PUBLIC DISCLOSURE

August 19, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Du Quoin State Bank
RSSD #823142

15 East Main Street
Du Quoin, Illinois 62832

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.

Du Quoin State Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending activity. The factors supporting the institution's rating are as follows:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the assessment area.
- The borrower's profile analysis reveals reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI) levels, and businesses of different revenue sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- No CRA-related complaints were 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. Residential real estate and small business 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. However, as the bank has a particular emphasis on home mortgage lending, performance based on the 1–4 family residential real estate loan category carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	June 30, 2015 – June 30, 2019
Assessment Area Concentration	January 1, 2017 – December 31, 2018
Loan Distribution by Borrower's Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	June 15, 2015 – August 18, 2019

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

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 American Community Survey (ACS) data and certain business demographics are based on 2018 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. Two other banks were identified as similarly situated peers, with asset sizes of $100.6 million and $125.7 million as of June 30, 2019.

To augment this evaluation, two community contact interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs. Key details from the community contact interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Du Quoin State Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Perry County Bancorp, Inc., a one-bank holding company headquartered in Du Quoin, Illinois. The bank's branch network consists of three offices (including the main office). The main office in Du Quoin has lobby access, while a second branch in Du Quoin, as well as the branch in Tamaroa, have drive-up access. The bank operates two cash-dispensing automated teller machines, one at the branch in Du Quoin and a second at a gas station in Du Quoin. The bank did not open or close any branch offices during this review period. 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 June 30, 2019, the bank reported total assets of $106.0 million. As of the same date, loans and leases outstanding were $31.2 million (29.5 percent of total assets), and deposits totaled $82.0 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of June 30, 2019		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$193	0.6%
Commercial Real Estate	$5,113	16.4%
Multifamily Residential	$350	1.1%
1–4 Family Residential	$15,934	51.0%
Farmland	$2,938	9.4%
Farm Loans	$570	1.8%
Commercial and Industrial	$4,415	14.1%
Loans to Individuals	$1,652	5.3%
Total Other Loans	$75	0.2%
TOTAL	**$31,240**	**100%**

As indicated in the table above, a significant portion of the bank's lending resources is directed to loans secured by 1–4 family residential properties, commercial real estate loans, and commercial and industrial loans. These types of loans account for over 80 percent of the bank's lending portfolio, and this information was used to select 1–4 family residential real estate and small business loans as the two products reviewed for this evaluation.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on June 15, 2015, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 21,810, is located in rural southern Illinois. The assessment area consists of a single nonmetropolitan statistical area (nonMSA) county, Perry County, Illinois. Within the assessment area, Du Quoin is the largest city with a population of 6,109, according to the 2010 census. Perry County is somewhat inhibited by the lack of major highway traffic compared to neighboring communities. As a result, the cities within Perry County are often seen as bedroom communities with many residents commuting for work to the nearby cities of Carbondale, Marion, and Mount Vernon.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2018, there are five FDIC-insured depository institutions in the assessment area that operate seven offices. Du Quoin State Bank (operating three offices, or 42.9 percent, in the assessment area) ranked second in terms of deposit market share, with 25.2 percent of the total assessment area deposit dollars.

Generally, commercial lending and a standard blend of consumer loan products represent the primary credit needs in the assessment area. As noted from community contacts, additional credit needs include home improvement loans for the older housing stock in the area, rural development housing loans, and loans for small businesses.

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	0	0	6	0	0	**6**
	0.0%	0.0%	100%	0.0%	0.0%	**100%**
Family Population	0	0	4,978	0	0	**4,978**
	0.0%	0.0%	100%	0.0%	0.0%	**100%**

As shown above, the assessment area does not contain any LMI census tracts. The assessment area consists solely of middle-income census tracts, where the family population of nearly 5,000 resides.

Based on 2015 ACS data, the median family income for the assessment area was $58,188. At the same time, the median family income for nonMSA Illinois as a whole was $59,121. More recently, the FFIEC estimates the 2018 median family income for nonMSA Illinois to be $63,900. The following table displays population percentages of assessment area families by income level compared to the nonMSA Illinois family population.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	979	883	1,235	1,881	0	**4,978**
	19.7%	17.7%	24.8%	37.8%	0.0%	**100%**
nonMSA Illinois	79,055	71,275	84,204	155,344	0	**398,878**
	20.3%	18.3%	21.6%	39.8%	0.0%	**100%**

Although the assessment area is made up of only middle-income census tracts, 37.4 percent of families within the assessment area were considered LMI, which is slightly below the LMI family percentage of 38.6 percent in nonMSA Illinois as a whole. The percentage of families living below the poverty threshold in the assessment area, 11.7 percent, is above the 10.4 percent level in nonMSA Illinois. Community contacts noted that the poverty rate may be slightly inflated due to the volume of seniors collecting social security, and commuter students to a local university who have little to no income. Considering these factors, the assessment area is similar in affluence to the nonMSA portion of the state.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than in nonMSA Illinois as a whole. The median housing value for the assessment area is $78,367, which is significantly below the figure for nonMSA Illinois, $92,863. The assessment area housing affordability ratio of 53.5 percent is above the nonMSA Illinois figure of 49.0 percent, indicating greater affordability when considering income. Similarly, the median gross rent for the assessment area of $479 per month is lower than the $604 per month for nonMSA Illinois.

An additional area of divergence between Perry County, Illinois, and the nonMSA portion of the state is the percentage of vacant units. Perry County has 15.1 percent of its total housing units classified as vacant, compared to 12.5 percent for nonMSA Illinois as a whole. This appears to affect the number of rental units in the area, as the percentage of owner-occupied housing is nearly equal between Perry County and nonMSA Illinois (64.5 percent and 65.0 percent, respectively). One community contact noted that the area lacks quality rental properties, and much of the housing stock is older and in need of substantive repairs, creating a challenge for families seeking to transition from renting to owning.

Industry and Employment Demographics

The assessment area supports a modest business community overall, with a significant small business sector, as evidenced by Dun & Bradstreet data that indicates 90.3 percent of assessment area businesses have gross annual revenues of $1 million or less. County business patterns indicate that there are 4,093 paid employees in the assessment area. By percentage of employees, the three largest job categories are healthcare and social assistance (21.1 percent), retail trade (15.8 percent), and accommodation and food services (12.1 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 Illinois as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**nonMSA Illinois**
2016	7.1%	6.1%
2017	6.1%	5.1%
2018	6.0%	5.0%

As shown in the table above, unemployment levels for the assessment area, as well as nonMSA Illinois, have decreased, with each declining 1.1 percent from 2016 to 2018. The assessment area, however, has consistently maintained higher unemployment levels than nonMSA Illinois as a whole.

Community Contact Information

Information from two community contact interviews was used to help shape the performance context in which the bank's activities in the assessment area were evaluated. Of these interviews, one was with an individual specializing in workforce development, and the other was with a person providing rural development and affordable housing expertise. The interviewees categorized the economy as stagnant, with modest to no growth in recent years. Neither contact was able to point to any significant economic development activities that had occurred in the assessment area in the recent past. The contacts described the area as having experienced a generally steady decline since local coal mining jobs left the area decades ago. The lack of a major interstates through the county makes it less desirable for business investment compared to neighboring counties.

Housing was described as older, with problems associated with aged housing stock. Specifically cited was the need for repairs on a significant portion of available homes in the area. The cost of these repairs is out of reach for many of the remaining elderly population in the area, and it decreases the affordability of these homes for first-time homebuyers. Also affecting housing is the fact that little to no building is occurring within the area. To help offset some of these challenges, one contact noted a need for first-time homebuyer education courses in the area.

Lastly, concerning the banking competition in the area, contacts stated that there are more than enough local financial institutions, considering the area's size and economic activity. Both contacts gave praise to local financial institutions, and both found them to be actively engaged in the local community, in addition to generally meeting the credit needs of all local stakeholders.

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

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of June 30, 2019**	**Average LTD Ratio**
Du Quoin State Bank	Du Quoin, Illinois	$105,997	41.5%
Regional Banks	Pinckneyville, Illinois	$100,588	49.2%
	Pinckneyville, Illinois	$125,696	64.8%

Based on data from the previous table, the bank's level of lending is below that of other banks in the region. During the review period, the LTD ratio was generally stable, with a 17-quarter average of 41.5 percent. The LTD ratio stayed between a high of 45.5 percent and a low of 37.4 percent. In comparison, the average LTD ratios for the regional peers were higher. Reasons for this divergence stem from Du Quoin State Bank operating solely within the assessment area, whereas one of the other regional banks has a larger geographic footprint, with branches located in areas outside the assessment area. It is worth emphasizing the economic barriers the assessment area faces, leading to a lack of economic growth and overall loan demand, per community contacts. Therefore, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Area January 1, 2017 through December 31, 2018						
Loan Type[2]	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
1–4 Family Residential Real Estate	50	69.4%	22	30.6%	**72**	**100%**
	3,432	63.8%	1,945	36.2%	**$5,377**	**100%**
Small Business	35	60.3%	23	39.7%	**58**	**100%**
	3,168	43.7%	4,085	56.3%	**$7,253**	**100%**
TOTAL LOANS	**85**	**65.4%**	**45**	**34.6%**	**130**	**100%**
	6,600	**52.3%**	**6,029**	**47.7%**	**$12,629**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 65.4 percent of the total loans were made inside the assessment area, accounting for 52.3 percent of the dollar volume of total loans. Dollar volumes for small business lending inside the assessment area were lower due to the limited economic activity occurring within Perry County.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from both loan categories reviewed. 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 ($60,400 and $63,900 for nonMSA Illinois as of 2017 and 2018, respectively). The following table shows the distribution of 1–4 family residential real estate loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2017 and 2018 aggregate data for the assessment area is displayed.

[2] 1–4 family residential real estate and small business loan types were sampled for this review according to CA Letter 01-8.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2017 through December 31, 2018												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
1–4 Family Residential Real Estate	2	4.0%	14	28.0%	12	24.0%	22	44.0%	0	0.0%	50	100%
Family Population	19.7%		17.7%		24.8%		37.8%		0.0%		**100%**	
2017 HMDA Aggregate	5.4%		23.2%		29.5%		28.6%		13.3%		**100%**	
2018 HMDA Aggregate	6.1%		27.2%		24.0%		27.2%		15.4%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (4.0 percent) is well below the low-income family population figure (19.7 percent). However, bank performance is in line with 2017 and 2018 aggregate performance of 5.4 percent and 6.0 percent, respectively. When considering difficulties associated with housing in the area, the limited number of available housing units compared to the percentages of nonMSA Illinois as a whole, and the number of financial institutions competing in the area, as mentioned by community contacts, this represents reasonable performance. The bank's percentage of lending to moderate-income borrowers (28.0 percent), is above the family population figure (17.7 percent), as well as aggregate performance for 2017 and 2018 (23.2 percent and 27.2 percent, respectively), reflecting excellent performance. Therefore, considering performance to both income categories, the bank's overall distribution of 1–4 family residential real estate loans by borrower's profile is reasonable.

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 2017 and 2018 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2017 through December 31, 2018								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	20	57.1%	6	17.1%	4	11.4%	**30**	**85.7%**
Greater than $1 Million/Unknown	5	14.3%	0	0.0%	0	0.0%	**5**	**14.3%**
TOTAL	**25**	**71.4%**	**6**	**17.1%**	**4**	**11.4%**	**35**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**90.3%**	
2017 CRA Aggregate Data							**45.6%**	
2018 CRA Aggregate Data							**38.2%**	

The bank's level of lending to small businesses is reasonable. The bank originated the majority of its small business loans (85.7 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 90.3 percent of businesses in the assessment area had annual revenues of $1 million or less, while the 2017 and 2018 aggregate lending level to small businesses is 45.6 percent and 38.2 percent, respectively.

Geographic Distribution of Loans

Under the geographic distribution of loans analysis, emphasis is normally placed on the bank's performance in LMI geographies. However, the bank's assessment area does not contain any LMI census tracts. As previously stated, the bank's assessment area consists of six middle-income census tracts. Therefore, a detailed geographic distribution of loans analysis would not prove meaningful and was not performed as part of this evaluation. Nevertheless, the loan dispersion within the assessment area census tracts was reviewed, the results of which indicated that loan activity was adequately dispersed throughout the assessment area. The bank originated loans in all census tracts in both 2017 and 2018; therefore, the bank's geographic distribution of loans is reasonable.

Responses to Complaints

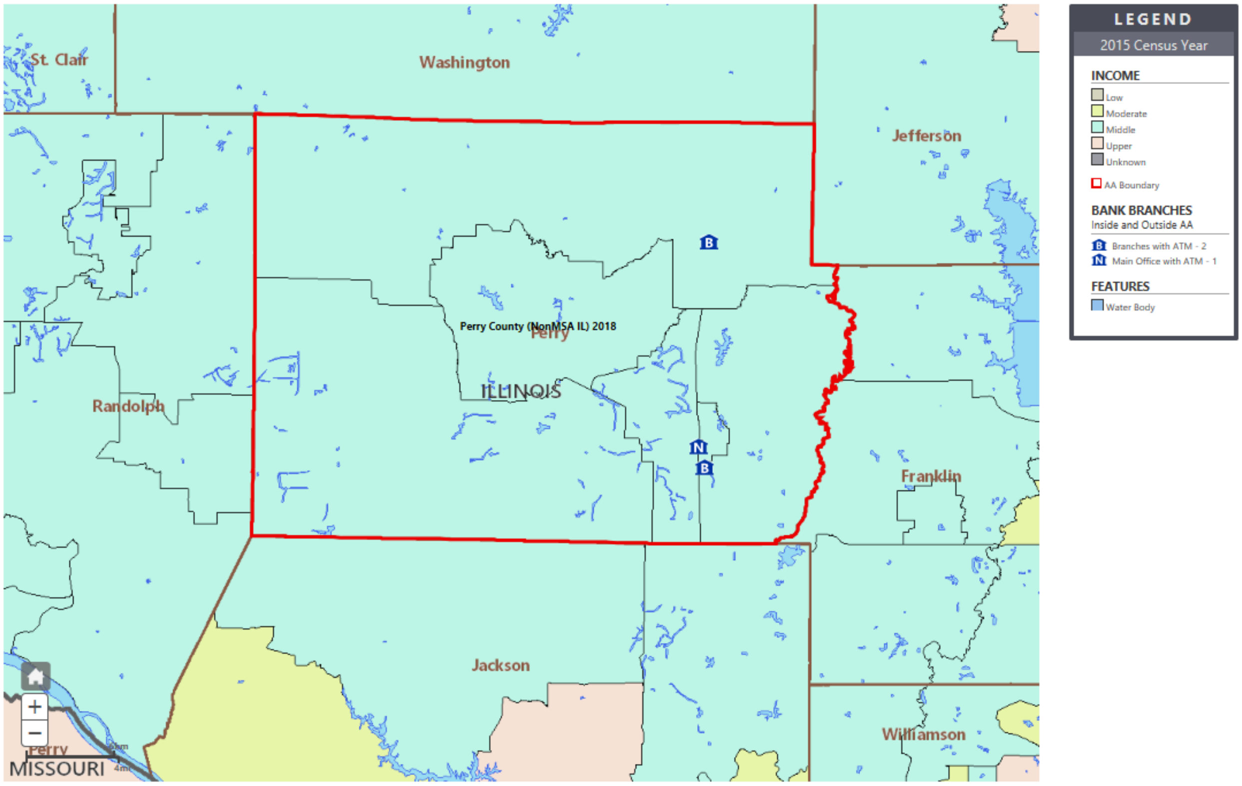
No CRA-related complaints were filed against the bank during the review period of June 15, 2015 through August 18, 2019.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

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

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

Demographics: The statistical characteristics of human populations (e.g., age, race, sex, 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.