PUBLIC DISCLOSURE

May 16, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Cave City
RSSD #629148

137 South Main Street
Cave City, Arkansas 72521

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 OUTSTANDING.

Bank of Cave City meets the criteria for an Outstanding rating based on the evaluation of the bank's lending activity. The factors supporting the institution's rating are as follows:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of loans and other lending-related activities are in the assessment area.
- The borrower's profile analysis reveals excellent penetration among farms of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI) levels.
- The geographic distribution of loans reflects a reasonable dispersion throughout the 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. Small farm, 1–4 family residential real estate, and consumer motor vehicle 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.[1] Therefore, the 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 category carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	June 30, 2017 – March 31, 2022
Assessment Area Concentration	January 1, 2020 – December 31, 2020
Loan Distribution by Borrower's Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	June 19, 2017 – May 15, 2022

[1] Small farm and consumer motor vehicle loans were sampled for this review according to CA Letter 01-8, "CRA Sampling Procedures."

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 based on 2015 American Community Survey (ACS) data, and certain farm demographics are based on 2020 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. Two other banks were identified as similarly situated peers, with asset sizes ranging from $274.0 million to $363.3 million as of March 31, 2022.

To augment this evaluation, one community contact interview was conducted with a member of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. Information from the 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

Bank of Cave City is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank has one non credit-granting subsidiary, Cave City Properties, Inc. In addition, the bank is wholly owned by Sharp Bancshares, Inc., a single-bank holding company headquartered in Cave City, Arkansas. The bank's branch network consists of five offices (including the main office), all of which have drive-up accessibility and full-service automated teller machines on site. The bank opened one new branch during the review period in 2018 in Batesville, Arkansas, and did not close any branch offices during the review period. Based on the bank's centrally located branch network in a large and rural assessment area, the bank is not well positioned to deliver financial services to its entire assessment area, especially the outermost 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 March 31, 2022, the bank reported total assets of $161.1 million. As of the same date, loans and leases outstanding were $94.7 million (58.8 percent of total assets), and deposits totaled $143.3 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of March 31, 2022		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and development	$6,760	7.1%
Commercial real estate	$5,440	5.7%
Multifamily residential	$108	0.1%
1–4 family residential	$21,219	22.4%
Farmland	$38,001	40.1%
Farm loans	$8,895	9.4%
Commercial and industrial	$9,246	9.8%
Loans to individuals	$5,007	5.3%
Total other loans	$59	0.1%
TOTAL	**$94,735**	**100%**

As indicated by the table above, a significant portion of the bank's lending resources is directed to loans secured by farmland and farm loans, as well as loans secured by 1–4 family residential properties. While not reflected in the previous table, it is also worth noting that by number of loans originated, loans to individuals (such as consumer motor vehicle loans) represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products.

The bank received a Satisfactory rating at its previous CRA evaluation, conducted on June 19, 2017, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 69,074, is located in a north central nonmetropolitan statistical area (nonMSA) of Arkansas. It consists of two full counties, Independence and Lawrence, and one partial county, Sharp; the northernmost census tract in Sharp County is excluded. The bank's assessment area is rural in nature and contains 17 census tracts, including 2 moderate-, 14 middle-, and 1 upper-income census tracts.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2021, there are 10 FDIC-insured depository institutions in the assessment area, which operate 39 offices. Bank of Cave City (operating five offices, or 12.8 percent, in the assessment area) ranked fifth in terms of deposit market share, with 6.8 percent of the total assessment area deposit dollars.

Agricultural lending products represent a major credit need in the assessment area, along with the need for a standard blend of consumer and business loan products.

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	2	14	1	0	**17**
	0.0%	11.8%	82.4%	5.9%	0.0%	**100%**
Family Population	0	1,378	15,970	685	0	**18,033**
	0.0%	7.6%	88.6%	3.8%	0.0%	**100%**

As shown above, 11.8 percent of the census tracts in the assessment area are LMI geographies, but only 7.6 percent of the family population resides in these tracts. These LMI areas are primarily concentrated in and around the cities of Batesville, Hoxie, and Walnut Ridge. Furthermore, 3 of the 14 middle-income census tracts are designated as distressed due to poverty and are located in Sharp County.

Based on 2015 ACS data, the median family income for the assessment area was $42,747. At the same time, the nonMSA Arkansas median family income was $45,047. More recently, the FFIEC estimates the 2020 median family income for nonMSA Arkansas to be $50,800. The following table displays population percentages of assessment area families by income level compared to the nonMSA Arkansas family population as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	**TOTAL**
Assessment Area	3,793	3,535	3,516	7,189	0	**18,033**
	21.0%	19.6%	19.5%	39.9%	0.0%	**100%**
NonMSA Arkansas	63,831	53,700	58,267	123,066	0	**298,864**
	21.4%	18.0%	19.5%	41.2%	0.0%	**100%**

As shown in the table above, 40.6 percent of families within the assessment area were considered LMI, which is slightly higher than the LMI family percentages of 39.4 percent in nonMSA Arkansas. The assessment area also has a smaller upper-income family population (39.9 percent) compared to the nonMSA Arkansas figure (41.2 percent). Finally, the percentage of families living below the poverty threshold in the assessment area, 17.0 percent, is slightly greater than the 16.6 percent level of all nonMSA Arkansas families. Considering these factors, the assessment area appears slightly less affluent than nonMSA Arkansas 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 Arkansas as a whole. The median housing value for the assessment area is $81,436, which is below the figure for nonMSA Arkansas, $85,869. The assessment area housing affordability ratio of 42.1 percent is similar to the nonMSA Arkansas figure of 41.0 percent. In addition, the median gross rent for the assessment area of $561 per month is lower than the nonMSA Arkansas figure of $588 per month. Overall, housing in the assessment area appears to be more affordable for LMI borrowers when compared to nonMSA Arkansas.

Industry and Employment Demographics

According to the community contact, the assessment area economy is focused primarily on manufacturing and farming. The manufacturing sector plays the most crucial role when considering actual number of employees, but farming is of equal importance to the assessment area’s overall economy. As of September 30, 2021, county business patterns indicate that there are 23,051 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are manufacturing (17.7 percent), followed by government (15.1 percent) and retail trade (13.4 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 nonMSA Arkansas as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**NonMSA Arkansas**
2018	4.1%	4.3%
2019	4.1%	4.2%
2020	6.2%	6.4%
2021	4.2%	4.5%

As shown in the table above, unemployment levels for the assessment area have been relatively stable and consistently lower than in nonMSA Arkansas. Both the assessment area and nonMSA Arkansas experienced spikes in unemployment in 2020 due to the economic disruption resulting from the COVID-19 pandemic, with the assessment area unemployment rate being slightly lower than nonMSA Arkansas.

Community Contact Information

Information from one community contact was used to help shape the performance context in which the bank's activities in the assessment area were evaluated. The community contact interview was with an individual specializing in agricultural lending. The community contact interviewee indicated the economy has strengthened in recent years, with a slowly growing population and a heavy reliance on manufacturing and agriculture sectors. The main agricultural-related products mentioned include poultry and cattle west of the Black River (located in Lawrence County) and rice, soybeans, corn, and peanuts east of the Black River. Most row crop farmers tend to be mid-size to larger family farms, while the livestock farmers tend to be small family farms. Many of the livestock farmers work full-time jobs and raise livestock on the side. At the beginning of the pandemic, there was a great deal of economic uncertainty and challenges, but farmers bounced back quickly, and 2021 proved to be a better year for farmers. Currently, commodity prices are strong, but operating costs are increasing; as a result, profit margins are relatively stable. Regarding financial institutions, the contact stated banks were active and meeting the needs within the community. However, the contact encouraged banks in the area to take better advantage of the available guaranteed farm loan programs. The contact also indicated banks were plentiful in the area.

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 20-quarter average dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of March 31, 2022**	**Average LTD Ratio**
Bank of Cave City	Cave City, Arkansas	$161,092	77.7%
Regional Banks	Walnut Ridge, Arkansas	$273,960	62.3%
	Newport, Arkansas	$363,346	69.9%

Based on data from the previous table, the bank's level of lending in relation to its deposits is above that of other banks in the region. During the review period, the LTD ratio generally increased before peaking at 89.6 percent in the third quarter of 2019. Since that time, the LTD ratio has been generally decreasing, reaching a low of 65.2 percent in the first quarter of 2022. Overall, the bank has a 20-quarter average of 77.7 percent. In comparison, the average LTD ratios for regional peers were lower and had generally similar fluctuations as well. 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
January 1, 2020 through December 31, 2020

Loan Type	Inside Assessment Area		Outside Assessment Area		TOTAL	
Small farm	69	98.6%	1	1.4%	**70**	**100%**
	$1,307	98.3%	$22	1.7%	**$1,329**	**100%**
1–4 family residential real estate	49	89.1%	6	10.9%	**55**	**100%**
	$5,061	90.0%	$562	10.0%	**$5,623**	**100%**
Consumer motor vehicle	60	93.8%	4	6.3%	**64**	**100%**
	$671	93.3%	$48	6.7%	**$719**	**100%**
TOTAL LOANS	**178**	**94.2%**	**11**	**5.8%**	**189**	**100%**
	$7,040	**91.8%**	**$632**	**8.2%**	**$7,671**	**100%**

A substantial majority of loans and other lending-related activities were made in the bank's assessment area. As shown in the previous table, 94.2 percent of the total loans were made inside the assessment area, accounting for 91.8 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 excellent, based on performance from all three loan categories reviewed. The following table shows the distribution of small farm loans by loan amount and gross annual farm revenue compared to Dun & Bradstreet and aggregate data.

Small Farm Loans by Revenue and Loan Size

Farm Revenue and Loan Size		2020						
		Count			Dollars			Total Farms
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	$ (000s)	$ %	$ %	%
Farm Revenue	$1 Million or Less	69	100%	60.2%	$1,307	100%	70.0%	98.6%
	Over $1 Million/ Unknown	0	0.0%	39.8%	$0	0.0%	30.0%	1.4%
	TOTAL	**69**	**100%**	**100%**	**$1,307**	**100%**	**100%**	**100%**
Loan Size	$100,000 or Less	69	100%	79.6%	$1,307	100%	28.7%	
	$100,001–$250,000	0	0.0%	11.9%	$0	0.0%	28.9%	
	$250,001–$1 Million	0	0.0%	8.5%	$0	0.0%	42.4%	
	Over $1 Million	0	0.0%	0.0%	$0	0.0%	0.0%	
	TOTAL	**69**	**100%**	**100%**	**$1,307**	**100%**	**100%**	
Loan Size / Revenue $1 Million or Less	$100,000 or Less	69	100%		$1,307	100%		
	$100,001–$250,000	0	0.0%		$0	0.0%		
	$250,001–$1 Million	0	0.0%		$0	0.0%		
	Over $1 Million	0	0.0%		$0	0.0%		
	TOTAL	**69**	**100%**		**$1,307**	**100%**		

As displayed above, 100 percent of loans were made to farms with gross annual revenues of $1 million or less. In comparison, Dun & Bradstreet data indicates that 98.6 percent of agricultural institutions inside the assessment area are small farms. Additionally, small farm aggregate lending data for the assessment area was 60.2 percent. Moreover, 100 percent of the loans to small farms reviewed were in amounts of $100,000 or less, signifying the bank's willingness to meet the small dollar credit needs of small farms. As such, the bank's borrower's profile performance for the small farm loan category is excellent.

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 ($50,800 for nonMSA Arkansas as of 2020). The bank's 1–4 family residential real estate loans were reviewed to determine lending levels to individuals by borrower income level compared to family population income demographics and 2020 HMDA aggregate data for the assessment area.

Borrower Distribution of 1–4 Family Residential Real Estate Loans							
Borrower Income Levels	2020						
	Count			Dollar			Families
	Bank		HMDA Aggregate	Bank		HMDA Aggregate	
	#	%	%	$ (000s)	$ %	$ %	%
Low	4	8.2%	5.0%	$292	5.8%	2.5%	21.0%
Moderate	8	16.3%	15.7%	$413	8.2%	10.3%	19.6%
Middle	9	18.4%	15.9%	$703	13.9%	13.0%	19.5%
Upper	28	57.1%	42.8%	$3,653	72.2%	50.1%	39.9%
Unknown	0	0.0%	20.6%	$0	0.0%	24.1%	0.0%
TOTAL	**49**	**100%**	**100%**	**$5,061**	**100%**	**100%**	**100%**

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (8.2 percent) is significantly below the low-income family population figure (21.0 percent) but above the aggregate lending level to low-income borrowers (5.0 percent), reflecting reasonable performance. Similarly, the bank's level of lending to moderate-income borrowers (16.3 percent) is below the moderate-income family population percentage (19.6 percent) but slightly higher than the aggregate lending level to moderate-income borrowers (15.7 percent), reflecting reasonable performance. Therefore, considering performance to both income categories, the bank's overall distribution of loans by borrower's profile is reasonable.

As with the two previous categories reviewed, the borrower distribution of consumer motor vehicle loans was also analyzed by the borrower's income profile. The table below displays the distribution of consumer motor vehicle loans by income level of borrower compared to household population income characteristics.

Borrower Distribution of Consumer Motor Vehicle Loans					
Borrower Income Levels	2020				
	Bank				Households
	Count		Dollar		
	#	%	$ (000s)	$ %	%
Low	11	18.3%	$85	12.7%	24.1%
Moderate	19	31.7%	$170	25.3%	16.3%
Middle	10	16.7%	$122	18.2%	20.3%
Upper	20	33.3%	$294	43.8%	39.3%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**60**	**100%**	**$671**	**100%**	**100%**

The bank originated 18.3 percent of its consumer motor vehicle loans to low-income borrowers. This reflects reasonable performance when compared to the household population level of 24.1 percent. The bank also made 31.7 percent of its consumer motor vehicle loans to moderate-income borrowers. This reflects excellent performance when compared to the household population level of 16.3 percent. Therefore, when considering the combined performance in both income categories (50.0 percent), the overall distribution of loans is excellent.

Geographic Distribution of Loans

As noted previously, the assessment area includes no low-income and two moderate-income census tracts, representing 11.8 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans reflects reasonable penetration throughout these LMI census tracts, based on the small farm, 1–4 family residential real estate, and consumer motor vehicle loan categories.

The following table displays the geographic distribution of small farm loans compared to estimated percentages of farm institutions located in each geography income category and aggregate performance.

Geographic Distribution of Small Farm Loans							
Tract Income Levels	**2020**						
	Count			**Dollar**			**Farms**
	Bank		**Aggregate**	**Bank**		**Aggregate**	
	#	**%**	**%**	**$ 000s**	**$ %**	**$ %**	**%**
Low	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
Moderate	1	1.4%	2.8%	$33	2.5%	0.4%	3.6%
Middle	68	98.6%	96.6%	$1,274	97.5%	99.3%	92.8%
Upper	0	0.0%	0.6%	$0	0.0%	0.3%	3.6%
Unknown	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
TOTAL	**69**	**100%**	**100%**	**$1,307**	**100%**	**100%**	**100%**

As displayed in the table above, the bank originated 1.4 percent of its small farm loans in moderate-income census tracts. This reflects reasonable performance when compared to aggregate lending data (2.8 percent) and demographic data (3.6 percent).

Second, the bank's geographic distribution of 1–4 family residential real estate loans was reviewed. The following table displays the geographic distribution of 1–4 family residential real estate loans compared to owner-occupied housing demographics and aggregate performance for the assessment area.

Geographic Distribution of 1–4 Family Residential Real Estate Loans							
Tract Income Levels	2020						
	Count			Dollar			Owner-Occupied Units
	Bank		HMDA Aggregate	Bank		HMDA Aggregate	
	#	%	%	$ (000s)	$ %	$ %	%
Low	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
Moderate	1	2.0%	5.2%	$85	1.7%	4.1%	6.1%
Middle	47	95.9%	85.0%	$4,843	95.7%	81.2%	89.8%
Upper	1	2.0%	9.8%	$133	2.6%	14.7%	4.1%
Unknown	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
TOTAL	**49**	**100%**	**100%**	**$5,061**	**100%**	**100%**	**100%**

As displayed in the previous table, the bank's total penetration of moderate-income census tracts by number of loans (2.0 percent) is below the percentage of owner-occupied housing units in moderate-income census tracts (6.1 percent). Similarly, the bank's performance in the moderate-income census tracts is below that of other lenders in the assessment area based on aggregate data (5.2 percent). However, as previously mentioned, the bank is not well positioned to deliver financial services to its entire assessment area, as its branch network is centrally located in a large and rural assessment area. One of the two moderate-income census tracts is located in Lawrence County and is a considerable distance from any branch location. Furthermore, the Black River serves as a geographic barrier that makes lending in that area challenging. Considering this context, the bank's geographic distribution of 1–4 family residential real estate loans is reasonable.

As with the two previous loan categories, the bank's geographic distribution of consumer motor vehicle loans was also reviewed. The following table shows the bank's lending in the different geographies compared to the household population percentage.

Geographic Distribution of Consumer Motor Vehicle Loans					
Tract Income Levels	2020				
	Bank				Households
	Count		Dollar		
	#	%	$ (000s)	$ %	%
Low	0	0.0%	$0	0.0%	0.0%
Moderate	3	5.0%	$43	6.4%	7.6%
Middle	57	95.0%	$629	93.6%	88.6%
Upper	0	0.0%	$0	0.0%	3.8%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**60**	**100%**	**$672**	**100%**	**100%**

As displayed in the previous table, of the bank's 60 total consumer loans, 5.0 percent were made in moderate-income census tracts. This reflects reasonable performance when compared to the household population in moderate-income census tracts (7.6 percent).

Lastly, based on the loan categories reviewed, the bank had lending in 82.4 percent of assessment area census tracts. Of the three census tracts without loans, two were middle-income census tracts and one was a moderate-income census tract. The moderate-income census tract with no loans is located east of the Black River in Lawrence County, which is more than a 20-mile drive from any branch location and makes lending in the that area challenging. As a result, no conspicuous lending gaps were noted in LMI areas.

Responses to Complaints

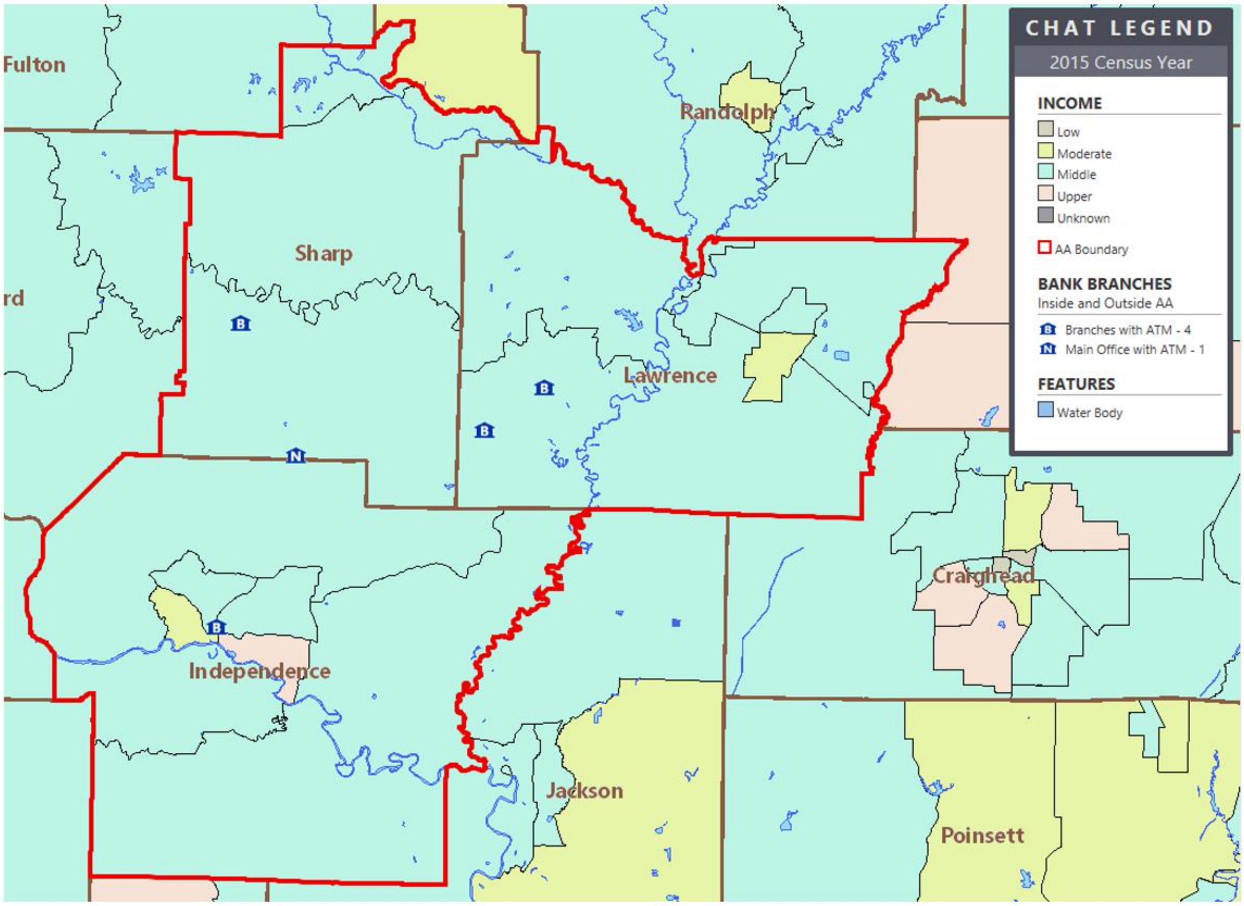
No CRA-related complaints were filed against the bank during this review period (June 19, 2017 through May 15, 2022).

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

ASSESSMENT AREA DETAIL



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.