

PUBLIC DISCLOSURE

February 9, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Lenawee
RSSD# 630948

135 East Maumee Street
Adrian, Michigan 49221

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 60604-1413

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 this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution's performance is rated **outstanding**.

Bank of Lenawee has provided credit consistent with its size, financial capacity, location, economic conditions, and competitive factors within its assessment area. The bank's consistently high loan-to-deposit ratio, the high percentage of loans within the assessment area, innovative methods of delivering banking services, and excellent dispersion of loans, both geographically and among borrowers of different income and revenue levels, evidence the bank's outstanding performance.

Management is knowledgeable of antidiscrimination laws and has developed adequate policies, procedures, and training programs to prevent discrimination in its lending and credit activities. No discriminatory lending practices or practices which discourage loan applicants were detected during the examination. Further, no complaints have been received by the bank nor the Reserve Bank regarding its CRA performance since the previous examination.

The institution was rated **outstanding** under the CRA at its previous evaluation conducted on February 8, 1999.

DESCRIPTION OF INSTITUTION

Bank of Lenawee is a subsidiary of Pavilion Bancorp, a two-bank holding company located in Adrian, Michigan. The bank operates its main office in Adrian and has seven branch offices. Of the seven branch offices, two are located in Adrian, two are located in Hudson, one each in Techumseh, Morenci, and Waldron. The bank also operates a mobile bank that serves as a branch office, as well as, a mini-van courier service to assist local businesses with their banking needs. The bank also maintains four on-site and eight off-site automated teller machines (ATMs).

According to the Uniform Bank Performance Report (UBPR), the bank had \$248,605 million in total assets as of September 30, 2003. The following table reflects the composition of the bank's loan portfolio as of that date:

| Loan Type | Amount (000) | Percent of Total |
|--|---------------------|-------------------------|
| <i>1 -4 Family Real Estate and Multifamily</i> | \$41,517 | 20.5% |
| <i>Consumer</i> | \$11,049 | 5.5% |
| <i>Agricultural and Farm Land</i> | \$33,332 | 16.5% |
| <i>Nonfarm Nonresidential</i> | \$80,415 | 39.8% |
| <i>Commercial & Industrial</i> | \$26,863 | 13.3% |
| <i>Construction/Land Dev/Other Land Loans</i> | \$8,321 | 4.1% |
| <i>Other</i> | \$540 | 0.3% |
| <i>Total</i> | \$202,037 | 100.0% |

The bank's loan products include conventional mortgage loans for one to four-family and multifamily; farm loans for working capital, livestock, equipment, and farm real estate; consumer loans to purchase automobiles, mobile homes, recreational vehicles, and home appliances; and business loans for working capital, capital expenditures, other business acquisitions, and financing of starting up a new business.

The bank's peer group includes all commercial banks with assets between \$100 and \$300 million, with 3 or more banking offices, and located in a metropolitan area. Although the bank does not have any "peer group" banks that it considers competitors, the bank does consider the following banks its competitors for loans and deposits: branches of United Bank, Techumseh, Michigan; branches of Sky Bank, Salineville, Ohio; and branch of the Onstead State Bank, Onstead, Michigan.

The bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, product offerings, location, and current economic conditions and does not face any legal impediments which would constrain its CRA activities.

DESCRIPTION OF ASSESSMENT AREA

An institution's assessment area(s) will include the towns, counties, or other political subdivisions where its branches are located and a substantial portion of its loans are made. Assessment area(s) must consist of one or more geographies defined by block numbering areas (BNAs) or census tracts, which are statistical subdivisions of a county. Census tracts are primarily used in metropolitan areas, while BNAs are used in non-metropolitan areas. 1990 U.S. Bureau of Census data is used in this evaluation, unless stated otherwise.

Bank of Lenawee's assessment area consists of the following:

- Lenawee County: all census tracts (CTs) within the county, 0601.00 – 0620.00
- Jackson County: CTs 0063.01, 0063.02, 0068.01, 0068.02

Washtenaw County: CTs 4310.00, 4320.00, 4222.00
 Hillsdale County: BNAs 0501, 0506, 0510, 0511
 Monroe County: CTs 8307.0, 8308.0, 8308.00, 8329.00, 8330.00, 8333.00, 8338.00, 8339.00
 Fulton County (Ohio): CTs 0401.00, 0405.00, 0406.00, 0408.00
 Lucas County (Ohio): CTs 0092.01, 0092.02, 0093.00
 Willimas County (Ohio): BNA 9501

According to 1990 U.S. Census Data, out of the forty three census tracts in the bank’s assessment area, ten are moderate-income; twenty-nine are middle-income; and, four are upper-income. There are no low-income census tracts located in the bank’s assessment area.

Population Changes

According to the 1990 U.S. Census data, the assessment area’s total population was 197, 038 of which 94.9% (186,902) were White. The total minority population was 10,136 of which 3.4% were Hispanic, 0.9% were Black, 0.5% were Asian, 0.3% were American Indian.

Income Characteristics

Exhibit 1 compares the income levels for the assessment area to the State of Michigan based on 1990 U.S. Bureau of Census data. In contrast to the 1990 data, the 2000 HUD adjusted median family income is \$ 53,457 .

| Exhibit # 1 | | | | | | |
|---|---------------------------------|----------------------------|-----------------|---------------|--------------|----------------------------|
| Distribution of Families by Income Level | | | | | | |
| Location | Median Family Income(\$) | Percent of Families | | | | |
| | | Low | Moderate | Middle | Upper | Below Poverty Level |
| Assessment Area | \$37,518 | 19.4% | 20.4% | 26.7% | 33.5% | 6.2% |
| State of Michigan | \$36,652 | 20.9% | 17.3% | 23.0% | 38.8% | 10.2% |

Low-income is defined as less than 50% of median family income; moderate-income as 50% to less than 80% of median family income; middle-income as 80% to less than 120% of median family income; and upper-income as 120% or more of median family income.

Housing Characteristics and Affordability

According to the 1990 U.S. Bureau of Census data, the bank’s assessment area was 75,737 total housing units of which 54,986 or 72.6% were owner occupied; 13,354 or 17.6% were occupied rental units; and 7,397 or 9.8% were vacant units. In addition, 66,417 or 87.7% of the total housing units were considered to be 1-4 family units.

Affordability ratios, developed by dividing the median family income (\$37,518) by the median household value (\$61,630) for a given area or groups of geographies, are helpful in comparing costs

for different areas. An area with a high ratio generally has more affordable housing than an area with a low ratio. The affordability ratios for the assessment area and for the State of Michigan are 60.8% and 61.0%, respectively, indicating that housing is generally equally affordable in both the bank's assessment area and the State of Michigan.

Labor and Employment

Based on unemployment statistics information from the Michigan Employment Service Agency, 2001, the unemployment rate for Lenawee County was 5.5%. Major employers in the assessment area are listed in Exhibit 2.

Exhibit # 2 – Major Employers in the Assessment Area

| Exhibit #2 | | | |
|---|-----------------|------------------|-------------------------------|
| Major Employers in the Assessment Area | | | |
| Company | Location | Employees | Description |
| Lenawee Health Alliance | Adrian | 1,494 | Health Care |
| General Motors Corporation | Adrian | 1,400 | Plastic automotive components |
| Tecumseh Products Company | Tecumseh | 1,300 | Refrig & air cond comp & mtrs |
| Wacker Silicones Corporation | Adrian | 500 | Silicone products |
| Michigan Department of Corrections | Adrian | 480 | Correctional institutions |
| Metalloy Corporation | Hudson | 400 | Alum, sand & perm mold castg |
| Pilkington Libbey-Owens-Ford | Clinton | 400 | Glass encapsulating svc |
| Merillat Industries Incorporated | Adrian | 350 | Wood cabinets & vanities |
| Lenawee Stamping Corporation | Tecumseh | 350 | Automobile stampings, welding |

Source: Michigan Economic Development Corporation

Community representatives, contacted during the examination to determine the credit needs of the assessment area, indicated that local financial institutions are actively involved in the community and are adequately meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio, calculated from data contained in the Consolidated Reports of Condition, was evaluated giving consideration to the bank's capacity to lend, competitor and peers' loan-to-deposit ratios, as well as demographic factors, economic conditions, and lending opportunities present in the assessment area.

Based on the bank's loan-to-deposit (LTD) ratios relative to its peer group and a sample of its competitors, the bank exceeds the standards for satisfactory performance under this criterion. Exhibit 3 shows the comparison for the eight-quarters ending September 30, 2003.

Exhibit # 3 – LTD Ratios

| Exhibit #3 | | | | | | | | | |
|--|-------------|-------------|-------------|--------------|-------------|-------------|-------------|--------------|-------|
| LTD Ratios | | | | | | | | | |
| Bank of Lenawee, Adrian, 12/03, Assets \$248 | 9/03 (%) | 6/03 (%) | 3/03 (%) | 12/02 (%) | 9/02 (%) | 6/02 (%) | 3/02 (%) | 12/01 (%) | Avg. |
| Bank of Lenawee, Adrian, \$248 million | 97.16 | 97.52 | 95.66 | 96.22 | 93.30 | 95.04 | 91.63 | 87.88 | 94.30 |
| Peer Group #7 | 77.96 | 77.33 | 77.04 | 77.58 | 77.22 | 77.48 | 77.12 | 77.33 | 77.38 |
| United Bank, Tecumseh, MI \$464 million | 83.35 | 82.25 | 85.53 | 84.82 | 84.93 | 88.41 | 81.99 | 80.36 | 83.96 |
| Sky Bank, Salineville, Ohio, \$11.8 billion | 95.74 | 96.26 | 91.41 | 95.37 | 93.66 | 92.21 | 89.80 | 93.52 | 93.50 |
| Onstead State Bank, Onstead, MI, \$63 million | 80.91 | 78.67 | 76.54 | 74.62 | 75.74 | 77.49 | 75.43 | 76.36 | 76.97 |

Lending in the Assessment Area

To assess the extent of lending within the assessment area, the following were reviewed: Home Mortgage Disclosure Act (HMDA) data, small business loans and small farm loans. The sample period for HMDA-reportable data was January 1, 2001 through December 31, 2002. The small business/small farm loan data sample period was May 01, 2003 through November 30, 2003. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.

Overall, consumer real estate, commercial, and agricultural lending within the bank's assessment area exceeds the standards for satisfactory performance under this criterion.

The majority of the bank's loans were originated within the assessment area. The distribution of a sample of the bank's primary loan products, originated during the years 2001 and 2002 for real estate and May 1st through November 30th, 2003, for commercial and agricultural loans, is illustrated in Exhibit 4.

| Exhibit #4 | | | |
|---|------------------------|----------------|----------------|
| Distribution of Loans in/out of Assessment Area (AA) | | | |
| Loan Type | Number of Loans | | |
| | # in Sample | # in AA | % in AA |
| Residential Real Estate | 936 | 858 | 91.7% |
| Commercial | 99 | 91 | 91.9% |
| Agricultural | 76 | 67 | 88.2% |
| Totals | 1,111 | 1,016 | 91.4% |

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

The distribution of loans among borrowers of different income levels was determined by reviewing Home Mortgage Disclosure Act (HMDA) data, small business, and small farm loans. The sample period for HMDA-reportable data was January 1, 2001 through December 31, 2002. The small business/small farm loan data sample period was May 01, 2003 through November 30, 2003. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, was considered when evaluating the bank's performance.

Given the demographics of the bank's assessment area, the loan distribution across borrowers of different income levels, and farms and businesses of different sizes exceeds the standards for satisfactory performance under this criterion.

The distribution of loans reflects reasonable penetration among borrowers of different income and revenue levels, as supported by a review of residential real estate, agricultural, and commercial loan data.

Residential Real Estate Loans

Exhibit 5 shows the distribution of the sample of 1-4 family residential real estate loans, originated during the years ended 2001, 2002, by income level. As shown, the percent of loans to low- and moderate-income borrowers is 51.1%. Based on the economic conditions of the assessment area, loan distribution of residential real estate loans by income level is considered outstanding.

Exhibit #5 – Loan Distribution of Residential Real Estate Loans by Income Level

| Exhibit #5 | | |
|---|------------------------------|--------------------------------|
| Loan Distribution of Residential Real Estate Loans by Income Level | | |
| Income Level | Total Number of Loans | Percent of Total Loans* |
| Low | 160 | 18.7% |

| | | |
|----------------------|-----|--------|
| Moderate | 278 | 32.4% |
| Middle | 242 | 28.2% |
| Upper | 159 | 18.5% |
| Income not collected | 19 | 2.2% |
| Totals | 858 | 100.0% |

* HUD's estimated 2002 median family income was used to determine the income level of the applicants.

Agricultural and Commercial Loans

The distribution of commercial and agricultural loans reflects a strong penetration among small businesses and small farms. The distribution, based on information from the Consolidated Report of Condition as of June 30, 2003, is shown in Exhibits 6 and 7.

| Exhibit #6 | | |
|--|---------------------------|--|
| Distribution of Small Farm Loans | | |
| Original Dollar Amount | Outstanding Number | Outstanding Dollar Amount (000's) |
| Loans Secured by Farmland | | |
| Less than or equal to \$100,000 | 100 | 4,819 |
| Greater than \$100,000 through \$250,000 | 62 | 7,152 |
| Greater than \$250,000 through \$500,000 | 21 | 5,012 |
| Total | 183 | 16,983 |
| Loans to Finance Agricultural Production and Other Loans to Farmers | | |
| Less than or equal to \$100,000 | 227 | 5,758 |
| Greater than \$100,000 through \$250,000 | 45 | 5,436 |
| Greater than \$250,000 through \$500,000 | 6 | 657 |
| Total | 278 | 11,851 |
| Loans Secured by Farmland and Loans to Finance Agricultural Production and Other Loans to Farmers | | |
| Grand totals | 461 | 28,834 |

As Exhibit 6 shows, originations in the \$100,000 or less category represent 81.7% of the number and 48.6% of the dollar amount of small farm loans. Small farm loans represent 70.9% of the bank's agricultural loan portfolio.

| Exhibit #7 | | |
|--|---------------------------|--|
| Distribution of Small Business Loans | | |
| Original Dollar Amount | Outstanding Number | Outstanding Dollar Amount (000's) |
| Loans Secured by Non-Farm Nonresidential Properties | | |
| Less than or equal to \$100,000 | 135 | 6,420 |
| Greater than \$100,000 through \$250,000 | 105 | 15,209 |
| Greater than \$250,000 through \$1 million | 70 | 28,311 |

| | | |
|--|-----|--------|
| Total | 310 | 49,940 |
| Commercial and Industrial Loans | | |
| Less than or equal to \$100,000 | 297 | 6,643 |
| Greater than \$100,000 through \$250,000 | 52 | 4,834 |
| Greater than \$250,000 through \$1 million | 30 | 8,192 |
| Total | 379 | 19,669 |
| Loans Secured by Non-Farm Nonresidential Properties and Commercial and Industrial Loans | | |
| Grand totals | 689 | 69,609 |

As Exhibit 7 shows, small business loan originations in the \$100,000 or less category represent 78.4% of the number and 33.8% of the dollar amount of small business loans. Small business loans represent 62.7% of the bank's commercial and industrial loan portfolio.

According to community contacts, area financial institutions are meeting the needs of the farmers and business owners in the area.

Other Lending Related Activities

Management actively seeks opportunities to meet community credit needs. The bank offers several government sponsored programs including:

- The Rural Economic Community Development Guaranteed Rural Housing Program (RECD). Since the previous CRA Evaluation, the bank originated 38 loans for a total of \$4,492,100.
- The Michigan Capital Access Fund (MCAF). Since the previous CRA Evaluation, the bank originated 9 loans for a total of \$456,182.
- Farmers Home Administration Loan (FmHA). Since the previous CRA Evaluation, the bank originated 43 loans for a total of \$8,476,000.

Each program offers reduced rates or down payment options in order to increase the opportunities for low- and moderate-income borrowers. In addition, the bank is willing to make small-dollar amount loans to creditworthy individuals.

Geographic Distribution of Loans

The distribution of lending among geographies of different income levels within the assessment area, particularly those defined as low- and moderate-income, was reviewed. The following loan products were reviewed: Home Mortgage Disclosure Act (HMDA) data, small business loans and small farm loans. The sample period for HMDA-reportable data was January 1, 2001 through December 31, 2002. The small business/small farm loan data sample period was May 01, 2003 through November 30, 2003. Loans for which census tracts were unknown were not included in the analysis. Demographic characteristics of census tracts, such as housing types and income

level, were considered in the evaluation.

The

| Type of Census Tract | 2001/2002 HMDA Data | Small Business Loans | Agricultural Loans |
|----------------------|---------------------------|----------------------------|-----------------------|
| Moderate-Income | 334 | 44 | 29 |
| Middle-Income | 509 | 44 | 38 |
| Upper-Income | 15 | 3 | 0 |
| Grand Total | 858 | 91 | 67 |

geographic

distribution of loans exceeds the standards for satisfactory performance under this criterion.

The Bank of Lenawee's assessment area contains no low-income census tracts or BNA's. The assessment area does contain 10 (23.3%) moderate-income census tracts / BNA's, 29 (67.4%) middle-income census tracts, and 4 (9.3%) upper-income geographies. The examination loan sample for the 2001/2002 HMDA data and Small Business/Small Farm is illustrated in the following chart:

Out of the 858 HMDA reportable loans for 2001 and 2002, 38.9% were originated to borrowers in moderate-income tracts; 59.3% were originated to borrowers in middle-income tracts; and, 1.8% were originated to borrowers in upper-income tracts. Out of the 91 small business loans originated in the assessment area, a total of 48% were originated in both the moderate-income census tracts and the middle-income census tracts. The remainder of 3.3% were originated to borrowers in upper-income census tracts. Out of the 67 agricultural loans originated in the assessment area, 43.3% were originated to borrowers in moderate-income census tracts; 56.7% were originated to borrowers in middle-income census tracts.

Complaints

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

Services

The bank's systems for delivering retail banking and community development services were reviewed. The services provided by the bank were reviewed for range and accessibility, and innovativeness and responsiveness of alternative systems utilized for delivering the services.

Mobile Banking Courier Service – The bank operates a six-fleet vehicle system that goes to the bank's businesses to pickup deposits, deliver change orders, receipts, bank statements, and other information. The service is available seven days a week, which provides bank customers with additional safety, security, and convenience.

Mobile Bank – The bank operates a full-service mobile branch. According to management, the mobile branch is sent to areas of the bank's assessment area where the bank does not have offices. The bank also utilizes the mobile branch as a test site for future expansion. The mobile branch has two cash dispensing machines, and customers can make deposits, withdrawals, open accounts, and apply for and close loans at the mobile branch. The mobile branch is also sent to area senior citizen housing complexes during the beginning of each month to serve residents who are bank customers. Senior citizens who use the mobile branch are offered free check cashing services and receive money orders free of charge.

Telephone Banking – The bank operates a 24-hour telephone banking system which allows customers to bank 24 hours a day.

Internet Banking – The bank utilizes its website to also allow its customers to bank 24 hours a day.

Fair Lending

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A sample of the bank's lending activity was reviewed to determine whether loan policies and lending standards were in compliance with the fair lending laws and regulations, and that these are being consistently applied to all applicants. No evidence of prohibited discriminatory credit practices was detected.

CRA APPENDIX A

GLOSSARY

Aggregate lending: *The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and*

purchased by all lenders in the MSA/assessment area.

Block numbering area (“BNA”): *Statistical subdivisions of a county for grouping and numbering blocks in Non-Metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.*

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

Community development: *Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies,*

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

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

Full review: *Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).*

Geography: *A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.*

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

Home mortgage loans: Include 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 refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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.

Limited 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, branch distribution).

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 lenders in the MSA/assessment area.

Metropolitan area: Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA"), or consolidated metropolitan area ("CMSA"), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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.

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.

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

Optional loans: Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes 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.

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

Small loans to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as

commercial and industrial loans.

Small loans to farms: *A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.*

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

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

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