PUBLIC DISCLOSURE

July 22, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Liberty Bank of Maryland

744573

5612 The Alameda

Baltimore, Maryland 21239

Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261

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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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered to be more than reasonable given the bank's size, financial condition, and credit needs within the assessment area.
- A majority of the Home Mortgage Disclosure Act (HMDA) loans were originated within the bank's assessment area.
- Lending to borrowers of different income levels is considered reasonable.
- The geographic distribution ranges from poor to excellent and is considered reasonable overall.
- The institution has not received any complaints regarding its CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

Liberty Bank of Maryland (LB) was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, residential mortgage loans reported by the institution in accordance with the HMDA during calendar years 2010, 2011, and 2012 were reviewed. Based on lending activity, the bank originated a larger volume of loans in 2010 and 2012 than in 2011; consequently, the bank's performance in 2010 and 2012 was given more weight in the analysis.

DESCRIPTION OF INSTITUTION

LB is headquartered and operates two full-service branches in Baltimore, Maryland. The bank is not owned by a holding company nor legally affiliated with any other financial institution. LB received a Satisfactory rating at its prior CRA evaluation dated September 26, 2007. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment area.

As of March 31, 2013, LB had assets of $43.3 million of which 62.5% were net loans and 16.4% were securities. Various deposit and loan products are available through the institution including loans for business, residential mortgage, and consumer purposes. The composition of the loan portfolio (reflecting gross loans), as of March 31, 2013, is represented in the following table:

Composition of Loan Portfolio

Loan Type	3/31/2013	
	$(000s)	%
Secured by 1-4 Family dwellings	24,795	89.1
Multifamily	246	0.9
Construction and Development	1,600	5.7
Commercial & Industrial/ NonFarm NonResidential	1,187	4.3
Consumer Loans and Credit Cards	2	0.0
Agricultural Loans/ Farmland	0	0.0
All Other	0	0.0
Total	***27,830***	***100.0***

As indicated in the preceding table, the bank is an active residential mortgage lender. The bank offers other loans, such as commercial and consumer loans; however, the volume of such lending is extremely small in comparison to the residential mortgage lending. In addition to its general lending activities, during the evaluation period, the bank originated a $750,000 community development loan to an organization whose primary purpose is to maintain and provide housing for low- and moderate-income individuals in Baltimore, Maryland.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN BALTIMORE-TOWSON, MD MSA ASSESSMENT AREA

LB's single assessment area is located within the Baltimore-Towson, MD, MSA, and includes all of Anne Arundel, Baltimore, and Harford Counties, Maryland as well as the city of Baltimore, Maryland. The bank operates two branch offices within the assessment area and, as of June 2012 ranked 53rd out of 70 financial institutions in local deposit market share with .07% of the assessment area's FDIC insured deposits (credit union deposits are not included). Since its previous evaluation in September 2007, the bank closed its former headquarters and branch office located at 401 N. Howard Street in Baltimore, Maryland. The office was located in a moderate-income census tract; however, the closure did not negatively impact area residents as the bank's current headquarters and branch office located at 5612 The Alameda in Baltimore, Maryland, is also located in a moderate-income census tract.

According to the 2000 census data, the assessment area has a population of 2,113,692 and a median housing value of $121,779. The owner-occupancy rate of the assessment area equals 59.9%, which is slightly lower than the rates for the State of Maryland (62.5%) and the entire MSA (62.2%). The percentage of families below the poverty level in the assessment area (8.1%) exceeds the rate for both the state (6.1%) and the MSA (7.2%). The 2010 and 2011 HUD estimated median family income for the assessment area equaled $82,200 and $84,500, respectively. The following table includes additional, pertinent demographic data for the assessment area based on census data from 2000 and D&B data from 2011.

Assessment Area Demographics

Baltimore-Towson, MD MSA
(Based on 2000 Census Boundar and 2011 D&B information)

Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	79	14.5	51,819	9.6	17,114	33.0	121,695	22.6
Moderate	135	24.8	122,992	22.8	14,873	12.1	100,868	18.7
Middle	211	38.8	216,226	40.1	8,914	4.1	121,279	22.5
Upper	114	21.0	147,762	27.4	2,819	1.9	194,957	36.2
NA	5	0.9	0	0.0	0	0.0		
Total	*544*	*100.0*	*538,799*	*100.0*	*43,720*	*8.1*	*538,799*	*100.0*
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	29,684	5.6	83,774	10.3	29,503	35.2	208,820	25.6
Moderate	102,933	19.4	200,876	24.6	29,752	14.8	142,315	17.4
Middle	229,887	43.4	330,931	40.5	21,739	6.6	159,122	19.5
Upper	166,990	31.5	200,703	24.6	7,418	3.7	306,053	37.5
NA	0	0.0	26	0.0	0	0.0		
Total	*529,494*	*100.0*	*816,310*	*100.0*	*88,412*	*10.8*	*816,310*	*100.0*
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = $1 Million		Over $1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	8,075	6.2	7,172	6.1	502	6.2	401	8.1
Moderate	24,409	18.7	21,608	18.4	1,675	20.8	1,126	22.8
Middle	55,416	42.4	49,610	42.2	3,674	45.6	2,132	43.2
Upper	42,738	32.7	39,275	33.4	2,188	27.2	1,275	25.8
NA	50	0.0	31	0.0	14	0.2	5	0.1
Total	*130,688*	*100.0*	*117,696*	*100.0*	*8,053*	*100.0*	*4,939*	*100.0*
Percentage of Total Businesses:				90.1		6.2		3.8

**NA-Tracts without household or family income as applicable*

Based on data from the 2010 census, the assessment area population increased slightly to 2,208,472. The area median housing value increased significantly and equals $277,070. The assessment area owner-occupancy rate (59%) continues to lag the rates for the MSA (61.7%) and the State of Maryland (62.2 %). According to the most recent census data, the assessment area's family poverty rate declined slightly and currently equals 7.4%, which remains higher than the overall MSA's rate (6.6%) and the statewide rate (5.7%). The median family income for the Baltimore-Towson, MD MSA equaled $85,600 during 2012. The following table includes other, pertinent demographic data for the assessment area based on census data from 2010 and D&B data from 2012.

Assessment Area Demographics

Baltimore-Towson, MD MSA (Based on 2010 ACS Boundaries and 2012 D&B information)								
Income Categories*	**Tract Distribution**		**Families by Tract**		**Families < Poverty as a % of Families by Tract**		**Families by Family Income**	
	#	%	#	%	#	%	#	%
Low	100	17.4	61,628	11.6	15,952	25.9	126,420	23.7
Moderate	145	25.2	125,078	23.5	12,499	10.0	98,143	18.4
Middle	186	32.3	192,204	36.1	7,699	4.0	113,568	21.3
Upper	136	23.7	154,084	28.9	3,048	2.0	194,863	36.6
NA	8	1.4	0	0.0	0	0.0		
Total	*575*	*100.0*	*532,994*	*100.0*	*39,198*	*7.4*	*532,994*	*100.0*
	Owner Occupied Units by Tract		**Households**					
			HHs by Tract		**HHs < Poverty by Tract**		**HHs by HH Income**	
	#	%	#	%	#	%	#	%
Low	39,063	7.1	106,056	12.6	29,621	27.9	220,439	26.3
Moderate	113,557	20.6	214,034	25.5	27,912	13.0	140,781	16.8
Middle	217,474	39.4	297,532	35.4	19,935	6.7	155,877	18.6
Upper	181,414	32.9	221,681	26.4	9,135	4.1	322,257	38.3
NA	43	0.0	51	0.0	15	29.4		
Total	*551,551*	*100.0*	*839,354*	*100.0*	*86,618*	*10.3*	*839,354*	*100.0*
	Total Businesses by Tract		**Businesses by Tract and Revenue Size**					
			Less than or = $1 Million		**Over $1 Million**		**Revenue not Reported**	
	#	%	#	%	#	%	#	%
Low	10,868	9.4	9,615	9.2	662	9.1	591	12.8
Moderate	20,945	18.1	18,637	17.9	1,311	18.0	997	21.5
Middle	43,729	37.7	39,006	37.5	2,931	40.2	1,792	38.7
Upper	40,084	34.6	36,528	35.1	2,327	31.9	1,229	26.6
NA	278	0.2	194	0.2	65	0.9	19	0.4
Total	*115,904*	*100.0*	*103,980*	*100.0*	*7,296*	*100.0*	*4,628*	*100.0*
Percentage of Total Businesses:				89.7		6.3		4.0

**NA-Tracts without household or family income as applicable*

The local economy is based on a variety of health care, education, retail, and technology industries. Major area employers include Johns Hopkins University and Hospital, Anne Arundel Medical Center, Northrop Grumman Corporation (defense contractor), Baltimore Gas and Electric (utilities), Rite Aid, and Wal-Mart/Sam's Club (retail stores). Recent periodic unemployment rates are included in the following table.

Unemployment Rate Trend													
Geographic Area	**Jun-07**	**Dec-07**	**Jun-08**	**Dec-08**	**Jun-09**	**Dec-09**	**Jun-10**	**Dec-10**	**Jun-11**	**Dec-11**	**Jun-11**	**Dec-12**	**Jun-13**
Baltimore City	5.8%	5.0%	6.5%	8.5%	11.1%	11.1%	12.0%	11.2%	11.6%	10.0%	10.9%	9.8%	11.2%
Anne Arundel County	3.3%	2.7%	4.0%	4.9%	7.0%	7.0%	7.1%	6.4%	7.0%	5.9%	6.7%	5.8%	6.8%
Baltimore County	3.8%	3.2%	4.4%	5.9%	8.2%	8.1%	8.3%	8.0%	8.1%	7.1%	7.6%	7.1%	7.8%
Harford County	3.5%	3.0%	4.1%	5.6%	7.9%	7.7%	7.9%	7.4%	7.7%	6.6%	7.4%	6.7%	7.5%
Baltimore-Towson MSA	3.9%	3.3%	4.5%	5.9%	8.1%	8.0%	8.3%	7.8%	8.1%	7.0%	7.7%	6.9%	7.9%
Maryland	3.7%	3.1%	4.3%	5.6%	7.7%	7.7%	7.8%	7.4%	7.7%	6.7%	7.2%	6.6%	7.5%

As indicated in the preceding table, overall, unemployment rates have trended upwards over the six-year period from June 2007 to June 2013. The reflected time period begins prior to the full impact of the recent, national economic recession, which led to significantly high unemployment levels. More recent time periods reflect slight improvements from the height of the recession, but unemployment levels remain significantly higher than normal.

An individual knowledgeable of the local market area was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that area economic conditions were improving and suggested that the local community would benefit from increased access to affordable housing for low-income families. The contact opined that the need for more affordable rental housing would continue to increase in the area because of the significant challenges lower-income individuals face in being able to purchase housing with a still weaker job market. The contact indicated that area financial institutions have provided much needed support for area homeownership counseling and first time homebuyer education programs. The contact also felt that area financial institutions have reasonably met the needs of the local market area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

An analysis of lending during the review period is discussed in greater detail in subsequent sections of this evaluation. When evaluating the bank’s performance, relevant area demographic data from the 2000 and 2010 census are used as proxies for demand. Demographic data from the 2000 census is considered when evaluating the bank’s lending performance during 2010 and 2011, while demographic data from the 2010 census is utilized when evaluating the bank’s performance during 2012. Aggregate HMDA loan data from 2010 and 2011 is also considered when evaluating the bank’s performance; however, aggregate HMDA lending data from 2012 cannot be considered in this evaluation because the data is not currently available.

While LB’s HMDA loan data from calendar years 2010, 2011, and 2012 were fully analyzed and considered in the evaluation, bank and aggregate data from only 2010 and 2011 are reflected in the assessment area analysis tables. In instances when the bank’s 2012 HMDA performance varies significantly from its performance during 2010 or 2011, such variance and the corresponding impact on the overall performance are discussed.

Primary consideration is given to the number (and corresponding percentage) of loans originated when evaluating the borrower and the geographic distribution of loans. To arrive at an overall conclusion regarding the distribution of lending, performance from each year is then generally weighted by the dollar volume of loans originated in the assessment area from each year.

Loan-To-Deposit Ratio

The bank's current loan-to-deposit ratio equals 73.5% and averaged 93.9% for the twenty-three quarter period ending March 31, 2013. Because LB is the only bank with assets less than $50 million headquartered in an MSA in Maryland, the average loan-to-deposit ratios for a regional peer group of banks was considered as an element of performance context. The regional peer group consisted of all banks with assets less than $50 million headquartered in MSAs in the Fifth Federal Reserve District. The quarterly average loan-to-deposit ratios for those banks during the same time period ranged from 58.3% to 81.6%. Since September 30, 2007, bank assets, net loans, and deposits have decreased by 20.5%, 38.7%, and 1.5%, respectively. Despite the decrease in net loans outstanding, the bank's average loan-to-deposit ratio is considered more than reasonable given the institution's size, financial condition, market conditions, and local credit needs.

As previously noted, the bank extended a community development loan for $750,000 to an organization that provides housing for low- and moderate-income families in Baltimore. Such lending evidences responsiveness to local credit needs.

Lending In Assessment Area

To determine the institution's volume of lending within its assessment area, the geographic location of the bank's HMDA loans originated during 2010, 2011 and 2012 were considered. The lending distribution inside and outside of the bank's assessment areas is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area(s)

Loan Type	Inside				Outside			
	#	%	$(000)	%	#	%	$(000)	%
Home Improvement	0	0.0	0	0.0	1	100.0	30	100.0
Home Purchase	9	81.8	1,735	82.4	2	18.2	371	17.6
Refinancing	33	82.5	5,394	73.3	7	17.5	1,966	26.7
TOTAL LOANS	**42**	**80.8**	**7,129**	**75.1**	**10**	**19.2**	**2,367**	**24.9**

As indicated in the preceding table, a majority of the number and dollar amount of residential mortgage HMDA loans were extended to residents in the bank's assessment area. Overall, the institution's level of lending within its assessment area is considered responsive to community credit needs.

Lending to Borrowers of Different Incomes of Different Sizes

Overall, the bank's borrower distribution performance is considered reasonable for residential mortgage lending within its assessment area.

Distribution of HMDA Loans by Income Level of Borrower

Baltimore-Towson, MD MSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
	HMDA Totals							
Low	2	15.4	78	3.8	6,885	9.2	859,342	4.8
Moderate	2	15.4	290	14.2	16,972	22.7	2,974,865	16.6
Middle	1	7.7	91	4.5	18,878	25.2	4,157,518	23.2
Upper	8	61.5	1,581	77.5	32,036	42.9	9,943,238	55.4
Total	***13***	***100.0***	***2,040***	***100.0***	***74,771***	***100.0***	***17,934,963***	***100.0***
Unknown	*11*		*1,546*		*17,137*		*4,558,749*	

Percentage's (%) are calculated on all loans where incomes are known

In 2010, the bank's lending to low-income borrowers (15.4%) significantly exceeded the aggregate reporter lending level (9.2%) but lagged the proportion of low-income families in the assessment area (22.6%). Bank lending to moderate-income borrowers (15.4%) was lower than both the aggregate reporter lending level (22.7%) and the percentage of moderate-income families within the assessment area (18.7%). On a combined basis, however, the bank's performance is considered reasonable.

Distribution of HMDA Loans by Income Level of Borrower

Baltimore-Towson, MD MSA (2011)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
	HMDA Totals							
Low	1	25.0	91	10.1	6,811	10.5	792,124	5.3
Moderate	0	0.0	0	0.0	14,711	22.7	2,427,452	16.1
Middle	0	0.0	0	0.0	16,440	25.4	3,521,547	23.4
Upper	3	75.0	810	89.9	26,872	41.4	8,290,512	55.2
Total	***4***	***100.0***	***901***	***100.0***	***64,834***	***100.0***	***15,031,635***	***100.0***
Unknown	*0*		*0*		*14,891*		*4,142,969*	

Percentage's (%) are calculated on all loans where incomes are known

As shown in the table above, LB's lending performance in 2011 for low-income borrowers (25%) exceeded both the aggregate reporter lending level (10.5%) and the level of low-income families (22.6%), however, the performance is based on only one loan origination. Additionally, the bank originated no loans to moderate-income borrowers. Nonetheless, given the modest lending volume, the bank's 2011 performance is considered marginally reasonable.

During 2012, the bank's origination volume increased, as it originated 13 total HMDA loans, totaling $2.6 million, where income was known. Considering 2010 demographic data and the bank's historical distribution of lending as performance context factors, the bank's 2012 performance is also considered reasonable.

Geographic Distribution of Loans

While the bank's HMDA distribution performance varies by year from poor to excellent, its overall performance is considered reasonable. This reflects a greater weight to the bank's 2010 and 2012 lending because of the larger dollar volume of such lending by the bank within the assessment area.

Distribution of HMDA Loans by Income Level of Census Tract

Baltimore-Towson, MD MSA (2010)								
Income Categories	**Bank**				**Aggregate**			
	#	**%**	**$(000s)**	**% $**	**#**	**%**	**$(000s)**	**% $**
		(3)		**Home Purchase**		**(28,744)**		
Low	0	0.0	0	0.0	1,032	3.6	147,782	2.1
Moderate	3	100.0	455	100.0	4,861	16.9	832,262	11.8
Middle	0	0.0	0	0.0	13,521	47.0	3,079,998	43.7
Upper	0	0.0	0	0.0	9,329	32.5	2,980,226	42.3
		(21)		**Refinance**		**(60,311)**		
Low	4	19.0	582	18.6	1,174	1.9	164,729	1.1
Moderate	5	23.8	680	21.7	6,310	10.5	1,022,215	7.0
Middle	5	23.8	564	18.0	25,964	43.1	5,647,234	38.5
Upper	7	33.3	1,305	41.7	26,862	44.5	7,828,472	53.4
		(0)		**Home Improvement**		**(2,764)**		
Low	0	0.0	0	0.0	117	4.2	8,405	2.5
Moderate	0	0.0	0	0.0	413	14.9	29,428	8.8
Middle	0	0.0	0	0.0	1,254	45.4	134,296	40.2
Upper	0	0.0	0	0.0	980	35.5	162,107	48.5
		(0)		**Multi-Family**		**(89)**		
Low	0	0.0	0	0.0	10	11.2	33,998	7.5
Moderate	0	0.0	0	0.0	26	29.2	94,862	20.8
Middle	0	0.0	0	0.0	38	42.7	237,040	51.9
Upper	0	0.0	0	0.0	15	16.9	90,285	19.8
				HMDA Totals				
Low	4	16.7	582	16.2	2,333	2.5	354,914	1.6
Moderate	8	33.3	1,135	31.7	11,610	12.6	1,978,767	8.8
Middle	5	20.8	564	15.7	40,777	44.4	9,098,568	40.4
Upper	7	29.2	1,305	36.4	37,186	40.5	11,061,090	49.2
*NA**	0	0.0	0	0.0	2	0.0	373	0.0
Total	***24***	***100.0***	***3,586***	***100.0***	***91,908***	***100.0***	***22,493,712***	***100.0***

NA-Tracts without household or family income as applicable*

During 2010, the bank's level of residential mortgage lending in both low-income (16.7%) and moderate-income (33.3%) census tracts significantly exceeded the proportion of owner-occupied housing units located in low-income (5.6%) and moderate-income (19.4%) census tracts, as well as the aggregate lending levels in low-income (2.5%) and moderate-income (12.6%) census tracts. The bank's performance is considered excellent.

Distribution of HMDA Loans by Income Level of Census Tract

Baltimore-Towson, MD MSA (2011)								
Income Categories	**Bank**				**Aggregate**			
	#	**%**	**$(000s)**	**% $**	**#**	**%**	**$(000s)**	**% $**
		(2)		**Home Purchase**		**(28,227)**		
Low	0	0.0	0	0.0	837	3.0	101,554	1.5
Moderate	0	0.0	0	0.0	4,590	16.3	696,952	10.6
Middle	1	50.0	91	39.4	13,685	48.5	2,933,037	44.6
Upper	1	50.0	140	60.6	9,115	32.2	2,839,116	43.3
		(2)		**Refinance**		**(48,597)**		
Low	0	0.0	0	0.0	833	1.7	115,503	1.0
Moderate	0	0.0	0	0.0	4,889	10.1	754,876	6.5
Middle	0	0.0	0	0.0	20,486	42.2	4,293,594	37.1
Upper	2	100.0	670	100.0	22,387	46.0	6,404,199	55.4
		(0)		**Home Improvement**		**(2,815)**		
Low	0	0.0	0	0.0	105	3.7	6,025	2.0
Moderate	0	0.0	0	0.0	436	15.5	26,477	8.7
Middle	0	0.0	0	0.0	1,192	42.3	105,042	34.6
Upper	0	0.0	0	0.0	1,082	38.5	166,239	54.7
		(0)		**Multi-Family**		**(86)**		
Low	0	0.0	0	0.0	7	8.1	17,237	2.4
Moderate	0	0.0	0	0.0	30	34.9	277,038	37.9
Middle	0	0.0	0	0.0	31	36.0	198,165	27.1
Upper	0	0.0	0	0.0	18	21.0	239,002	32.6
				HMDA Totals				
Low	0	0.0	0	0.0	1,782	2.2	240,319	1.3
Moderate	0	0.0	0	0.0	9,945	12.5	1,755,343	9.2
Middle	1	25.0	91	10.1	35,394	44.4	7,529,838	39.3
Upper	3	75.0	810	89.9	32,602	40.9	9,648,556	50.2
*NA**	0	0.0	0	0.0	2	0.0	548	0.0
Total	***4***	***100.0***	***901***	***100.0***	***79,725***	***100.0***	***19,174,604***	***100.0***

NA-Tracts without household or family income as applicable*

LB did not originate any loans in low- and moderate-income census tracts in 2011. Consequently, the bank's performance is considered to be very poor.

During 2012, the bank originated 14 loans within the assessment area totaling $2.6 million. Of those originations, the bank extended one loan in a low-income tract (7.1%) and one loan in a moderate-income census tract (7.1%). The performance in low-income tracts is comparable to the percent of owner-occupied units in such tracts (7.1%) but the percentage of bank lending in moderate-income tracts is lower than the percentage of owner-occupied units in moderate-income tracts (20.6%). Historical data suggests that the percent of owner-occupied units may overstate the effective demand for credit. Additionally, based on the most recent census data, 25.9% of low-income census tract residents and 10% of moderate-income census tract residents are below the poverty level. Since such high levels of poverty can reduce the effective demand for credit, overall, the bank's performance in 2012 is considered reasonable.

Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

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.

Census tract: A small subdivision 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. Census tracts 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: All Agencies have adopted the following language. Affordable housing (including multifamily rental 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

(i) Low-or moderate-income geographies;

(ii) Designated disaster areas; or

(iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-

a. Rates of poverty, unemployment, and population loss; or
b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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.

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-scope review: Performance under the Lending and Community Development Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 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 (for example, 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 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.

Limited-scope review: Performance under the Lending and Community Development Tests is analyzed using only quantitative factors (for example, 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.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A 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. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a 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**.**

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.

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 loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report 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 either secured by 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): 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 $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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.