PUBLIC DISCLOSURE

December 5, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First NaturalState Bank
RSSD #78241

500 North Second Street
McGehee, Arkansas 71654

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.**

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

First NaturalState Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending. 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 businesses of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI) levels.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) Examination Procedures for Small Institutions. Small business, 1–4 family residential real estate, and consumer motor vehicle loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy[1]. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. Due to the concentration of lending by dollar and volume, greater emphasis was placed on 1–4 family residential real estate and small business lending. Consumer motor vehicle lending carried the least weight in forming conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	September 30, 2018 – September 30, 2022
Assessment Area Concentration	January 1, 2019 – December 31, 2020
Loan Distribution by Borrower's Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	September 10, 2018 – December 4, 2022

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

[1] 1–4 family residential real estate loans were sampled for this review according to CA Letter 01-8, "CRA Sampling Procedures."

demographics are based on 2015 American Community Survey (ACS) data, and certain business demographics are based on 2019 and 2020 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $92.0 million to $124.0 million as of September 30, 2022.

To augment this evaluation, a community contact interview previously conducted with a member of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area was referenced. Information from this interview also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from the community contact interview are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

First NaturalState Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by First National Financial Corporation, a bank holding company headquartered in McGehee, Arkansas. The bank's branch network consists of three offices (including the main office) in southeastern Arkansas—two in McGehee, and one in Dumas. The two McGehee branches have cash-dispensing-only ATMs on site. The bank opened its second McGehee branch office during this review period in May 2022. The main office is in a moderate-income census tract, and the two branches are in middle-income census tracts designated as distressed due to poverty and population loss. Based on this branch network, the bank is 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, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of September 30, 2022, the bank reported total assets of $84.9 million. As of the same date, loans and leases outstanding were $61.6 million (72.6 percent of total assets), and deposits totaled $76.9 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2022		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
1–4 Family Residential	$18,139	29.4%
Commercial and Industrial	$10,438	16.9%
Farmland	$7,962	12.9%
Farm Loans	$7,675	12.5%
Commercial Real Estate	$6,995	11.4%
Loans to Individuals	$4,746	7.7%
Construction and Development	$3,920	6.4%
Multifamily Residential	$869	1.4%
Total Other Loans	$880	1.4%
TOTAL LOANS	**$61,624**	**100.0%**

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

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on September 10, 2018.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 31,119, is in a nonmetropolitan statistical area (nonMSA) portion of southeastern Arkansas. The assessment area consists of the entirety of Drew and Desha counties. Both counties are primarily rural in nature, with the largest cities being Monticello in Drew County and Dumas in Desha County.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2022 there are eight FDIC-insured depository institutions in the assessment area that operate 20 offices. First NaturalState Bank (operating three of the offices in the assessment area) ranked sixth in terms of deposit market share, with 8.1 percent of the total assessment area deposit dollars.

Commercial and agricultural lending products represent a credit need in the assessment area, along with the need for a standard blend of consumer loan products. Other credit needs in the assessment area, as noted primarily by the community contact, include affordable housing and more flexible commercial loan products.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population within those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	2	1	6	1	0	10
	20.0%	10.0%	60.0%	10.0%	0.0%	100.0%
Family Population	1,191	897	4,958	1,254	0	8,300
	14.4%	10.8%	59.7%	15.1%	0.0%	100.0%

As shown above, 30.0 percent of the census tracts in the assessment area are LMI geographies, but only 25.2 percent of the family population resides in these tracts. The low-income geographies are in Desha County, with Drew County containing the only moderate-income geography. Additionally, all six middle-income census tracts are designated as distressed due to poverty and population loss.

Based on 2015 ACS data, the median family income for the assessment area was $41,212. At the same time, the median family income for nonMSA Arkansas was $45,047. More recently, the FFIEC estimates the 2020 median family income for nonMSA Arkansas to be $50,800. The following table displays population percentages of assessment area families by income level compared to the nonMSA Arkansas family population as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	2,405	1,429	1,261	3,205	0	8,300
	29.0%	17.2%	15.2%	38.6%	0.0%	100.0%
NonMSA Arkansas	63,831	53,700	58,267	123,066	0	298,864
	21.4%	17.9%	19.5%	41.2%	0.0%	100.0%

As shown in the table above, 46.2 percent of families within the assessment area were considered LMI, which is higher than the LMI family percentage of 39.3 percent for nonMSA Arkansas. The percentage of families living below the poverty threshold in the assessment area (24.1 percent) is also above the level of nonMSA Arkansas (16.6 percent). Considering these factors, the assessment area appears less affluent than nonMSA Arkansas as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be slightly less affordable than in nonMSA Arkansas. While the median housing value for the assessment area ($76,132) is below nonMSA Arkansas ($85,869), and the median monthly gross rent for the assessment area ($577) is lower than nonMSA Arkansas ($588), the assessment area housing affordability ratio (39.9 percent) is below the nonMSA Arkansas figure (41.0 percent). The higher ratio indicates greater affordability based on relative median incomes. Notably, the affordability ratio in Desha County (45.9 percent) is considerably higher than in Drew County (35.1 percent).

Furthermore, rental units appear to be more prominent in the assessment area than in nonMSA Arkansas. Of all housing units in the assessment area, 34.7 percent are rental units compared to 24.9 percent in nonMSA Arkansas. Additionally, more renters in the assessment area have rents that exceed 30.0 percent of income (45.5 percent) than in nonMSA Arkansas (41.1 percent). Based on housing data, housing is likely out of reach for much of the LMI population in the assessment area.

Industry and Employment Demographics

County business patterns indicate that there are 10,293 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are government (23.3 percent), followed by manufacturing (18.8 percent), and retail trade (12.3 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to nonMSA Arkansas as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**NonMSA Arkansas**
2019	4.8%	4.2%
2020	7.0%	6.4%
2021	5.4%	4.5%
YTD 2022 (Jan.–Aug.)	5.3%	4.2%

As shown in the table above, unemployment levels for the assessment area have consistently exceeded nonMSA Arkansas levels over the review period. Additionally, both the assessment area and nonMSA Arkansas saw a significant increase in unemployment during the pandemic in 2020, with levels decreasing more recently to pre-pandemic levels.

Community Contact Information

Information from one community contact was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. The community contact is an individual specializing in small business development in the southeastern Arkansas area, including Desha and Drew counties. The contact stressed that the area economy and population are stagnant with the local economy relying heavily on agricultural production from small and moderate-sized generational farming operations. The contact also stated community credit needs were generally being met; however, this individual would like to see local financial institutions be less risk adverse in small business lending, as the LMI community has trouble meeting typical down payment and/or collateral requirements. Opportunities for banks are also available to contribute to local microloan funds, which meet the needs of many business owners who do not otherwise meet traditional credit requirements.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The chart below displays the bank's average LTD ratio in comparison to those of regional peers. The average LTD ratio represents a 17-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of September 30, 2022**	**Average LTD Ratio**
First NaturalState Bank	McGehee, Arkansas	$84,928	75.3%
Regional Banks	Lake Village, Arkansas	$91,998	64.5%
	Oak Grove, Louisiana	$123,961	67.2%
	Star City, Arkansas	$112,873	77.6%

Based on data from the previous table, the bank's average LTD is above two other banks in the region and in line with a third. During the review period, the bank's LTD ratio experienced a generally stable trend with some volatility. In comparison, two of the regional peers had generally increasing trends and one had an overall decreasing LTD over the review period. Therefore, compared to data from these 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, 2019 through December 31, 2020						
Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
1–4 Family Residential Real Estate	45	77.6%	13	22.4%	**58**	**100.0%**
	$2,880	62.6%	$1,724	37.4%	**$4,604**	**100.0%**
Small Business	40	60.6%	26	39.4%	**66**	**100.0%**
	$4,378	50.3%	$4,320	49.7%	**$8,698**	**100.0%**
Consumer Motor Vehicle	50	89.3%	6	10.7%	**56**	**100.0%**
	$1,021	93.3%	$74	6.7%	**$1,095**	**100.0%**
TOTAL LOANS	**135**	**75.0%**	**45**	**25.0%**	**180**	**100.0%**
	$8,279	**57.5%**	**$6,118**	**42.5%**	**$14,397**	**100.0%**

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 75.0 percent of the total loans were made inside the assessment area, accounting for 57.5 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 from all three loan categories reviewed. In reaching conclusions, emphasis was primarily placed on 1–4 family residential real estate followed by small business and, lastly, consumer motor vehicle.

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 ($45,047 for nonMSA Arkansas as of 2015). The following table shows the distribution of 1–4 family residential real estate loans made by the bank from 2019–2020 by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2019–2020 HMDA aggregate data for the assessment area is displayed.

Borrower Distribution of Residential Real Estate Loans Assessment Area: Southeastern Arkansas							
Borrower Income Level	**Bank**				**Families by Family Income %**	**Aggregate**	
	#	**#%**	**$**	**$ %**		**#%**	**$ %**
Low	3	6.7%	97	3.4%	29.0%	3.5%	1.5%
Moderate	11	24.4%	928	32.2%	17.2%	13.3%	8.0%
Middle	6	13.3%	186	6.5%	15.2%	18.2%	13.0%
Upper	11	24.4%	1,023	35.5%	38.6%	45.6%	54.5%
Unknown	14	31.1%	645	22.4%	0.0%	19.3%	23.0%
TOTAL	**45**	**100.0%**	**2,880**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The bank’s overall distribution of loans by borrower’s profile is reasonable. The bank’s percentage of lending to low-income borrowers (6.7 percent) is substantially below the low-income family population figure (29.0 percent), but above the aggregate lending level to low-income borrowers (3.5 percent), reflecting reasonable performance. The bank’s level of lending to moderate-income borrowers (24.4 percent) is above the moderate-income family population percentage (17.2 percent) and well above the aggregate lending level to moderate-income borrowers (13.3 percent), reflecting excellent performance.

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 the bank’s 2019–2020 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and small business aggregate data.

Small Business Loans by Revenue and Loan Size
Assessment Area: Southeastern Arkansas

Business Revenue and Loan Size			2019–2020						
			Count			Dollars			Total Businesses
			Bank		Aggregate	Bank		Aggregate	
			#	%	%	$ (000s)	$ %	$ %	%
Business Revenue		$1 Million or Less	35	87.5%	30.6%	$2,473	56.5%	21.8%	89.2%
		Over $1 Million/ Unknown	5	12.5%	69.4%	$1,904	43.5%	78.2%	10.8%
		TOTAL	**40**	**100.0%**	**100.0%**	**$4,377**	**100.0%**	**100.0%**	**100.0%**
Loan Size		$100,000 or Less	31	77.5%	93.2%	$1,207	27.6%	45.7%	
		$100,001–$250,000	5	12.5%	4.7%	$721	16.5%	26.1%	
		$250,001–$1 Million	4	10.0%	2.0%	$2,449	56.0%	28.3%	
		Over $1 Million	0	0.0%	0.0%	$0	0.0%	0.0%	
		TOTAL	**40**	**100.0%**	**100.0%**	**$4,377**	**100.0%**	**100.0%**	
Loan Size	Revenue $1 Million or Less	$100,000 or Less	29	82.9%		$1,069	43.2%		
		$100,001–$250,000	4	11.4%		$556	22.5%		
		$250,001–$1 Million	2	5.7%		$848	34.3%		
		Over $1 Million	0	0.0%		$0	0.0%		
		TOTAL	**35**	**100.0%**		**$2,473**	**100.0%**		

The bank's level of lending to small businesses is excellent. The bank originated the majority of its small business loans (87.5 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 89.2 percent of businesses in the assessment area had annual revenues of $1 million or less, and the aggregate lending level to small businesses is significantly below bank performance at 21.8 percent.

Lastly, the following table shows the distribution of the bank's 2019–2020 consumer motor vehicle loans by borrower income in comparison to household demographics in the assessment area.

Distribution of 2019–2020 Consumer Motor Vehicle Lending By Borrower Income Level Assessment Area: Southeastern Arkansas					
Borrower Income Levels	**2019–2020**				
	Count		**Dollar**		**Households**
	#	**%**	**$ (000s)**	**$ %**	**%**
Low	9	18.0%	$102	10.0%	31.8%
Moderate	15	30.0%	$310	30.4%	15.9%
Middle	12	24.0%	$233	22.8%	13.1%
Upper	14	28.0%	$375	36.8%	39.2%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**50**	**100.0%**	**$1,020**	**100.0%**	**100.0%**

The bank' percentage of lending to low-income borrowers (18.0 percent) is substantially below the low-income household population figure (31.8 percent). Considering assessment area poverty levels, lending can be challenging. Therefore, the bank's performance is reasonable. The bank's lending to moderate income individuals (30.0 percent) exceeds the moderate-income household percentage (15.9 percent), reflecting excellent performance. Overall, 48.0 percent of the bank's loans were made to LMI individuals within the assessment area, which is slightly above the percentage of LMI households (47.7 percent), leading to reasonable consumer motor vehicle lending performance.

Geographic Distribution of Loans

As noted previously, the assessment area includes two low-income and one moderate-income census tracts, representing 30.0 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration throughout these LMI census tracts, based on the 1–4 family residential real estate, small business, and consumer motor vehicle loan categories. In reaching conclusions, emphasis was primarily placed on residential real estate followed by small business and, lastly, consumer motor vehicle.

The following table displays the geographic distribution of 1–4 family residential real estate loans compared to owner-occupied housing demographics and HMDA aggregate performance for the assessment area for 2019–2020.

Distribution of Residential Real Estate Lending By Geography Income Level Assessment Area: Southeastern Arkansas							
Census Tract Income Level	**Bank**				**% of Owner-Occupied Units**	**Aggregate**	
	#	**#%**	**$**	**$%**		**#%**	**$ %**
Low	13	28.9%	738	25.6%	12.1%	5.3%	4.8%
Moderate	0	0.0%	0	0.0%	7.5%	6.7%	7.5%
Middle	31	68.9%	2,063	71.6%	64.7%	58.0%	52.9%
Upper	1	2.2%	80	2.8%	15.8%	29.6%	34.4%
Unknown	0	0.0%	0	0.0%	0.0%	0.4%	0.4%
TOTAL	**45**	**100.0%**	**2,880**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The bank's geographic distribution of 1–4 family residential real estate loans is reasonable. The bank's total penetration of low-income census tracts by number of loans (28.9 percent) is substantially higher than the percentage of lending by aggregate lenders in the assessment area (5.3 percent) and the percentage of owner-occupied housing units in low-income census tracts (12.1 percent), representing excellent performance. The bank did not originate any 1–4 family residential real estate loans in the moderate-income census tract during the review period, compared to 6.7 percent for aggregate lenders and a demographic figure of 7.5 percent, representing poor performance.

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays 2019–2020 small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area and 2019–2020 small business aggregate data.

Geographic Distribution of Small Business Loans Assessment Area: Southeastern Arkansas							
Census Tract Income Level	**Bank**				**% of Businesses**	**Aggregate**	
	#	**#%**	**$ 000s**	**$ %**		**%**	**$ %**
Low	13	32.5%	$1,758	40.2%	11.6%	10.3%	10.5%
Moderate	0	0.0%	$0	0.0%	7.2%	6.8%	7.4%
Middle	27	67.5%	$2,620	59.8%	48.9%	62.4%	63.6%
Upper	0	0.0%	$0	0.0%	32.2%	18.8%	18.1%
Unknown	0	0.0%	$0	0.0%	0.0%	1.6%	0.3%
TOTAL	**40**	**100.0%**	**$4,378**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The bank's overall geographic distribution of small business loans is reasonable The bank's level of lending in low-income census tracts (32.5 percent) is well above the estimated percentage of businesses operating inside these census tracts (11.6 percent) and aggregate lending levels in low-income census tracts (10.3 percent), representing excellent performance. The bank's percentage of loans in the moderate-income census tract (0.0 percent) is well below the aggregate lending percentage in the moderate-income census tract (6.8 percent) and the percentage of small businesses in the moderate-income census tract (7.2 percent), representing poor performance.

Finally, the bank's geographic distribution of consumer motor vehicle loans was reviewed. The following table displays 2019–2020 consumer motor vehicle loan activity by geography income level compared to the percent of households throughout the bank's assessment area.

Geographic Distribution of Consumer Motor Vehicle Loans Assessment Area: Southeastern Arkansas					
Tract Income Levels	**Bank**				**% of Households**
	#	**#%**	**$ (000s)**	**$ %**	
Low	16	32.0%	$364	35.7%	15.4%
Moderate	0	0.0%	$0	0.0%	8.1%
Middle	34	68.0%	$657	64.3%	57.8%
Upper	0	0.0%	$0	0.0%	18.7%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**50**	**100.0%**	**$1,021**	**100.0%**	**100.0%**

The bank's overall geographic distribution of consumer motor vehicle loans is reasonable. The bank's percentage of lending to low-income geographies (32.0 percent) is substantially above the 15.4 percent of households in low-income geographies, reflecting excellent performance. The bank did not originate any loans in the moderate-income census tract despite 8.1 percent of total households existing within this geography, and performance in moderate-income geographies is therefore considered poor.

Responses to Complaints

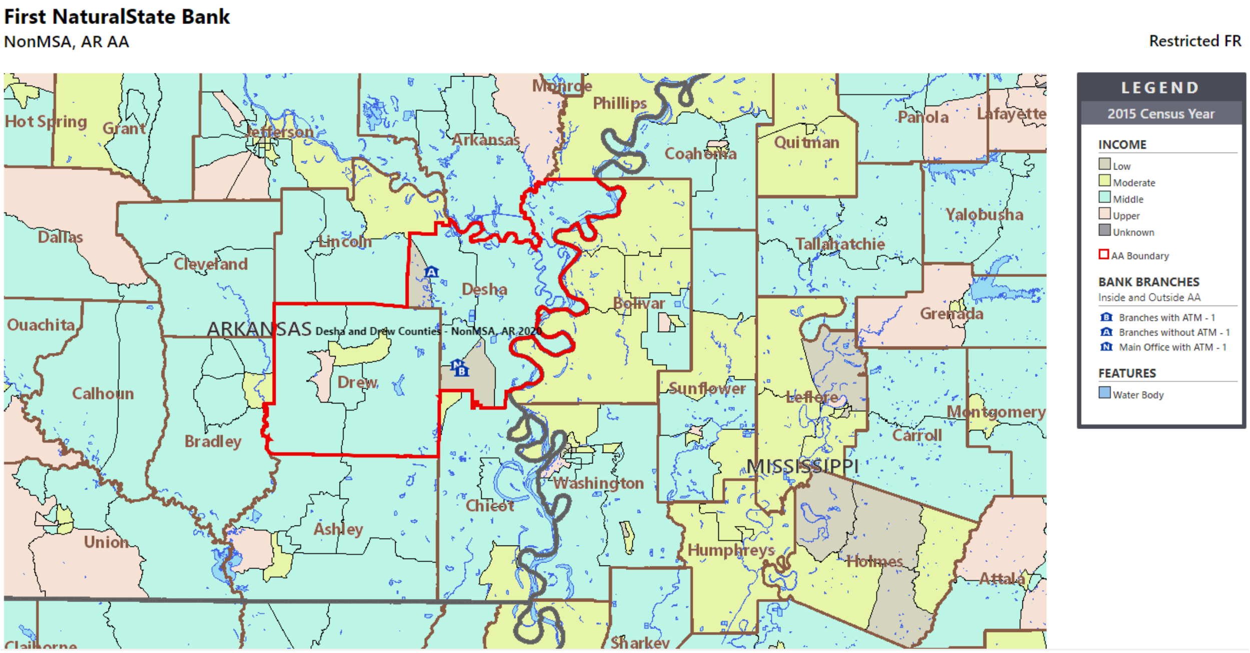
No CRA-related complaints were filed against the bank during this review period (September 10, 2018 through December 4, 2022).

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

Appendix A

ASSESSMENT AREA DETAIL



GLOSSARY

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

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

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

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

Community development: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

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

Demographics: The statistical characteristics of human populations (e.g., age, race, sex, and income) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

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

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

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

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

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

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were $1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured by either nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): That is, "small farm loans" are included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Reports of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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