PUBLIC DISCLOSURE

October 28, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Warren Bank and Trust Company
RSSD #748441

201 South Main Street
Warren, Arkansas 71671

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

NOTE: **This document is an evaluation of this institution’s record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of the institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

TABLE OF CONTENTS

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

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

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the assessment area.
- The borrower's profile analysis reveals reasonable penetration among business 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. In order to evaluate the bank's performance, 1–4 family residential real estate, small business, and consumer motor vehicle loans were analyzed. These products were selected due to their importance to the bank's business model and current lending volume. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. 1–4 family residential real estate loans were given the greatest weight in determining overall performance conclusions, followed by small business loans and finally, consumer motor vehicle loans. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	September 30, 2015 – September 30, 2019
Assessment Area Concentration	January 1, 2017 – December 31, 2018
Loan Distribution by Borrower's Profile	January 1, 2017 – December 31, 2018
Geographic Distribution of Loans	January 1, 2017 – December 31, 2018
Response to Written CRA Complaints	July 27, 2015 – October 27, 2019

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 U.S. Census data and certain business demographics are based on 2017 and 2018 Dun & Bradstreet data. Between the aforementioned metrics, greater emphasis is generally placed on the aggregate lending data, because it is believed to better reflect many factors affecting lenders in an assessment area. Aggregate lending data sets are also updated more frequently and thus are expected to predict more relevant comparisons.

In addition, the bank's lending levels were evaluated in relation to comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers with asset sizes ranging from $107.2 million to $211.9 million as of September 30, 2019.

To augment this evaluation, two interviews with members of the local community were used to better understand specific credit needs, opportunities, and local market conditions within the bank's assessment areas. Key details from these community contact interviews are included in the *Description of Assessment Area* section and throughout the evaluation, where applicable.

DESCRIPTION OF INSTITUTION

Warren Bank and Trust Company is an independent, full-service retail bank offering both consumer and commercial loan and deposit products. The bank is headquartered in Warren, Arkansas, and has no affiliates or subsidiaries. Warren Bank and Trust Company operates four branches, including its headquarters, all of which are located in Bradley County, Arkansas. Of the four branches, three have full-service automated teller machines (ATMs) on site. The bank also operates three stand-alone, cash dispensing-only ATMs within area businesses. During the review period, the bank did not open or close any branches or ATMs.

To complement its physical locations, the bank's website gives customers access to account information and loan and bill payment services. In addition, Warren Bank and Trust Company recently introduced a mobile app, which provides customers services similar to that of the bank's website. Between its branches, ATMs, and digital platforms, the bank is well positioned to deliver financial services to its entire assessment area.

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. Moreover, the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of September 30, 2019, the bank reported total assets of $127.7 million. As of the same date, loans and leases outstanding were $46.2 million (36.2 percent of total assets), and deposits totaled $101.1 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2019		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$773	1.7%
Commercial Real Estate	$3,492	7.6%
Multifamily Residential	$770	1.7%
1–4 Family Residential	$21,106	45.6%
Farmland	$6,559	14.2%
Farm Loans	$127	.3%
Commercial and Industrial	$6,005	13.0%
Loans to Individuals	$6,781	14.7%
Total Other Loans	$627	1.4%
TOTAL	**$46,240**	**100%**

As indicated in the table above, a significant portion of the bank's lending resources is directed to 1–4 family residential real estate. Commercial real estate and commercial/industrial lending combine for another meaningful share of the bank's lending activity.

It is also worth noting that by number of loans originated, consumer motor vehicle loans (which are included in the loans to individuals category) represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts; thus, their importance to the bank's loan portfolio is not immediately evident in the preceding table.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on July 27, 2015, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area is located in the southeastern portion of nonmetropolitan statistical area (nonMSA) Arkansas and comprises Bradley County in its entirety. The assessment area includes one moderate- and four middle-income census tracts and is mostly rural in nature. All four of the middle-income census tracts were listed as distressed in 2017 and 2018 by the FFIEC for high levels of poverty. According to recent U.S. Census data, the assessment area has a population of 11,206. That figure has declined steadily and significantly since the 2000 U.S. Census.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2019, there are three FDIC-insured depository institutions in Bradley County, which together operate a total of eight branches in the assessment area. Warren Bank and Trust Company operates four of those eight branches and holds the largest share of the deposit market at almost 46 percent.

Like many agricultural and extraction-based rural economies, Bradley County has a host of commercial and consumer credit needs. Specifically, community contacts noted the need for home repair and renovation loans to manage an aging housing stock and small business loans to purchase and update brick-and-mortar spaces. Finally, both contacts noted a need for tailored banking products to connect the unbanked to financial services.

Income and Wealth Demographics

The distribution of assessment area census tracts by income level and the family population within those tracts are depicted in the table below.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0	1	4	0	0	**5**
	0.0%	20.0%	80.0%	0.0%	0.0%	**100%**
Family Population	0	419	2,679	0	0	**3,098**
	0.0%	13.5%	86.5%	0.0%	0.0%	**100%**

As previously mentioned, only one of the five census tracts in the assessment area is categorized as low- or moderate-income. The one moderate-income census tract is located within the northeastern portion of the county and is home to 13.5 percent of the family population.

Based on 2015 U.S. Census data, the median family income for the assessment area was $41,816, which is below the overall nonMSA Arkansas median family income ($45,060).

Family Population by Income Level							
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	815	547	553	1,183	0	**3,098**
	26.3%	17.7%	17.9%	38.2%	0.0%	**100%**
NonMSA Arkansas	64,826	54,506	59,209	125,086	0	**303,627**
	21.4%	18.0%	19.5%	41.2%	0.0%	100%

The preceding table displays population percentages of assessment area families by income level compared to nonMSA Arkansas. Of all the families in the assessment area, 44.0 percent are considered LMI, which is slightly higher than the LMI family percentage of 39.4 in nonMSA Arkansas.

The percentage of families living below the poverty threshold in the assessment area (21.4 percent) also exceeds the corresponding figure for nonMSA Arkansas (16.6 percent). This suggests that residents in the assessment area are facing worse economic conditions than peers throughout the nonMSA area as a whole.

Housing Demographics

Housing data indicates rent and housing values are lower in the assessment area than they are in nonMSA Arkansas. The median housing value for the assessment area is $68,700, which is significantly lower than the nonMSA figure of $85,989. Similarly, the affordability ratio suggests that when considering income levels, homeownership is more affordable in the assessment area (49.1 percent) than nonMSA Arkansas (41.0 percent).

The median gross rent for the assessment area is $565 per month, which is a bit lower than the $588 per month rate for nonmetropolitan areas within Arkansas. However, 42.3 percent of assessment area renters have rent costs exceeding 30 percent of their income, compared to 41.0 percent of renters in nonMSA Arkansas. Therefore, while homeownership is more affordable in the assessment area than the nonMSA, many residents still pay a large share of their income for housing.

Industry and Employment Demographics

The assessment area is home to a fairly small and concentrated business community. According to recent data, over 56 percent of the assessment area’s employees work in manufacturing (25.9 percent), healthcare/social assistance (18.3 percent), or agriculture/forestry/finishing/hunting (12.3 percent).

According to nonseasonally adjusted unemployment data from the U.S. Department of Labor and the Bureau of Labor Statistics, unemployment levels in both the assessment area and nonMSA Arkansas decreased over time. While the rate of decrease occurred first and faster in the nonmetropolitan portions of the state, the assessment area’s decline caught up by 2018.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**NonMSA Arkansas**
2015	6.1%	6.0%
2016	5.3%	4.9%
2017	4.8%	4.4%
2018	4.5%	4.4%

One contact noted that it will be difficult for unemployment in the assessment area to trend much lower than its current rate. Due to the population loss described earlier and employer demand for workers, most area residents who want a job have one.

Community Contact Information

Information from two community contact interviews was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. Of these interviews, one was with an individual specializing in affordable housing, and the other was with an individual specializing in economic/community development.

The housing contact described an aging housing market in southeastern Arkansas with little-to-no new home development. This phenomenon, in part, stems from a demand problem. The contact suggested that most residents are opting to either repair or rehab their current home, instead of moving and buying a new one. Moreover, the contact added that the LMI residents who are renting are typically not able to move into homeownership due to poor or nonexistent credit profiles. Therefore, with few homeowners looking to move or upgrade, plus very few likely first-time homebuyers, there is little incentive for new home and/or neighborhood development. The contact suggested that banks should partner with community organizations to provide more financial education to prepare prospective homebuyers. Additionally, the contact would like to see more banks take advantage of federal housing programs to mitigate financial risk and create new opportunities for LMI homeownership.

The community/economic development contact described a community struggling with population loss, which has ultimately led to a workforce shortage. Regarding the former, the contact said that the population loss over the last decade stemmed from talent moving to more urban areas and a general lack of employment opportunities. Moreover, when the economy began to grow, the decrease in population made it difficult for employers to find workers. The workforce problems were so noticeable that some major employers took it upon themselves to bus workers in from neighboring counties and population centers. Those programs notwithstanding, there is still a shortage of workers in Bradley County and the region in general. Until that is remedied, the contact believes the local economy cannot meet its potential.

Both contacts indicated that there appear to be sufficient traditional banking services available to residents but that many LMI residents remain unbanked, opting instead to use check-cashing services or paying expenses with cash. While many LMI residents may have checking or savings accounts at local financial institutions, as noted above, many do not qualify for traditional loan products due to poor credit histories.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

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 compared to those of regional peers. The average LTD ratio represents a 17-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of September 30, 2019**	**Average LTD Ratio**
Warrant B&T	Warren, Arkansas	$127,688	42.6%
Regional Banks	Warren, Arkansas	$107,213	40.6%
	Smackover, Arkansas	$182,223	39.1%
	Monticello, Arkansas	$211,937	66.2%

Based on data from the previous table, the bank's level of lending is above two regional peers and below the third. During the review period, the bank's LTD ratio experienced a generally increasing trend, moving from 37.4 percent to 45.5 percent in its most recent quarter. Therefore, compared to data from regional banks, the bank's 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, 2017 through December 31, 2018						
Loan Type[1]	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
1–4 Family Residential Real Estate	49	72.1%	19	27.9%	**68**	**100%**
	$3,577	75.7%	$1,149	24.3%	**$4,726**	**100%**
Small Business	28	45.2%	34	54.8%	**62**	**100%**
	$1,677	38.5%	$2,681	61.5%	**$4,358**	**100%**
Consumer	72	78.3%	20	21.7%	**92**	**100%**
	$1,286	72.2%	$495	27.8%	**$1,781**	**100%**
TOTAL LOANS	**149**	**67.1%**	**73**	**32.9%**	**222**	**100%**
	$6,540	**60.2%**	**$4,325**	**39.8%**	**$10,865**	**100%**

A majority of the loans sampled were extended to borrowers or businesses in the bank's assessment area. As shown in the preceding table, 67.1 percent of the total loans were made inside the assessment area, accounting for 60.2 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance within the three loan categories that were reviewed. The bank's residential real estate and consumer motor vehicle lending by borrower's profile were reasonable, while performance lending to small businesses was excellent. As previously noted, greatest weight was placed on 1–4 family residential real estate lending performance.

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. The following table shows the distribution of 1–4 family residential real estate loans by borrower income level compared to the corresponding family population, along with aggregate lending levels for 2017 and 2018.

[1] HMDA, small business, and consumer loan types were sampled for this review according to CA Letter 01-8, "CRA Sampling Procedures."

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2017 through December 31, 2018												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
1–4 Family Residential Real Estate	7	14.3%	12	24.5%	8	16.3%	22	44.9%	0	0.0%	**49**	**100%**
Family Population	26.3%		17.7%		17.9%		38.2%		0.0%		**100%**	
2017 HMDA Aggregate	6.6%		13.2%		15.7%		37.2%		27.3%		**100%**	
2018 HMDA Aggregate	3.5%		14.2%		19.5%		35.4%		27.4%		**100%**	

The bank's percentage of lending to low-income borrowers (14.3 percent) trails the low-income family population figure (26.3 percent). However, aggregate lending levels were 6.6 percent and 3.5 percent in 2017 and 2018, respectively. Thus, the bank's level of lending to low-income borrowers reflects reasonable performance. The bank's level of lending to moderate-income borrowers is excellent. Their performance (24.5 percent) exceeds the moderate-income family population percentage (17.7 percent). Additionally, aggregate lending levels for 2017 and 2018 were 13.2 percent and 14.2 percent, respectively.

Considering both income categories together, the bank's overall distribution of loans by borrower's profile is reasonable. A total of 38.8 percent of the bank's 1–4 family residential real estate loans were made to either low- or moderate-income borrowers, which approaches the LMI family population metric of 44.0 percent. Aggregate HMDA lending to low- and moderate-income borrowers was 19.8 percent and 18.9 percent in 2017 and 2018, respectively.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2017 through December 31, 2018								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	25	89.3%	1	3.6%	1	3.6%	**27**	**96.4%**
Greater than $1 Million/Unknown	1	3.6%	0	0.0%	0	0.0%	**1**	**3.6%**
TOTAL	**26**	**92.9%**	**1**	**3.6%**	**1**	**3.6%**	**28**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**89.1%**	
2017 CRA Aggregate Data							**15.4%**	
2018 CRA Aggregate Data							**15.0%**	

The bank originated the vast majority of its small business loans (96.4 percent) to businesses with revenues of $1 million or less, which exceeds the population metric of 89.1 percent. Aggregate performance in 2017 was 15.4 percent and in 2018 was 15.0 percent. Additionally, 92.6 percent of the bank's loans to small businesses were in amounts less than or equal to $100,000, which is generally a higher need for small businesses than larger dollar loans. Therefore, the bank's level of lending to small businesses is excellent.

Finally, the bank's distribution of consumer motor vehicle loans was analyzed by the borrower's income profile. In order to assess performance, the bank's lending was compared to the income characteristics of the assessment area's household population.

Distribution of Loans Inside Assessment Area by Borrower Income
January 1, 2017 through December 31, 2018

	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Consumer Motor Vehicle	15	20.8%	15	20.8%	9	12.5%	24	33.3%	9	12.5%	**72**	**100%**
Household Population	27.7%		16.3%		16.6%		39.4%		0.0%		**100%**	

The preceding table shows that the bank's lending to low-income borrowers of 20.8 percent approaches the household population metric of 27.7 percent and thus reflects reasonable performance. The bank's performance with moderate-income borrowers (20.8 percent) is also reasonable, as it exceeds but is still comparable to the household population of 16.3 percent. Therefore, together, the bank's consumer motor vehicle lending by borrower income is reasonable.

Geographic Distribution of Loans

As previously noted, the assessment area has no low-income census tracts and just one moderate-income census tract, so the following analysis is based entirely on the bank's performance in the assessment area's one moderate-income tract. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration based on the 1–4 family residential real estate, small business, and consumer motor vehicle loan categories.

The following table displays the geographic distribution of the bank's 1–4 family residential real estate loans compared to owner-occupied housing demographics, along with aggregate performance for the assessment area for 2017 and 2018.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2017 through December 31, 2018												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
1–4 Family Residential Real Estate	**0**	**0.0%**	**5**	**10.2%**	**44**	**89.8%**	**0**	**0.0%**	**0**	**0.0%**	**49**	**100%**
Owner-Occupied Housing	0.0%		14.9%		85.1%		0.0%		0.0%		**100%**	
2017 HMDA Aggregate	0.0%		9.9%		90.1%		0.0%		0.0%		**100%**	
2018 HMDA Aggregate	0.0%		15.0%		85.0%		0.0%		0.0%		**100%**	

The analysis revealed reasonable lending performance. Bank performance of 10.2 percent was comparable to the owner-occupied housing metric of 14.9 percent in moderate-income geographies. For additional context, aggregate performance was 9.9 percent in 2017 and 15.0 percent in 2018.

The geographic distribution of the bank's small business lending was also reviewed. The following table displays small business loan activity by the geography's income level compared to the location of businesses throughout the bank's assessment area. In addition, aggregate performance data is displayed.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2017 through December 31, 2018												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Business Loans	0	0.0%	4	14.3%	24	85.7%	0.0%	0.0%	0	0.0%	**28**	**100%**
Business Institutions	0.0%		22.8%		77.2%		0.0%		0.0%		**100%**	
2017 Small Business Aggregate	0.0%		13.4%		84.6%		0.0%		2.0%		**100%**	
2018 Small Business Aggregate	0.0%		16.8%		82.1%		0.0%		1.1%		**100%**	

The bank's percentage of loans in moderate-income census tracts was 14.3 percent. While the bank falls a bit short of the small business population metric (22.8 percent), aggregate lending levels in 2017 and 2018 were 13.4 percent and 16.8 percent, respectively. Therefore, the bank's overall geographic distribution of small business loans is reasonable.

Lastly, the distribution of the bank's consumer motor vehicle loans was assessed.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2017 through December 31, 2018												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Consumer Motor Vehicle	0	0.0%	11	15.3%	61	84.7%	0	0.0%	0	0.0%	**72**	**100%**
Household Population	0.0%		13.8%		86.2%		0.0%		0.0%		**100%**	

The bank's performance within this loan category is reasonable. As shown in the preceding table, the bank's consumer motor vehicle lending in moderate-income geographies (15.3 percent) is comparable to the household population in moderate-income geographies (13.8 percent).

Lastly, based on reviews from all loan categories, Warren Bank and Trust Company had loan activity in all assessment area census tracts. Accordingly, no conspicuous lending gaps were noted in LMI areas. This information supports the conclusion that the bank's overall geographic distribution of loans is reasonable.

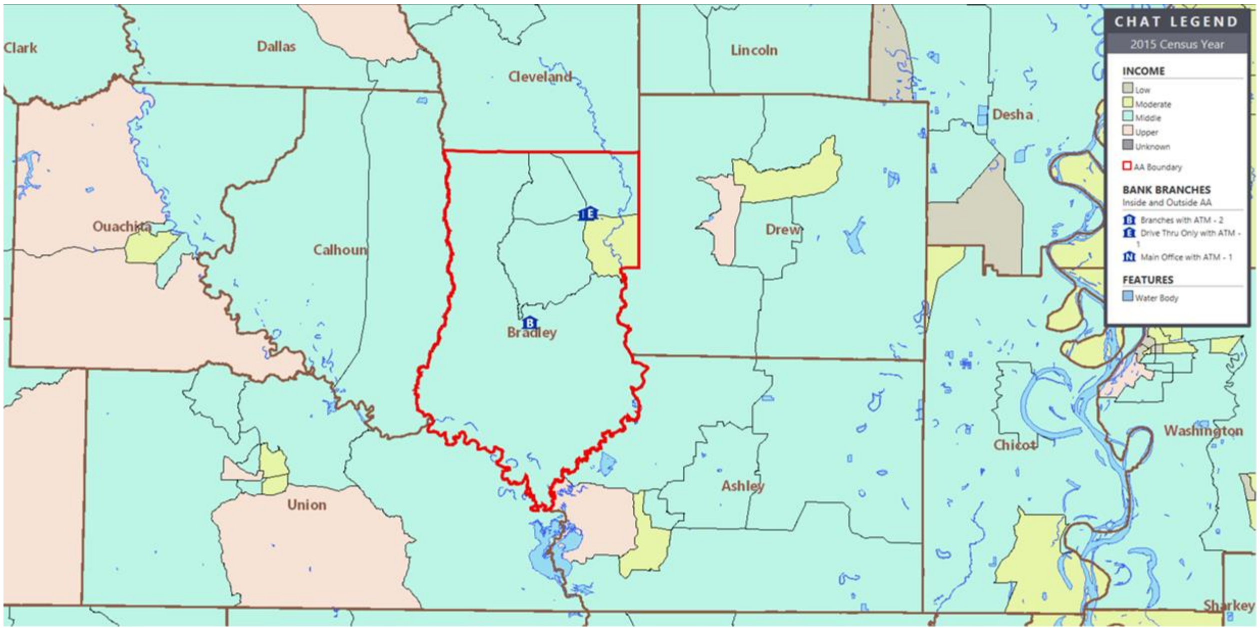
Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (July 27, 2015 through October 27, 2019).

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

ASSESSMENT AREA DETAIL



GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

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

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) <u>affordable housing</u> (including multifamily rental housing) for low- and moderate-income (LMI) individuals; (2) <u>community services</u> targeted to LMI individuals; (3) activities that promote <u>economic development</u> by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that <u>revitalize or stabilize</u> LMI 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 applications, 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.