PUBLIC DISCLOSURE

September 26, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Illinois Bank
RSSD# 772745

327 Missouri Avenue
East St. Louis, Illinois 62201

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 NEEDS TO IMPROVE.

An institution in this group needs to improve its overall record of helping to meet the credit needs of its assessment area, including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities. Summarized below are the conclusions under each performance criterion included in this evaluation; however, the bank's overall rating is based primarily on an unreasonable net loan-to-deposit (LTD) ratio.

- The bank's LTD ratio is unreasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of the bank's loans and other lending-related activities are outside of the bank's assessment area.
- The geographic distribution of loans analysis did not result in enough data to make meaningful conclusions.
- The borrower's profile analysis did not result in enough data to make meaningful conclusions.
- No CRA-related complaints were filed against the bank for this review period.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the small bank examination procedures, and the period of review spanned from the date of the bank's previous CRA evaluation on May 23, 2011 to September 26, 2016. Lending performance was based on the loan products and the corresponding time frame displayed in the following table:

Loan Product	Time Frame
Small Business	May 23, 2011 – September 25, 2016
Consumer Credit Card	

In order to include as much loan activity as possible in this evaluation, the lending review period included the maximum possible time frame. The small business loan and consumer credit card loan categories were considered the bank's primary lines of business based on lending volume by number and dollar amounts and in light of the bank's general business strategy. Because First Illinois Bank underwrites credit card loans for its affiliate bank and maintains them on its own books, these loans were included in this analysis; loan activity represented by these credit products is the most indicative of the bank's overall lending performance. However, based on the bank's balance sheet, significantly more financial resources are dedicated to the small business loan category relative to consumer credit cards (primarily due to the smaller loan amounts typical of credit cards). Consequently, performance based on the small business loan category carried the most weight in determining the bank's overall performance.

Under the small bank CRA performance criteria, analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders based on CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; certain business geodemographics are based on Dun & Bradstreet data, which are applicable to the years of loan data being evaluated.

The evaluation of the bank's lending performance included comparisons to all relevant datasets to the extent feasible, including demographics and aggregate lending datasets applicable to the year of subject lending activity. However, due to the considerable length of the lending review period, comparison datasets span over five years. While the analyses considered all relevant comparison data available for the entire review period, only the most recently available comparison data are included in the body of this report; however, for reference purposes, *Appendix B* details all relevant comparison data as applicable to the entire lending review period.[1] In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating within the same general region. Four other banks were identified as similarly situated peers, with asset sizes ranging from $40.5 million to $99.0 million.

To augment this evaluation, three community contact interviews were conducted with members of the local community. Two recently completed interviews were also referenced as a part of this evaluation. These interviews were used to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. Key details from these interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

First Illinois Bank is 99.0 percent owned by First Illinois Bancorp, Inc., a two-bank holding company located in East St. Louis, Illinois. The bank is a full-service retail bank operating out of one office located in East St. Louis and offers both consumer and commercial loan and deposit products. The bank has one subsidiary of its own that is not credit granting. The bank's only affiliate bank (Lindell Bank & Trust Company), also a full-service retail bank, operates across the Mississippi River in St. Louis, Missouri. The bank has one full-service automated teller machine (ATM) at the main office and a second cash dispensing-only ATM located in the East St. Louis city hall. In addition to being a full-service facility, the main office also has drive-up accessibility. The bank did not open or close any branches during this review period. Based on the bank's service delivery systems, including its only banking office, the bank's ability to reach and serve its assessment area is largely limited to East St. Louis and the immediate surrounding area where the assessment area LMI areas are concentrated.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared

[1] *Appendix B* gives demographic and aggregate data used in the geographic and borrower distribution parts of the analysis only, as these areas analyze loans made inside the bank's assessment area. As the four loans made in 2011 did not occur inside the assessment area, 2011 demographic and aggregate data are not included in *Appendix B.* Additionally, while the 2016 median family income is included in *Appendix B,* demographic and aggregate data are not included, as this data is not available for 2016 as of the examination date.

capable of meeting assessment area credit needs based on its available financial resources and products. As of June 30, 2016, the bank reported total assets of $40.4 million. As of the same date, loans and leases outstanding were $6.3 million (15.6 percent of total assets) and deposits totaled $35.5 million. The bank's loan portfolio composition by credit category is displayed in the following table:

Distribution of Total Loans as of June, 30 2016		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Commercial Real Estate	$1,359	21.5%
Multifamily Residential	$99	1.6%
1–4 Family Residential	$913	14.5%
Commercial and Industrial	$2,868	45.5%
Loans to Individuals	$849	13.5%
Total Other Loans	$220	3.5%
TOTAL	**$6,308**	**100%**

As indicated in the table above, a significant portion of the bank's lending resources is directed to commercial and industrial loans and commercial real estate loans. It is also worth noting that, by number of loans originated, loans to individuals (such as consumer credit card loans) represents a significant product offering for the bank. As consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products, consumer loans may often represent a significant product line by number of loans made.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on May 23, 2011.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area is located in West Central Illinois and is comprised of two Illinois counties in their entireties, Madison and St. Clair. These counties are two of the eight counties comprising the Illinois side of the St. Louis, Missouri-Illinois Metropolitan Statistical Area (St. Louis MSA). The assessment area, with a population of 539,338, has more rural areas to the east and urban/suburban areas to the west, including East St. Louis. From 2000 to 2010, the total assessment area population increased from 515,023 to 539,338 (an increase of 4.7 percent); however, during the same period, the population of East St. Louis continued its decreasing trend, declining 14.4 percent from 31,542 to 27,006. According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report as of June 30, 2016, the bank ranked 36th out of the 40 FDIC-insured depository institutions with a branch presence in this assessment area, encompassing only 0.4 percent of the total assessment area deposit dollars.

As the demographics of this assessment area cover urban, suburban, and rural portions of a metropolitan area, credit needs in the area are varied and include a blend of consumer, business, and farm credit products. Specific credit-related needs in the assessment area, particularly in East St. Louis, include home improvement loans and willingness by lending institutions to perform marketing, outreach, and creative solutions to overcome the area's negative stigma to make credit available when viable opportunities are presented.

In addition, estimates of household wealth and financial access indicate that over half of the East St. Louis population is either unbanked or underbanked,[2] and financial literacy education for young adults is a continuous need in the community. Furthermore, "individual development accounts" were mentioned as an underused tool for reaching the unbanked community.

Lastly, the assessment area has significant need, particularly East St. Louis, with a number of community development intermediaries (e.g., institutions of higher education, nonprofit agencies, and government assistance entities). Therefore, there is an opportunity for financial institutions to play a constructive role in community development.

[2] *2013 FDIC National Survey of Unbanked and Underbanked Households*, for the United States, D.C., and the 69 largest MSAs (estimates at smaller geographies are derived from a statistical modeling process using FDIC and 2009–2013 American Community Survey data).

Income and Wealth Demographics

As previously noted, the bank's assessment area is comprised of two Illinois counties, which include 121 census tracts. The following table reflects the number and population of these census tracts in each income category.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	19 15.7%	25 20.7%	55 45.5%	22 18.2%	0 0.0%	**121** **100%**
Family Population	12,370 8.8%	25,833 18.4%	71,047 50.5%	31,320 22.3%	0 0.0%	**140,570** **100%**

The above table shows that the bank's assessment area contains 19 low-income census tracts and 8.8 percent of the assessment area family population resides within these low-income census tracts. Nearly all of the low-income census tracts are centered in and immediately surround East St. Louis. Similarly, the 25 moderate-income geographies, including 18.4 percent of the assessment area family population, are clustered in the western portion of the assessment area, surrounding the older, urban areas of East St. Louis and Alton, Illinois. The majority of the assessment area family population resides in the 77 middle- and upper-income census tracts, which make up nearly all of the central and eastern portions of the assessment area and account for 72.8 percent of the family population.

Based on 2010 U.S. Census data, the median family income for the assessment area was $62,277. At the same time, the St. Louis MSA median family income was $66,798. More recently, the Federal Financial Institutions Examination Council (FFIEC) estimates the 2015 St. Louis MSA median family income to be $72,200. The following table displays population percentages of assessment area families by income level compared to the MSA family population as a whole.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	34,237 24.4%	24,372 17.3%	30,401 21.6%	51,560 36.7%	**140,570** **100%**
St. Louis MSA	151,253 21.0%	123,511 17.1%	153,188 21.2%	294,005 40.7%	**721,957** **100%**

Based on the data in the preceding table, the assessment area is less affluent than the St. Louis MSA as a whole. Although the first table in this section indicates that only 27.2 percent of assessment area families live in LMI geographies, this table reveals that 41.7 percent of assessment area families are LMI, which is higher than the percentage of LMI families in the entire St. Louis MSA, 38.1 percent. The assessment area also has a smaller upper-income family population, 36.7 percent compared to 40.7 percent for the entire MSA. Lastly, the level of assessment area families living below the poverty level, 10.7 percent, is above that of all St. Louis MSA families, 8.6 percent. When focusing only on the city of East St. Louis, the percentage of families living below the poverty level increases significantly to 32.7 percent.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than in the St. Louis MSA overall. The median housing value for the assessment area is $122,524, which is well below the figure for the MSA, $160,312. Similarly, the assessment area housing affordability ratio of 41.1 percent is well above the MSA figure of 33.3 percent. Lastly, the median gross rent for the assessment area of $725 per month is below $730 per month for the MSA. Therefore, even though the assessment area does not appear to be as affluent as the MSA, housing still appears to be within reach of the population considering the relatively lower housing costs in the assessment area.

Industry and Employment Demographics

The assessment area economy is led by a mix of service and retail trade industry sectors. According to the U.S. Census Bureau 2014 County Business Patterns, by number of paid employees in the assessment area, health care and social assistance leads (28,441), followed by retail trade (25,515), and accommodation and food services (20,930). Furthermore, business demographic estimates indicate that 91.4 percent of assessment area businesses have gross annual revenues of $1 million or less.

The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for each county of the assessment area compared to the St. Louis MSA.

Time Period (Annual Average)	St. Louis MSA	St. Clair	Madison
2012	7.3%	9.5%	8.8%
2013	7.1%	9.9%	8.9%
2014	6.3%	7.8%	7.0%
2015	5.1%	6.6%	6.1%

As shown in the table above, unemployment levels for each county are higher than that of the MSA overall, while all areas have seen a decreasing trend since 2012. More recently, figures from July 2016 indicate the downward trend has continued for both St. Clair (6.1%) and Madison (6.0%) Counties.

Community Contact Information

Information from five community contact interviews was used to help shape the performance context in which the bank's activities in this assessment were evaluated. Three of these interviews were completed as part of the CRA evaluation, focusing on the East St. Louis area. Of these interviews, one was with an individual specializing in healthcare advocacy, one was with an individual working in a local business and economic development role, and one was with an individual working in local county government. In addition, two previously conducted community contact interviews were referenced during this evaluation: one targeted East St. Louis, and the other focused on the nearby area of Collinsville, Illinois. All five community contact interviews were used to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area.

Focusing on East St. Louis, common themes from the interviews included the following:

- East St. Louis is one of the most economically distressed areas (characterized by high levels of poverty, unemployment, and long-term population loss) in the United States.

- Significant barriers to economic improvement in East St. Louis include political discord and an extremely negative and pervasive stigma.

- There is a lack of involvement from financial institutions, including an unwillingness to make credit available, particularly residential and commercial real estate loans.

Several contacts noted that local community development organizations and community service agencies (typically nonprofit groups) are working diligently to improve the situation in East St. Louis, citing several success stories. However, these organizations indicated they are struggling to maintain operations, particularly as related to administrative and financial resources. They offered that any assistance from financial institutions would promote continued viability and increase the likelihood of expanding a development foothold. Unfortunately, the absence of partnerships with financial institutions and a general lack of available real estate credit in East St. Louis do not provide for a positive outlook, they added.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's average LTD ratio compared to that of regional banks. The average LTD ratio represents a 21-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Asset Size ($000s) as of June 30, 2016**	**Headquarters**	**Average LTD Ratio**
First Illinois Bank	**$40,429**	**East St. Louis, Illinois**	**14.8%**
Regional Banks	$40,457	Granite City, Illinois	35.8%
	$57,357	St. Jacob, Illinois	50.3%
	$81,338	Saint Libory, Illinois	62.2%
	$99,012	Mascoutah, Illinois	41.5%

The bank's LTD ratio has continued to decline from the previously less-than-reasonable level noted at the 2011 CRA evaluation. The bank's average LTD ratio calculated at the 2011 CRA evaluation was 19.8 percent. Since that time, the bank's average LTD ratio has decreased to 14.8 percent, which is less than half that of the regional bank with the lowest average LTD ratio, 35.8 percent, as indicated in the previous table. However, as the only locally owned bank in East St. Louis, the bank receives a substantial amount of deposits from city government, significantly increasing the bank's level of deposits and decreasing its LTD ratio. As of June 30, 2016, the bank had $14.0 million in government deposits. Adjusting for these deposits increased the bank's LTD ratio from 15.9 percent to 26.2 percent as of June 30, 2016. Nevertheless, based on figures adjusted for government deposits, the bank's LTD ratio was still well below that of regional banks, whose adjusted LTD ratios for the same period ranged from 34.7 percent to 66.3 percent.

The bank's average LTD ratio is unreasonable given the bank's size, financial condition, and assessment area credit needs.

Assessment Area Concentration

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside and outside the bank's assessment area.

Lending Inside and Outside of Assessment Area ($000s)						
Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
Small Business	12	46.2%	14	53.8%	**26**	**100%**
	$2,719	52.2%	$2,493	47.8%	**$5,212**	**100%**
Consumer Credit Card	18	22.8%	61	77.2%	**79**	**100%**
	$14	9.4%	$135	90.6%	**$149**	**100%**
TOTAL	**30**	**28.6%**	**75**	**71.4%**	**105**	**100%**
	$2,733	**51.0%**	**$2,628**	**49.0%**	**$5,361**	**100%**

Only 30 of 105 loans (28.6 percent) made during the review period were to individuals or businesses within the assessment area. By dollar amount, the vast majority of credit card loans (90.6 percent) were made to individuals residing outside of the assessment area, while only a marginal majority of small business loans were made to businesses inside the assessment area (52.2 percent). The results of this analysis were significantly affected by the banking organization's credit card operations, as the bank underwrites, processes, and books credit card loans that are branded for its affiliate. Consequently, this affiliate consumer and business credit card activity is extended outside of the bank's assessment area.

Considering both the number and dollar volume of small business and consumer credit card loans, the majority of lending activity from this review period was extended to borrowers outside of the bank's assessment area.

<u>Geographic Distribution of Loans</u>

As noted in the *Description of Assessment Area* section, the bank's assessment area contains 19 low-income census tracts, 25 moderate-income census tracts, 55 middle-income census tracts, and 22 upper-income census tracts. The following table displays the geographic distribution of small business loans, along with performance comparison data based on the year 2015. (See *Appendix B* for the other years of business geodemographic and CRA aggregate lending data applicable to this review period.)

The minimal volume of loan activity available during the review period did not support a meaningful analysis in either product category.

Distribution of Loans Inside Assessment Area by Income Level of Geography											
Dataset	**Geography Income Level**									**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**		
Small Business Loans	10	83.3%	0	0.0%	2	16.7%	0	0.0%	0	0.0%	**12**	**100%**
2015 Business Institutions	6.3%		18.5%		51.3%		23.9%		0.0%		**100%**	
2015 Small Business Aggregate	5.7%		17.4%		48.8%		26.5%		1.6%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
Dataset	**Geography Income Level**										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Consumer Credit Cards	10	55.6%	4	22.2%	3	16.7%	1	5.6%	0	0.0%	**18**	**100%**
2015 Household Population	9.5%		20.1%		50.5%		20.0%		0.0%		**100%**	

Loan Distribution by Borrower's Profile

Individual 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.[3] Similarly, businesses are categorized as small businesses if they have gross annual revenues of $1 million or less. The following table displays the distribution of small business loans by gross annual revenue and loan amount, along with performance comparison data based on the year 2015. (See *Appendix B* for the other years of business geodemographic and CRA aggregate lending data applicable to this review period.)

The minimal volume of loan activity available during the review period did not support a meaningful analysis in either product category.

[3] See *Appendix B* for the median family incomes used for each year of the borrower distribution analysis.

Distribution of Loans Inside Assessment Area by Business Revenue								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	3	25.0%	4	33.3%	2	16.7%	**9**	**75.0%**
Greater than $1 Million/Unknown	1	8.3%	0	0.0%	2	16.7%	**3**	**25.0%**
TOTAL	**4**	**33.3%**	**4**	**33.3%**	**4**	**33.3%**	**12**	**100%**
2015 Businesses Institutions ≤ $1MM							**91.4%**	
2015 Small Business Aggregate ≤ $1MM							**47.7%**	

Distribution of Loans Inside Assessment Area by Income Level of Borrower												
Dataset	**Borrower Income Level**										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Consumer Credit Cards	9	50.0%	5	27.8%	0	0.0%	1	5.6%	3	16.7%	**18**	**100%**
2015 Household Population	26.8%		16.3%		18.1%		38.8%		0.0%		**100%**	

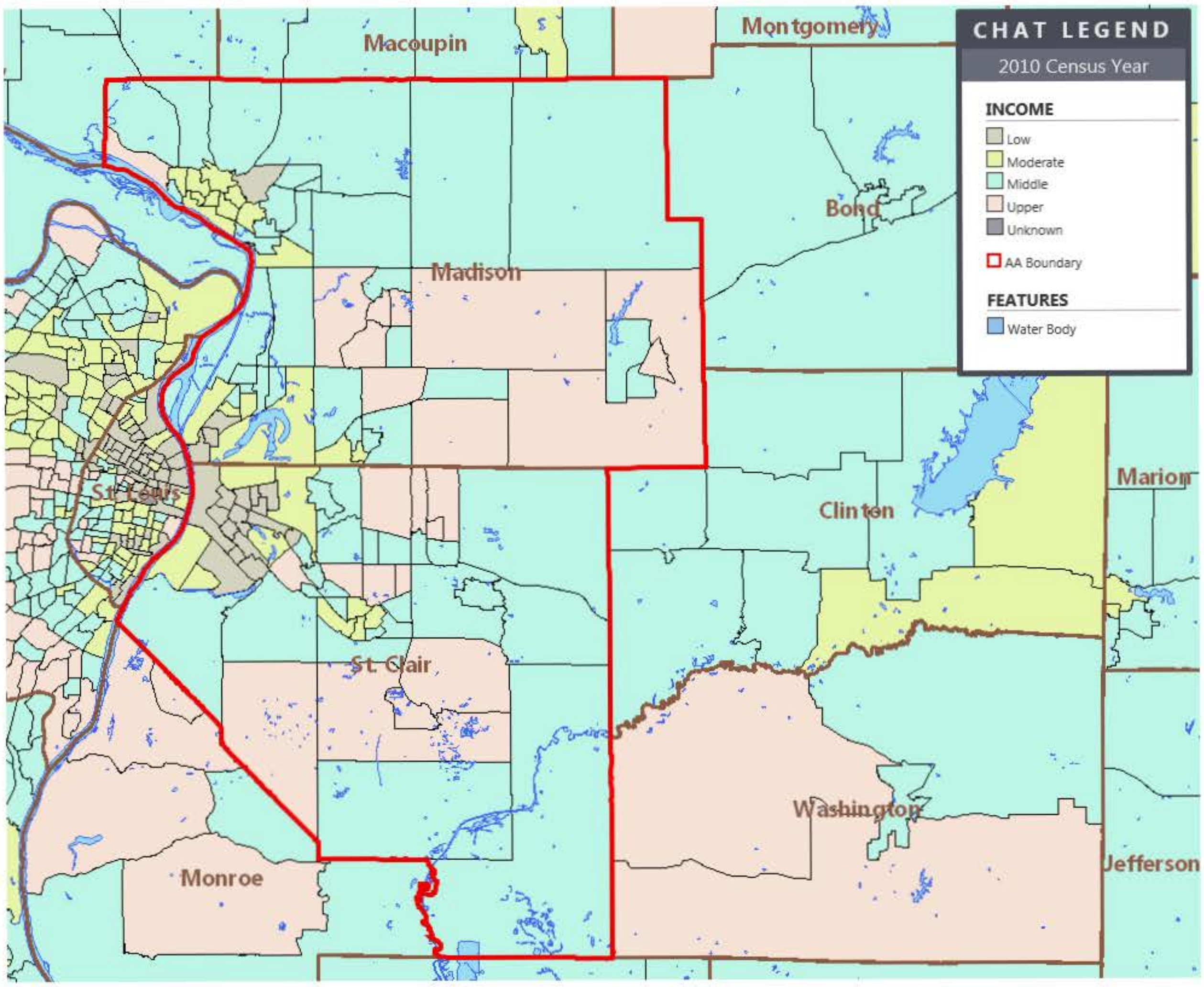
Review of Complaints

No CRA-related complaints were filed against the bank during this review period (May 23, 2011 through September 26, 2016).

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



PERFORMANCE COMPARISON DATA

Geographic Distribution Analysis

Dun & Bradstreet Geodemographics						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2012 Business Institutions	7.2%	19.6%	50.5%	22.7%	0.0%	**100%**
2013 Business Institutions	7.0%	19.4%	50.5%	23.0%	0.0%	**100%**
2014 Business Institutions	6.6%	18.6%	51.4%	23.4%	0.0%	**100%**
2015 Business Institutions	6.3%	18.5%	51.3%	23.9%	0.0%	**100%**

CRA Aggregate Lending Data						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2012 Small Business Loans	6.2%	18.1%	47.8%	24.6%	3.3%	**100%**
2013 Small Business Loans	5.9%	18.4%	48.1%	25.8%	1.8%	**100%**
2014 Small Business Loans	5.2%	15.7%	51.4%	26.2%	1.5%	**100%**
2015 Small Business Loans	5.7%	17.4%	48.8%	26.5%	1.6%	**100%**

Household Population (2010 Census Data)						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2010–2013 Census Tract Designations	9.5%	21.1%	49.4%	20.0%	0.0%	**100%**
2014–Present Census Tract Designations	9.5%	20.1%	50.5%	20.0%	0.0%	**100%**

Borrower Distribution Analysis

Dun & Bradstreet Geodemographics				
Dataset	**Business Gross Annual Revenue**			**TOTAL**
	≤ $1MM	**> $1MM**	**Revenue Not Reported**	
2012 Business Institutions	90.0%	5.9%	4.1%	**100%**
2013 Business Institutions	90.1%	6.2%	3.7%	**100%**
2014 Business Institutions	89.7%	6.7%	3.6%	**100%**
2015 Business Institutions	91.4%	7.6%	1.0%	**100%**

CRA Aggregate Lending Data		
Dataset	**Business Gross Annual Revenue ≤ $1MM**	
	# of Loans (as a %)	**$ of Loans (as a %)**
2012 Small Business Loans	39.9%	40.0%
2013 Small Business Loans	46.7%	37.5%
2014 Small Business Loans	47.2%	41.0%
2015 Small Business Loans	47.7%	36.4%

Median Family Incomes Used to Classify Borrowers in the St. Louis MSA During the Review Period	
Year	**Median Family Income, St. Louis MSA**
2012	$70,400
2013	$69,200
2014	$71,000
2015	$72,200
2016	$70,000

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 (such as age, race, sex, income, etc.) 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 the 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: Is 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.