community and economic development community contact indicated that most small business activity is concentrated throughout the two municipalities in Decatur County—Decaturville and Parsons. The contact indicated that Parsons has progressed farther than Decaturville due to its closer proximity to the interstate. The barriers that detract businesses from starting, expanding, or relocating to Decatur County are the lack of access to capital, inability to meet a bank's credit requirements, and the small population and rural nature of the county.

Financial literacy of LMI individuals continues to be a need in the assessment area, as the community contacts indicated that many LMI individuals in the area utilize alternative lenders such as payday lenders, title lenders, and check-cashing facilities for their banking needs.

The community contacts stated that the county is actively promoting workforce development that provides opportunities for banks to lend their expertise, provide loans, or make investments. By creating or attracting jobs to the area, the need for housing, including affordable housing, increases.

One of the community contacts indicated that, while banks have become more competitive in offering online banking, the benefit of these services is sporadic since broadband/Internet access is not readily available in the more rural portions of the county. However, the contact indicated that the county is actively working to obtain broadband service through the local rural electric company, but all the financing partners to accomplish this have not been secured. Overall, the community contacts stated that the access to branches and ATMs provided by banks in the area was reasonable and locally owned banks seem to be more proactive in collaborating with community development efforts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The chart below displays the bank's average LTD ratio in comparison to those of regional peers. The average LTD ratio represents a 17-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Asset Size ($000s) on 9/30/20**	**Headquarters**	**Average LTD Ratio**
Farmers Bank	$42,112	Parsons, Tennessee	56.0%
Regional Banks	$163,946	Decaturville, Tennessee	76.8%
	$187,457	Lobelville, Tennessee	99.8%
	$25,118	Atwood, Tennessee	41.5%

Based on data from the previous table, the bank's level of lending is in line with similar banks in the region. During the review period, the LTD ratio experienced a generally stable trend with a 17-quarter average of 56.0 percent and, over that time period, the bank's LTD ratio ranged from a low of 45.1 percent (June 2020) to a high of 64.1 percent (June 2018). In discussion with the bank, the recent decrease in the LTD ratio has been attributed to a significant inflow of deposits likely resulting from pandemic-related stimulus funds and decreases in customer spending during the pandemic. In comparison, one regional bank peer's average LTD was lower and the other two were higher, and all three generally had stable trends. Therefore, compared to data from regional banks, the bank's average LTD ratio is 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)						
Product	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
1–4 Family Residential Real Estate	30	56.6%	23	43.4%	53	100%
	1,735	48.6%	1,833	51.4%	$3,569	100%
Small Business	38	65.5%	20	34.5%	58	100%
	3,103	75.8%	988	24.2%	$4,091	100%
Consumer Vehicle	81	69.2%	36	30.8%	117	100%
	1,267	68.6%	581	31.4%	$1,848	100%
TOTAL LOANS	**149**	**65.4%**	**79**	**34.6%**	**228**	**100%**
	6,106	**64.2%**	**3,402**	**35.8%**	**$9,508**	**100%**

A majority of loans were extended to borrowers or businesses that reside or operate in the bank's assessment area. As shown above, 65.4 percent of the total loans were made inside the assessment area, accounting for 64.2 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from the three loan categories reviewed. The bank's 1–4 family residential real estate loans by borrower's profile is reasonable, performance in the small business category is excellent, and consumer motor vehicle loans by borrower's profile is reasonable. It is noted that greater significance is placed on performance in the 1–4 family residential real estate loan category.

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 ($46,400 in 2016, $47,900 in 2017, and $50,100 in 2018 and 2019 for nonMSA Tennessee). The following table shows the distribution of 1–4 family residential real estate loans by borrower income level in comparison to family population income demographics for the assessment area.

Distribution of Loans Inside Assessment Area by Borrower Income
Assessment Area: Decatur County
June 20, 2016 through December 31, 2019

	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
1–4 Family Residential Real Estate	2	6.7%	7	23.3	14	46.7	7	23.3	0	0.0%	**30**	**100%**
Family Population (2015)	23.5%		16.0%		18.5%		42.1%		0.0%		**100%**	
2016 HMDA Aggregate	10.7%		17.4%		18.5%		42.7%		10.7%		**100%**	
2017 HMDA Aggregate	7.1%		15.2%		17.1%		47.2%		13.4%		**100%**	
2018 HMDA Aggregate	8.0%		16.7%		22.0%		42.0%		11.4%		**100%**	
2019 HMDA Aggregate	10.2%		11.4%		18.9%		42.9%		16.5%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (6.7 percent) is substantially below the low-income family population figure (23.5 percent) and is commensurate with aggregate data. The bank's level of lending to moderate-income borrowers (23.3 percent) is above the moderate-income family population percentage (16.0 percent) and compares favorably to aggregate performance, reflecting excellent performance. Furthermore, community contacts noted that many LMI residents suffer from poor credit histories or lack of down payment funds, which creates significant barriers to homeownership. Additionally, the bank must compete with other, larger institutions in the assessment area for mortgage loans. The bank's overall borrower distribution of 1–4 family residential real estate loans reflects reasonable penetration among borrowers of different income levels.

In addition to the analysis of the bank's 1–4 family residential real estate, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows Farmers Bank's distribution of small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data for each year of the analysis.

Distribution of Loans Inside Assessment Area by Business Revenue
Assessment Area: Decatur County
June 20, 2016 through December 31, 2019

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	30	78.9%	6	15.8%	2	5.3%	**38**	**100%**
Greater Than $1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
TOTAL	**30**	**78.9%**	**6**	**15.8%**	**2**	**5.3%**	**38**	**100%**
Dun & Bradstreet Businesses ≤ $1MM (2015)							**85.0%**	
2016 CRA Aggregate Data							**51.5%**	
2017 CRA Aggregate Data							**45.2%**	
2018 CRA Aggregate Data							**45.3%**	
2019 CRA Aggregate Data							**40.4%**	

The bank's level of lending to small businesses is excellent. The bank originated all 38 of its small business loans during the review period to businesses with revenues of $1 million or less. According to 2015 Dun & Bradstreet data, 85.0 percent of businesses within the assessment area are small businesses. In addition, 30 of the 38 loans (78.9 percent) made to businesses with gross annual revenue of $1 million or less were in amounts of $100,000 or less, which demonstrates the bank's willingness to meet the credit needs of small businesses. Furthermore, the bank's performance compares favorably to aggregate performance over the review period. The barriers for small businesses in Decatur County, as noted by community contacts, include capital and credit requirements, as well as the rural nature of the county. Considering the bank's performance and the barriers faced in the assessment area, the bank's overall distribution of the small business loans is excellent.

As with the bank's 1–4 family residential real estate and small business loan activity, the distribution of consumer motor vehicle loans was also analyzed by borrower's income profile. The following table shows the distribution of consumer motor vehicle loans by income level of the borrower compared to household population income characteristics.

Distribution of Loans Inside Assessment Area by Borrower Income
Assessment Area: Decatur County
June 20, 2016 through December 31, 2019

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle	16	19.8%	17	21.0%	26	32.1%	22	27.2%	0	0.0%	**81**	**100%**
Household Pop. (2015)	26.7%		13.4%		17.7%		42.3%		0.0%		**100%**	

The analysis of consumer motor vehicle loans revealed reasonable penetration to LMI borrowers. The bank's performance by number of motor vehicle loans made to low-income borrowers (19.8 percent) is below the household population comparison (26.6 percent), but still reflects reasonable performance. As the community contacts and the bank detailed in discussions, banks in the assessment area face competition in the consumer installment loan category from nontraditional lenders who heavily market in the area, and LMI borrowers tend to utilize these types of lenders due to their relaxed credit requirements. The bank's lending performance with moderate-income borrowers (21.0 percent) exceeds the household population (13.4 percent), reflecting excellent performance. Total motor vehicle loans to LMI borrowers was 40.8 percent, which was similar to the 2015 LMI household population of 40.0 percent. Thus, overall consumer motor vehicle lending to LMI borrowers is reasonable.

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 assessment area does not contain any LMI census tracts. As previously stated, the bank's assessment area is composed of four middle-income census tracts. 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 assessment area census tracts was reviewed, the results of which indicated that loan activity was adequately dispersed throughout the assessment area, consistent with demographics and bank structure. Therefore, the bank's geographic distribution of loans is reasonable.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (June 20, 2016 through January 10, 2021).

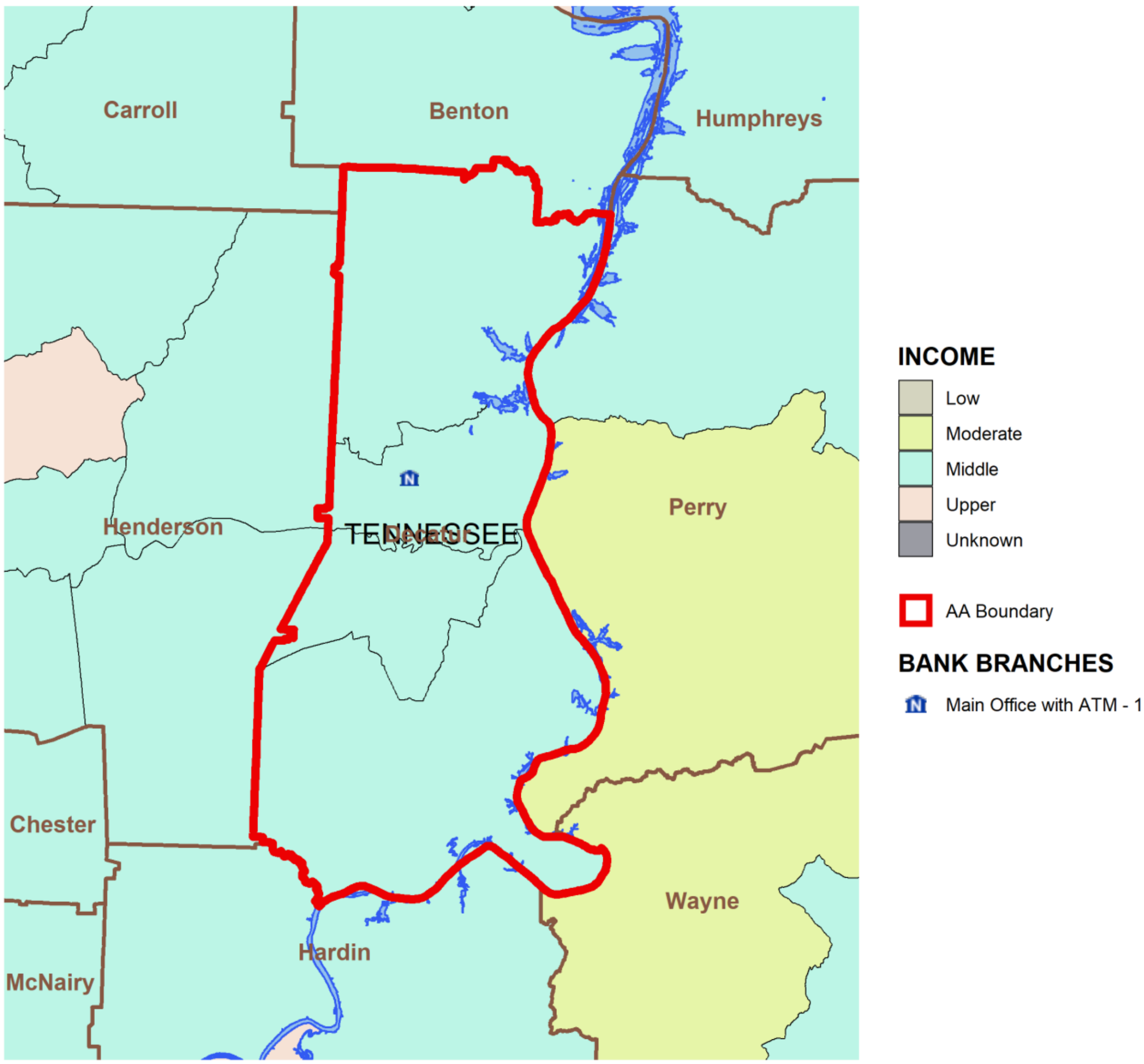
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

Farmers Bk - Parsons, TN 2020

Decatur County 2019 - Tract Income



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- or moderate-income individuals; (2) <u>community services</u> targeted to low- or 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- 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.