# PUBLIC DISCLOSURE

**December 6, 2021**

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First State Bank of Warren**
**RSSD #843542**

**104 South Main Street**
**Warren, Arkansas 71671**

**Federal Reserve Bank of St. Louis**

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

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

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

First State Bank of Warren 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 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 loans and consumer 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. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. While both products are significantly important in the bank's portfolio, greater significance was placed on small business loans when making performance conclusions as they represent the highest concentration of the bank's loan portfolio. The following table details the performance criterion and the corresponding time periods used in each analysis.

| Performance Criterion | Time Period |
|---|---|
| LTD Ratio | March 31, 2017 – September 30, 2021 |
| Assessment Area Concentration | January 1, 2017 – December 31, 2020 |
| Loan Distribution by Borrower's Profile | |
| Geographic Distribution of Loans | |
| Response to Written CRA Complaints | March 27, 2017 – December 5, 2021 |

Lending Test analysis often entails comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 U.S. Census data; certain business demographics are based on Dun & Bradstreet data applicable for the year of loan data being reviewed. 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. Four other banks were identified as similarly situated peers, with asset sizes ranging from $160.9 million to $278.3 million as of September 30, 2021.

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 areas. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

## DESCRIPTION OF INSTITUTION

First State Bank of Warren is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Bradley Bancshares, Inc., a single bank holding company headquartered in Warren, Arkansas. The bank's branch network consists of four offices (including the main office). All four offices are full-service and have cash-dispensing-only automated teller machines (ATMs) on-site. The bank's main office and one branch office are located in Warren, Arkansas. The remaining branch offices are located in Hermitage and Hampton, Arkansas, which are 15 miles south and 27 miles west of Warren. The bank did not open or close any branch offices during this review period. Based on this branch network and other service delivery systems—such as extended banking hours of operation and online banking capabilities—the bank is well positioned to deliver financial services to its entire assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. On September 30, 2021, the bank reported total assets of $118.6 million. As of the same date, loans and leases outstanding were $46.4million (39.1 percent of total assets), and deposits totaled $103.6 million. The bank's loan portfolio composition by credit category is displayed in the following table.

| Distribution of Total Loans as of September 30, 2021 | | |
|---|---|---|
| **Credit Category** | **Amount ($000s)** | **Percentage of Total Loans** |
| Commercial and Industrial | $23,410 | 49.7% |
| Commercial Real Estate | 49,348 | 19.9% |
| 1–4 Family Residential | $5,408 | 11.5% |
| Farmland | $4,356 | 9.3% |
| Loans to Individuals | $1,977 | 4.2% |
| Farm Loans | $1,409 | 3.0% |
| Construction and Development | $651 | 1.4% |
| Total Other Loans | $351 | 0.7% |
| Multifamily Residential | $162 | 0.3% |
| **TOTAL** | **$47,027** | **100%** |

As indicated by the table above, a significant portion of the bank's lending resources is directed to commercial and industrial loans and commercial real estate loans. While not reflected in the table, it is also worth noting that by number of loans originated, loans to individuals (such as consumer motor vehicle and unsecured 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 on March 27, 2017, by this Reserve Bank.

## DESCRIPTION OF ASSESSMENT AREA

### General Demographics

The bank's assessment area, which has a population of 16,451, is comprised of the entirety of Bradley and Calhoun Counties, located in a nonmetropolitan statistical area (nonMSA) portion of southeastern Arkansas. Bradley County contains four middle-income census tracts and one moderate-income census tract. All four middle-income census tracts are considered distressed due to poverty. Calhoun County contains two middle-income census tracts, both of which are classified as distressed due to population loss.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2021, there are four FDIC-insured depository institutions in the assessment area that operate ten offices. First State Bank of Warren, which operates four offices, ranked first in terms of deposit market share, with 36.7 percent of the total assessment area deposit dollars.

General credit needs in the assessment area include a standard blend of commercial and consumer loan products. However, community contacts indicated that credit needs within the assessment area were being met.

## 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 | 1 | 6 | 0 | 0 | **7** |
| | 0.0% | 14.3% | 85.7% | 0.0% | 0.0% | **100%** |
| Family Population | 0 | 419 | 4,196 | 0 | 0 | **4,615** |
| | 0.0% | 9.1% | 90.9% | 0.0% | 0.0% | **100%** |

As shown above, one census tract (14.3 percent) in the assessment area is a moderate-income geography, but only 9.1 percent of the family population resides in that tract. Based on 2015 American Community Survey data, the median family income for the assessment area was $42,984. 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, indicating an upward trend.

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 | 1,114 | 795 | 882 | 1,824 | 0 | **4,615** |
| | 24.1% | 17.2% | 19.1% | 39.5% | 0.0% | **100%** |
| NonMSA Arkansas | 63,831 | 53,700 | 58,267 | 123,066 | 0 | **298,864** |
| | 21.4% | 18.0% | 19.5% | 41.2% | 0.0% | **100%** |

As shown in the table above, 41.3 percent of families within the assessment area were considered LMI, which is marginally higher than the LMI family percentage of 39.4 percent in nonMSA Arkansas. Similarly, the percentage of families living below the poverty threshold in the assessment area, 19.4 percent, is higher than the 16.6 percent poverty level in nonMSA Arkansas. Considering these factors, the assessment area appears slightly less affluent than nonMSA Arkansas as a whole.

## Housing Demographics

Based on housing values and income levels, housing in the assessment area appears to be more affordable than in nonMSA Arkansas. The median housing value for the assessment area is $68,859, which is well below the figure for nonMSA Arkansas at $85,869. Moreover, the assessment area's housing affordability ratio of 49.4 percent is above the nonMSA Arkansas figure of 41.0 percent, indicating a higher degree of affordability.

The median gross rent for the assessment area is $585 per month, which is comparable to the median gross rent for nonMSA Arkansas of $588 per month. The median family income within the assessment area, however, is lower than that of nonMSA Arkansas. Consideration of these factors may suggest that the assessment area may need more affordable rental housing within reach of the LMI population.

## Industry and Employment Demographics

County business patterns indicate there are 7,102 paid employees in the assessment area. By percentage of employees, the three largest job categories are manufacturing (51.1 percent), government (15.8 percent), and health care and social assistance (8.8 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 the state of Arkansas as a whole.

| Unemployment Levels for the Assessment Area | | |
|---|---|---|
| **Time Period (Annual Average)** | **Assessment Area** | **Arkansas** |
| 2017 | 4.4% | 3.7% |
| 2018 | 4.1% | 3.7% |
| 2019 | 4.2% | 3.5% |
| 2020 | 5.6% | 6.1% |

As shown in the table above, unemployment levels for the assessment area, as well as for Arkansas, have generally shown a stable trend, with the exception of an increase in 2020, which was likely driven by the Covid-19 related disruption of local and state economies. Additionally, unemployment levels in the assessment area were generally above levels in the state of Arkansas until 2020. On average, unemployment levels were higher in Bradley County, which contains the sole moderate-income census tract, when compared to Calhoun County.

## Community Contact Information

Two community contact interviews with individuals knowledgeable of the area's economic conditions and credit needs were conducted to help shape the performance context in which the bank's activities were evaluated. Of these contacts, one works with an economic development agency that specializes in assisting small business. The second community contact works with a workforce development agency.

The community contacts categorized the economy as stable, with one contact describing the economy in Bradley County as strong, and indicated that the banking needs of the assessment area are being met. The contact specializing in economic development noted that Calhoun County has experienced a steady decline in population growth, although it has maintained a stable workforce with job stability and availability. The contact went on to explain that the local economy is supportive of small businesses within the assessment area though they depend on larger employers to remain sustainable. Additionally, one contact identified financial literacy training as an ongoing need in the community. Beyond this financial-related training need, one contact noted small business owners face barriers to success due to lack of human resource knowledge and management skills.

## 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 19-quarter average, dating back to the bank's last CRA evaluation.

| LTD Ratio Analysis | | | |
|---|---|---|---|
| **Name** | **Headquarters** | **Asset Size ($000s) as of September 30, 2021** | **Average LTD Ratio** |
| First State Bank of Warren | Warren, Arkansas | $118, 619 | 42.3% |
| Regional Banks | Warren, Arkansas | $160,893 | 45.2% |
| | Smackover, Arkansas | $197,674 | 44.6% |
| | Monticello, Arkansas | $254,994 | 65.6% |
| | Monticello, Arkansas | $278,301 | 85.6% |

Based on data from the previous table, the bank's level of lending is in line with the two most similarly sized institutions in the region, but below the two larger institutions. During the review period, the LTD ratio experienced a generally stable trend with a 19-quarter average of 42.3 percent. Therefore, compared to data from regional banks and considering information from community contacts stating that there are no unmet credit needs in the assessment area, 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<br>January 1, 2017 through December 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|
| **Loan Type** | **Inside Assessment Area** | | **Outside Assessment Area** | | **TOTAL** | |
| Small Business | 41 | 40.2% | 61 | 59.8% | 102 | 100% |
| | $3,393 | 28.5% | $8,513 | 71.5% | $11,906 | 100% |
| Consumer | 66 | 79.5% | 17 | 20.5% | 83 | 100% |
| | $678 | 68.2% | $316 | 31.8% | $994 | 100% |
| **TOTAL LOANS** | **107** | **57.8%** | **78** | **42.2%** | **185** | **100%** |
| | **$4,071** | **31.6%** | **$8,829** | **68.4%** | **$12,900** | **100%** |

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 57.8 percent of the total loans were made inside the assessment area, representing a majority of the bank's total loans.

## 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. While the bank's small business loan distribution is reasonable and performance under the consumer loan category is excellent, greater significance is placed on performance on the small business loan category, given that it accounts for a higher concentration of the bank's lending portfolio.

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, 2018, 2019, and 2020 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**
**Assessment Area: nonMSA Arkansas**
**January 1, 2017 through December 31, 2020**

| Gross Revenue | Loan Amounts in $000s | | | | | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | <u><</u>$100 | | >$100 and <u><</u>$250 | | >$250 and <u><</u>$1 Million | | | |
| $1 Million or Less | 24 | 58.5% | 4 | 9.8% | 3 | 7.3% | **31** | **75.6%** |
| Over $1 Million/Unknown | 6 | 14.6% | 4 | 9.8% | 0 | 0.0% | **10** | **24.4%** |
| **TOTAL** | **30** | **73.2%** | **8** | **19.5%** | 3 | **7.3%** | **41** | **100%** |
| Dun & Bradstreet Businesses | | | | | | | **86.8%** | |
| 2017 CRA Aggregate | | | | | | | **15.9%** | |
| 2018 CRA Aggregate | | | | | | | **19.0%** | |
| 2019 CRA Aggregate | | | | | | | **18.8%** | |
| 2020 CRA Aggregate | | | | | | | **13.9%** | |

The bank's level of lending to small businesses is reasonable. The bank originated of its small business loans (75.6 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 86.8 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2017, 2018, 2019, and 2020 aggregate lending levels to small businesses are 15.9 percent, 19.0 percent, 18.8 percent, and 13.9 percent, respectively.

As with the bank's small business loan activity, the distribution of consumer loans was also analyzed by the borrower's income profile. The following table displays the distribution of consumer loans by income level of the borrower compared to household population income characteristics.

| Distribution of Loans Inside Assessment Area by Income Level of Borrower<br>Assessment Area: nonMSA Arkansas<br>January 1, 2017 through December 31, 2020 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Borrower Income Level | | | | | | | | | | TOTAL | |
| | Low- | | Moderate- | | Middle- | | Upper- | | Unknown | | | |
| Consumer | 23 | 34.8% | 11 | 16.7% | 13 | 19.7% | 19 | 28.8% | 0 | 0.0% | **66** | **100%** |
| Household Population | 26.6% | | 15.7% | | 16.8% | | 40.9% | | 0.0% | | **100%** | |

As displayed in the preceding table, the bank made 34.8 percent of its consumer loans to low-income borrowers. This reflects excellent performance as compared to the household population of 26.6 percent. Additionally, the bank made 16.7 percent of its consumer loans to moderate-income borrowers, which reflects reasonable performance compared to the household population level of 15.7 percent. Overall, 51.5 percent of the bank's consumer loans were made to LMI borrowers compared to the LMI household population of 42.3 percent. Considering performance to both income categories, the bank's overall distribution of consumer loans by borrower's profile is excellent.

## Geographic Distribution of Loans

As noted previously, the assessment area contains no low-income census tracts and one moderate-income census tract. The analysis in this section illustrates the distribution of the bank's loan activity in this moderate-income geography. Overall, the bank's geographic distribution of loans reflects reasonable penetration throughout the assessment area, based on small business and consumer loan categories. As previously stated, performance in the small business loan category carried the most significance.

The following table displays small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area, as well as 2017, 2018, 2019, and 2020 small business aggregate data.

| Distribution of Loans Inside Assessment Area by Geography Income<br>Assessment Area: nonMSA Arkansas<br>January 1, 2017 through December 31, 2020 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Geography Income Level | | | | | | | | | | TOTAL | |
| | Low- | | Moderate- | | Middle- | | Upper- | | Unknown | | | |
| Small Business | 0 | 0.0% | 7 | 17.1% | 34 | 82.9% | 0 | 0.0% | 0 | 0.0% | **41** | **100%** |
| Business Institutions | 0.0% | | 16.7% | | 83.3% | | 0.0% | | 0.0% | | **100%** | |
| 2017 Aggregate | 0.0% | | 10.3% | | 87.5% | | 0.0% | | 2.2% | | **100%** | |
| 2018 Aggregate | 0.0% | | 12.6% | | 85.8% | | 0.0% | | 1.7% | | **100%** | |
| 2019 Aggregate | 0.0% | | 12.7% | | 85.8% | | 0.0% | | 1.5% | | **100%** | |
| 2020 Aggregate | 0.0% | | 13.5% | | 83.6% | | 0.0% | | 2.8% | | **100%** | |

The bank’s level of lending in the moderate-income census tract (17.1 percent) is similar to the estimated percentage of businesses operating inside this census tract (16.7 percent) and comparable to aggregate performance over the period reviewed. Aggregate lending levels in moderate-income census tracts for 2017, 2018, 2019, and 2020 were 10.3 percent, 12.6 percent, 12.7 percent, and 13.5 percent, respectively. Consequently, the bank’s performance in moderate-income census tracts is reasonable, and the bank’s overall geographic distribution of small business loans is reasonable.

| Distribution of Loans Inside Assessment Area by Geography Income Level<br>Assessment Area: nonMSA Arkansas<br>January 1, 2017 through December 31, 2020 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Geography Income Level | | | | | | | | | | TOTAL | |
| | Low- | | Moderate- | | Middle- | | Upper- | | Unknown | | | |
| Consumer | 0 | 0.0% | 9 | 13.6% | 57 | 86.4% | 0 | 0.0% | 0 | 0.0% | **66** | **100%** |
| Household Population | 0.0% | | 9.4% | | 90.6% | | 0.0% | | 0.0% | | **100%** | |

The analysis of consumer loans revealed reasonable lending performance throughout the assessment area. As displayed in the preceding table, the bank made 13.6 percent of its consumer loans in the moderate-income census tract, which is comparable to the household population demographic in the moderate-income census tract (9.4 percent).

Lastly, no conspicuous lending gaps were identified in the distribution of the bank’s loans in the assessment area. In general, the bank’s loans were primarily concentrated in the census tracts located in close proximity to branch locations, including the sole moderate-income census tract.

## Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (March 27, 2017 through December 5, 2021).

## FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

## ASSESSMENT AREA DETAIL

**First State Bank of Warren - Warren, AR 2021**
NonMSA, AR 2020

## 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- or moderate-income individuals; (2) <u>community services</u> targeted to low- or moderate-income 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> 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.