

# **PUBLIC DISCLOSURE**

April 20, 2009

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Texas Coastal Bank  
RSSD # 783965

6731 Spencer Highway  
Pasadena, Texas 77505

Federal Reserve Bank of Dallas  
2200 North Pearl Street  
Dallas, Texas 75201

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

## TABLE OF CONTENTS

I. Institution's CRA Rating .....	1
II. Scope of Examination .....	1
III. Description of Institution .....	1
IV. Description of Assessment Area (portion of Houston-Sugar Land-Baytown, Texas MSA) .....	2
V. Conclusion with Respect to Performance .....	5
VI. Glossary .....	10

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

The performance of Texas Coastal Bank (TCB) in originating loans to meet the credit needs of all segments of its community is rated Satisfactory for the period covered by this evaluation. The factors supporting this rating include:

- A majority of commercial and consumer loans originated inside the bank's assessment areas, including 63% of the number and 53% of the dollar volume of loans reviewed;
- A reasonable penetration of loans among individuals of different income levels and businesses of different sizes, as demonstrated by the volume of small dollar commercial and consumer loans;
- A reasonable dispersion of loans throughout the assessment areas; and
- A reasonable loan-to-deposit ratio of 80% as of December 31, 2008, with a quarterly average of 62% since the previous CRA evaluation.

## **SCOPE OF EXAMINATION**

TCB's lending performance with respect to the CRA was the assessed by analyzing a sample of 45 commercial loans totaling \$5.3 million and 42 consumer loans totaling \$529 thousand originated by the bank between January 1, 2008 and December 31, 2008.

The evaluation was conducted using the CRA small bank performance standards. Small Bank CRA performance standards evaluate:

- average loan-to-deposit ratio since the last CRA evaluation;
- the overall level of lending within the assessment area;
- the bank's lending to borrowers of difference income levels and businesses and farms of different sizes;
- the bank's geographic distribution of loans within its assessment area; and,
- the bank's response to written complaints with respect to CRA performance in the assessment area.

Each standard is viewed as part of an overall picture of the bank's performance in meeting the credit needs of its delineated assessment area. Commercial lending was weighted more heavily in the analyses as approximately 76% of the bank's loans were either commercial or commercial real estate.

## **DESCRIPTION OF INSTITUTION**

Texas Coastal Bank (TCB) is a full-service retail bank operating two banking offices located in southeast Harris County. The main office is located in Pasadena, Texas and one branch located

in Deer Park, which is part of the Houston-Baytown-Sugar Land, Texas Metropolitan Statistical Area (MSA). TCB offers commercial, agricultural, home mortgage, home improvement, automobile and unsecured consumer loans. A full line of deposit services is offered, and the bank operates automated teller machines (ATMs) at each branch. TCB is affiliated through common ownership with Tradition Bank, Houston, Texas. Former affiliates, the First National Bank of Bellaire and Katy Bank, were recently merged into Tradition Bank.

As of December 31, 2008, TCB reported total assets of approximately \$31million, total loans of \$22 million, and total equity capital of \$3 million. The following table reflects the loan portfolio mix:

Product	12/31/08 \$(000)	% of Loans	12/31/07 \$(000)	% of Loans
<b>Real Estate</b>				
Construction/Land Development	1,930	8.75	1939	11.12
1-4 Family	1,119	5.07	1,041	5.90
Commercial	12,461	56.48	8815	50.56
<b>Total Real Estate</b>	<b>15,510</b>	<b>70.30</b>	<b>11,795</b>	<b>67.65</b>
Commercial and Industrial	4,209	19.08	3,163	18.14
Consumer	2,257	10.23	2,207	12.66
Other	86	0.39	271	1.55
<b>Gross Loans</b>	<b>22,062</b>	<b>100.00*</b>	<b>17,436</b>	<b>100.00*</b>

\*Percentage might not equal 100 because of rounding.

As illustrated by the loan mix, TCB’s lending focuses on commercial real estate lending and other commercial lending. Since the previous CRA evaluation in 2005, total assets have grown 8.6%, total loans are up 63%, and total deposits have increased 8.7%.

The bank received a satisfactory rating at its last CRA assessment conducted as of February 7, 2005. Overall, the bank’s ability to meet various community credit needs has not been hampered by its capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, or the lending opportunities available in the institution’s assessment area.

**DESCRIPTION OF ASSESSMENT AREA (portion of the Houston-Sugar Land-Baytown, Texas Metropolitan Statistical Area (MSA))**

TCB’s assessment area (AA) consists of the following:

- Cities of Deer Park, El Lago, La Porte, Morgan’s Point, Pasadena, Seabrook, Shoreacres, South Houston, and southeast Harris County. There are a total of 50 census tracts which include: 3208, 3214-3240, and 3414-3435. The area borders the Houston Ship Channel.

TCB’s head office is located in Pasadena, which is in the southeast corner of the Houston-Sugar Land-Baytown, Texas MSA. The Deer Park Branch is located two miles northeast of the main branch. Harris County is the largest of ten counties that comprise MSA.

The population of the bank's AA is 238,096, according to 2000 census data. This represents only 7% of the total Harris County population of 3.9 million. The county's population has grown almost 15.7% since 2000. Pasadena, 2006 estimated population of 144,793 is the largest city in the AA.

As of June 30, 2008, there were 19 insured financial institutions operating 36 banking offices in the Pasadena area. TCB was ranked 10<sup>th</sup> in market share, with 2% of the \$1.3 billion in market share deposits. The leading institutions were JP Morgan Chase Bank NA (19%); Washington Mutual Bank (17%); and Wells Fargo Bank, NA (12%). Additionally, Sterling Bank and the local credit unions compete for consumer deposits and loans.

Demographic and economic information also impact the bank's performance context and are discussed below. Information was obtained from publicly available sources including the 2000 U.S. Department of Commerce's Bureau of the Census; the U.S. Department of Labor; the U.S. Department of Housing and Urban Development (HUD); Dun & Bradstreet; and the Texas Workforce Commission.

The chart on the next page provides information for the assessment area demographics.

ASSESSMENT AREA DEMOGRAPHICS <sup>1</sup>								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	3	6.0	2,717	4.4	766	28.2	13,036	21.3
Moderate-income	19	38.0	18,797	30.8	3,446	18.3	11,766	19.3
Middle-income	17	34.0	21,963	35.9	1,631	7.4	13,016	21.3
Upper-income	11	22.0	17,635	28.9	503	2.9	23,294	38.1
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Area</b>	<b>50</b>	<b>100.0</b>	<b>61,112</b>	<b>100.0</b>	<b>6,346</b>	<b>10.4</b>	<b>61,112</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	3,944	526	1.0	13.3	3,067	77.8	351	8.9
Moderate-income	26,800	12,719	25.0	47.5	11,908	44.4	2,173	8.1
Middle-income	30,984	19,612	38.6	63.3	9,674	31.2	1,698	5.5
Upper-income	23,539	17,925	35.3	76.2	4,544	19.3	1,070	4.5
Unknown income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Area</b>	<b>85,267</b>	<b>50,782</b>	<b>100.0</b>	<b>59.6</b>	<b>29,193</b>	<b>34.2</b>	<b>5,292</b>	<b>6.2</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	287	3.3	256	3.2	18	2.9	13	6.1
Moderate-income	3,050	34.5	2,714	34.0	259	41.6	77	36.2
Middle-income	2,825	32.0	2,570	32.2	186	29.9	69	32.4
Upper-income	2,666	30.2	2,452	30.7	160	25.7	54	25.4
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Area</b>	<b>8,828</b>	<b>100.0</b>	<b>7,992</b>	<b>100.0</b>	<b>623</b>	<b>100.0</b>	<b>213</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>90.5</b>		<b>7.1</b>		<b>2.4</b>

### Income Characteristics

The AA consists of 3 low-income census tracts, 19 moderate-income census tracts, 17 middle-income census tracts, and 11 upper-income census tracts. The 3 low-income census tracts represent approximately 6% of the total tracts, whereas the 19 moderate-income tracts represent approximately 38% of the tracts. Thirty-one percent of total families reside in moderate-income census tracts, while 4% live in the low-income census tracts. Middle-income tracts house 36% of families in the AA and 29% live in upper-income census tracts. Low- and moderate-income (LMI) families comprise 41% of all families in the AA. Ten percent of the families live below the poverty level.

<sup>1</sup> Based on 2000 census information.

Housing Characteristics

There are 1,298,130 housing units in Harris County, 85,267 in the AA. Sixty percent of the AA housing is owner-occupied. Only 6% of the AA housing units are reported vacant, compared to 7% in Harris County. The median value of owner-occupied housing units in 2000 was \$75,523 in the AA, compared to \$84,200 in Harris County.

Labor, Employment and Economic Characteristics

The Pasadena economy is a strong and the community is growing. The city’s petrochemical industry is the cornerstone of a strong economic base. Industry has played a major role in the Pasadena economy. There are approximately 50 petrochemical manufacturing facilities located in the Pasadena area, Houston Ship Channel and in the expanding Bayport Industrial District Channel. These facilities are responsible for many jobs in the area, provide additional tax revenue and offer direct and indirect support to the city through their own facilities and suppliers. Major area employers include the Pasadena ISD, Shell, The Boeing Company, The Mundy Company, San Jacinto College District, and Bayshore Medical Center. The labor force totals 111,593 and the AA unemployment rate was 6.3%.

There are 8,828 businesses in the assessment area, 91% of which are small businesses with \$1 million or less in gross annual revenues. Three percent of AA businesses are located in low-income census tracts, 35% in moderate-income tracts, 32% in middle-income tracts, and 30% operate in upper-income census tracts.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE**

**LOAN-to-DEPOSIT RATIO**

TCB’s net loan-to-deposit (LTD) ratio is considered reasonable, given the bank’s size and financial condition, the credit needs of the assessment area, and the competitive local banking environment. As of December 31, 2008, TCB’s LTD ratio was 80%, and the quarterly average for the 16 quarters since the previous evaluation was 62%.

To better understand the bank’s performance in relation to its assessment area, a comparison of similarly situated banks was performed. These banks were chosen for analysis based on their proximity and similar size and structure. All peer banks below are located in the Houston-Sugar Land-Baytown MSA. TCB’s LTD ratio is significantly higher than the peer banks. Its quarterly average ratio is comparable to one bank and exceeds the other.

<b>BANK</b>	<b>COUNTY</b>	<b>TOTAL ASSETS \$(000) 12/31/2008</b>	<b>LTD RATIO 12/31/2008</b>	<b>QUARTERLY AVG. LTD RATIO</b>
Texas Coastal Bank	Harris	30,749	80.17	61.90
The Bank Of San Jacinto County	San Jacinto	33,511	60.56	64.13
Heritage Bank, NA	Brazoria	25,041	32.78	45.59

**LENDING IN ASSESSMENT AREA**

The bank’s loan performance was evaluated based upon a sample of 42 consumer loans and 45 commercial loans totaling \$5.8 million, originated during 2008. A majority of the bank’s lending takes place inside the AA. As summarized in the following chart, 63% of the number of loans and 53% of the dollar volume were originated to borrowers living or operating inside the AA of the bank.

<b>ASSESSMENT AREA CONCENTRATION</b>								
<b>Loan Type</b>	<b>Inside Assessment Area</b>				<b>Outside Assessment Area</b>			
	<b>#</b>	<b>%</b>	<b>\$000’s</b>	<b>% of \$</b>	<b>#</b>	<b>%</b>	<b>\$000’s</b>	<b>% of \$</b>
Consumer	25	59.5	239	45.1	17	40.5	290	54.9
Commercial	30	66.7	2,870	54.1	15	33.3	2,431	45.9
<b>TOTAL</b>	<b>55</b>	<b>63.2</b>	<b>3,109</b>	<b>53.3</b>	<b>32</b>	<b>36.8</b>	<b>2,721</b>	<b>46.7</b>

\*Percentage might not equal 100 because of rounding.

The remaining analysis will be based on loans made inside the bank’s assessment area.

**LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES**

The distribution of lending based on income and revenue levels of the borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. The table below details the commercial loans by gross annual revenue.

<b>DISTRIBUTION OF COMMERCIAL LOANS BY GROSS ANNUAL REVENUES</b>		
<b>Gross Annual Revenues</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>
Less than \$500,000	3	10.0
\$500,001 - \$1 million	5	16.7
Over \$1 million	6	20.0
Not collected	16	53.3
<b>TOTAL</b>	<b>30</b>	<b>100.0</b>

Generally, gross annual revenue is used in the analysis of lending to businesses of different sizes. Of the sampled loans, only 27% were made to small businesses. However, the analysis is limited because the bank did not collect current revenue information for 53% of the loans. When revenue is not available, loan amount can be used as a proxy for income level, with the assumption being smaller businesses require smaller dollar loans. Further, community contacts stated that small dollar business loans are difficult to obtain. All the commercial loans sampled



were for amounts under \$500,000 and 57% were under \$50,000. TCB's performance in making smaller dollar credits available is reasonable.

<b>DISTRIBUTION OF COMMERCIAL LOANS BY LOAN AMOUNT</b>		
<b>Loan Amount</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>
Less than \$25,000	9	30.0
\$25,001 - \$50,000	8	26.7
\$50,001 - \$100,000	6	20.0
\$100,001 - \$500,000	7	23.3
<b>TOTAL</b>	<b>30</b>	<b>100.0</b>

The income level of consumer borrowers was compared to the HUD-adjusted median family income (MFI) for the Houston-Sugar Land-Baytown MSA. The Houston-Sugar Land-Baytown MSA MFI increased from \$59,400 in 2004 to \$61,100 in 2008. The following table depicts the income level ranges for 2008:

<b>Income Level</b>	<b>2008 Houston-Sugar Land-Baytown MSA</b>
Median Income	\$61,100
Low-income	\$0 < \$30,550
Moderate-income	\$30,550 < \$48,880
Middle-income	\$48,880 < \$73,320
Upper-income	\$73,320 and up

The following table presents the distribution of consumer loans by borrower income inside the assessment area.

<b>DISTRIBUTION OF CONSUMER LOANS BY MEDIAN FAMILY INCOME LEVEL</b>						
	<b>LOW</b>	<b>MODERATE</b>	<b>MIDDLE</b>	<b>UPPER</b>	<b>UNKNOWN</b>	<b>TOTAL</b>
Number of Loans	3	5	3	2	12	25
% of Number	12.0	20.0	12.0	8.0	48.0	100.0
Dollar Volume (\$000)	\$27	\$42	\$48	\$47	\$74	\$239
% of Dollar Volume	11.4	17.7	20.1	19.7	31.0	100.0
Percent of Households	22.0	17.4	20.0	41.0	0.0	100.0

The bank made 12% of the sampled loans to low-income borrowers. This is significantly less than the 21% of families in the AA that are considered low income. However, 10% of the families are

below the poverty level, making it difficult for them to qualify for credit. The 20% of loans made to moderate-income families is comparable to the 19% of moderate-income families living in the assessment. However, because the bank did not collect current income on 48% of the borrowers, the analysis using borrower income has limitations. As with commercial loans, we can use loan amount as a proxy for income.

The following tables reflect the distribution of the consumer loans in the assessment area by loan amount. Loans were originated in various amounts, with 17 or 68% less than \$10,000, and 6 or 24% between \$10,001 and \$25,000, reflecting an excellent performance in making small dollar loans available to individuals in its assessment area.

<b>DISTRIBUTION OF CONSUMER LOANS BY LOAN AMOUNT</b>		
<b>Loan Amount</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>
Less than \$10,000	17	68.0%
\$10,001 - \$25,000	6	24.0%
\$25,001 - \$50,000	2	8.0%
<b>TOTAL</b>	<b>25</b>	<b>100.00%</b>

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution of loans demonstrates a reasonable dispersion throughout the AA. The bank's main office is located within a moderate-income census tract and branch office is located within a middle-income census tract,

For commercial loans, the bank made 7% of the sampled loans in low income census tracts where only 3% of area businesses are located. In the moderate-income census tracts, the bank made 27% of the loans in those tracts where 35% of area businesses are located. The following table presents the geographic distribution of the bank's commercial loans within the assessment area:

<b>Distribution of Commercial Loans by Geographic Income Level</b>				
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
Number of Loans	2	8	10	10
% of Number	6.7	26.7	33.3	33.3
Dollar Volume (\$000's)	75	1,003	655	1,137
% of Dollar Volume	2.6	34.9	22.8	39.6
Percent of Businesses	3.3	34.5	32.0	30.2

The bank made 4% of the consumer loans in low-income tracts which is comparable to the percent of families living in those tracts. At 16% of sampled loans, the limited lending in moderate income geographies detracts from the bank's overall performance. However, as the

commercial lending patterns are more heavily weighted in this evaluation, the overall geographic distribution is satisfactory. The following table presents the distribution of consumer loans.

<b>Distribution of Consumer Loans by Geographic Income Level</b>				
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
Number of Loans	1	4	15	5
% of Number	4.0	16.0	60.0	20.0
Dollar Volume (\$000's)	18	31	139	50
% of Dollar Volume	7.7	13.1	58.3	20.9
Percent of Census Tracts	6.0	38.0	34.0	22.0

### **RESPONSE TO COMPLAINTS**

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

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. Established policies and procedures are designed to ensure ongoing compliance with fair lending laws and regulations.

## GLOSSARY

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

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

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

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

- i. Low-or moderate-income geographies;
- ii. Designated disaster areas; or
- iii. Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a) Rates of poverty, unemployment, and population loss; or
  - b) Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include

non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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