



## **PUBLIC DISCLOSURE**

February 24, 2003

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**SHOSHONE FIRST BANK  
RSSD# 884059**

**P.O. BOX 1330  
CODY, WYOMING 82414**

**Federal Reserve Bank of Kansas City  
925 Grand Boulevard  
Kansas City, Missouri 64198**

**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.

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## GENERAL INFORMATION

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

An institution in this group has an outstanding record of helping to meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The rating of the bank was assessed under the following five core criteria developed for evaluating Community Reinvestment Act (CRA) performances of small banks:

- ✍ Loan-to-Deposit Ratio
- ✍ Lending Inside the Assessment Area
- ✍ Geographic Distribution of Loans
- ✍ Lending to Individuals of Different Income Levels and Businesses of Different Sizes
- ✍ Record of Responding to Complaints About the Bank's CRA Performance

In addition, the bank's level of participation in community development investments and services and its ability to provide other delivery systems that enhance credit availability were also considered.

Conclusions for each performance criterion were based on data compiled from a statistically-derived sample of files for each major product line. Discussions with bank management, a review of the bank's Report of Condition and Income (Call Report), and a review of the volume of loan originations were used to determine the major product lines of the bank. As a result, three loan types were sampled for this evaluation. The loans sampled included those designated as commercial loans and agricultural loans. Additionally, the bank originates a large volume of residential real estate loans that are ultimately sold on the secondary market. These loans include conventional mortgages, as well as those underwritten by the Federal Housing Administration (FHA), Veterans Administration (VA), and the Wyoming Community Development Authority (WCDA). As the bank funds these loans for a period of time until the transfer of servicing is complete, these loans were also included in the loan sample.

Shoshone State Bank's loan-to-deposit ratio reflects a reasonable effort to extend credit in a highly competitive banking market consistent with safe and sound banking practices. The analysis shows that a substantial majority of lending activity is within the bank's assessment area and this lending reveals a more than reasonable penetration among borrowers of different income levels and to businesses and farms of different revenue sizes. The geographic distribution of loans also reflects a more than reasonable dispersion throughout the assessment area. The response to complaints criterion was not rated as the bank has not received any complaints about its performance under the CRA. Finally, the bank's level of community development investments and services augments the bank's CRA performance and its responsiveness to community credit needs.

## **DESCRIPTION OF INSTITUTION**

Shoshone First Bank's main office is located in Cody, Wyoming in the northwest corner of the state, 53 miles from the east entrance to Yellowstone National Park. The bank has four additional office locations. Two of these branches are located in Cody in an Albertson's grocery store and in a Wal-Mart Supercenter store. The other two branches are located in Powell, approximately 25 miles northeast of Cody. One branch is located in the Blair's Market, and the other is a freestanding location at 102 East Second Street. Each of the freestanding office locations in Cody and Powell has a drive-up facility, and each of the five offices has a full-service automated teller machine (ATM). Additionally, there are cash dispensing ATMs in Cody at the Buffalo Bill Historical Center, the Ponderosa Campground, the Paul Stock Recreation and Aquatics Center, and at the Spruce Creek Convenience Store. The Cody branch in Wal-Mart and the freestanding office in Powell both were opened in 2001.

The analysis of the bank's CRA performance considers the bank's financial impediments, local economic conditions, and demographics, including the competitive environment in which the bank operates. Although Shoshone State Bank is subject to strong competition from other financial institutions within its assessment area, there are no legal impediments that impact the bank's ability to lend. Despite the addition of new branches, the bank's overall growth has been moderate. Based on Call Report information, total assets have increased only 1 percent between September 30, 2001 and September 30, 2002. Since the previous performance evaluation in December 1997, bank assets have increased a total of 31 percent. As of September 30, 2002, total assets were \$182,011,000, including loans totaling \$130,546,000 and deposits totaling \$167,056,000. The bank's lending activity by dollar amount is primarily devoted to commercial financing. Although not reflected in the bank's balance sheet, the bank is also active in originating residential real estate loans that are sold on the secondary market. Table 1 illustrates the breakdown of the bank's loan portfolio by product.

<b>TABLE 1 DISTRIBUTION OF LOANS IN SHOSHONE FIRST BANK'S LOAN PORTFOLIO AS OF SEPTEMBER 30, 2002</b>				
<b>Type of Loan</b>			<b>Amount (\$000s)</b>	<b>Percent</b>
Secured by Real Estate:			84,799	65
	Amount (\$000s)	Percent		
Secured by nonfarm, nonresidential properties	30,466	36		
Secured by 1- to 4-family residential properties	23,454	28		
Construction and land development	12,511	15		
Secured by farm land	15,403	18		
Multifamily	2,965	3		
Consumer			6,030	5
Commercial			29,915	23
Agricultural			8,848	7
Other			954	< 1
<b>TOTAL</b>			<b>130,546</b>	<b>100</b>

The bank's performance under the CRA at the December 1, 1997 examination was considered outstanding.

### DESCRIPTION OF THE BANK'S ASSESSMENT AREA

Cody is located in the northwest corner of the state and is one of the communities that serves as an entrance point to Yellowstone National Park. As such, the community is highly dependent upon tourism. The bank designates Park County as its assessment area, which also includes the towns of Powell, Garland, Mammoth Hot Springs, Mantua, Meeteetse, Ralston, Wapiti, and Willwood. The county contains large areas of forestland, including Shoshone National Forest and Yellowstone National Park, much of which is controlled by the Bureau of Land Management (BLM), the forest service, or the state of Wyoming.

The assessment area is comprised of seven block numbering areas (BNAs) and does not arbitrarily exclude any low- or moderate-income areas. One BNA is low-income, one BNA is moderate-income, and the five remaining areas are middle-income. The low-income BNA has almost no population, however, as the entire area is located within the Shoshone National Forest. Based on 2000 census data, the population of Park County is 25,786, which is an increase of 11 percent from the 1990 census.

Competition for financial services is strong from a variety of bank and non-bank entities. Five banks, one credit union, two savings and loans, and three investment companies all have operations in Cody. Similarly, Powell has three banks, two credit unions, and one savings and loan. According to Federal Deposit Insurance Corporation (FDIC) market

share data for Park County, Shoshone First Bank has a 35 percent market share. Characteristics of the bank's assessment area are summarized in Table 2.

<b>TABLE 2</b> <b>CHARACTERISTICS OF BANK'S ASSESSMENT AREA</b> <b>(Based on 1990 Census Data)</b>	
Total Number of BNAs	7
	Number of BNAs
Low-Income	1
Moderate-Income	1
Middle-Income	5
Total Population	23,178
Median Family Income*	\$47,200
Percent of Low-Income Families	21
Percent of Moderate-Income Families	20
Percent of Middle-Income Families	25
Percent of Upper-Income Families	34
Housing Types	
Owner-Occupied	58
Rental Occupied	28
Affordability Ratio**	39
Total Businesses***	1,789
Total Farms***	180
Percent of Businesses < \$1,000,000 in Total Revenue	90
Percent of Farms < \$1,000,000 in Total Revenue	91

\* Based on the 2002 U.S. Department of Housing and Urban Development (HUD) figure for the nonmetropolitan areas of Wyoming

\*\* The affordability ratio is calculated by dividing median household income by median housing value

\*\*\* Based on 2001 Dun and Bradstreet data

The area has experienced a relatively stable economy over the past several years, and the tourist visits and resulting tax base have not been negatively impacted by the 9/11 terrorist attacks on the World Trade Center. However, the area did experience the loss of approximately 700 high wage jobs at the local Marathon Oil production facility over the past seven years. The city of Cody was able to attract other new businesses to the area including Wal-Mart and a call center of the Sierra Trading Post retailer. Although these new businesses absorbed most of the lost jobs, the wage scale of these new jobs is much lower. Cody serves as a health care center for the region. A hospital, surgical center, physical therapy center, mental health center, and nursing home are all located in Cody. Although some of the employees of these facilities are high wage earners, the

majority of these employees perform clerical and service related functions and, therefore, earn more modest wages.

One of the principal issues facing the area is the lack of affordable housing. According to the WCDA, Park County is one of only a few counties in the state in which home prices have far outpaced the growth in wage levels. As a result, the WCDA has deemed this county a high cost area. Presently, affordable single-family units are difficult to obtain, and, as a result of rezoning, the county lost 900 mobile home lots. However, the outlook for homebuyers is not bleak. Private developers, with assistance from the city of Cody, have recently started two affordable housing projects. The first units from these projects will be available by year-end 2003.

Members of the community were interviewed during this review to gain perspective on local economic conditions and potential credit needs. Community contacts included the director of a local business chamber and an individual employed by the city of Cody. These contacts supported information obtained on the local economy and the housing market.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

This core performance criterion evaluates the reasonableness of the bank's loan-to-deposit ratio in light of performance context information, including the institution's capacity to lend, demographic and economic factors present in the assessment area, and the availability of lending opportunities.

The bank's average quarterly loan-to-deposit ratio since the previous performance evaluation (19 quarters) is 71.53 percent. This is similar to the 71.4 percent loan-to-deposit ratio of the bank's primary competitor in the county. The bank's ratio is slightly less than the national peer (banks with assets between \$100 and \$300 million with three or more branches in a nonmetropolitan area) loan-to-deposit ratio over the same time period of 75.83 percent. When comparing the bank to the national peer, it should be noted that economic and competitive factors vary by region, and are only partially reflected in the national peer average.

Since the previous performance evaluation, the bank's average loan-to-deposit ratio has risen by 17 percent. This demonstrates the bank's commitment to lending and serving the needs of the entire community. The bank also originates a significant volume of residential real estate loans for sale on the secondary market. These loans are funded by the bank for only a few weeks before they are purchased by other investors. Therefore, the aggregate total of mortgage originations is not captured in the loan-to-deposit ratio derived at the end of each quarter. In 2002, the bank originated 435 secondary market

loans for a total of \$41,330,608. Finally, it should also be noted that the bank holds, on average, \$35,000,000 in public deposits. The majority of these deposits require securities pledging, which makes these deposits unavailable to fund loan originations and limits the bank's loan-to-deposit ratio. In consideration of these factors, the bank's loan-to-deposit ratio is considered reasonable and meets the standards for a satisfactory rating for this performance criterion.

**Lending in the Bank's Assessment Area**

This core performance criterion evaluates the concentration of loans originated by the bank in its assessment area. An analysis was performed based on data compiled from the statistically-derived sample of loans. As shown in Table 3, a majority of loans were originated in the bank's assessment area.

TABLE 3 DISTRIBUTION OF LOANS IN AND OUT OF THE ASSESSMENT AREA								
Type of Loan	Inside the Assessment Area				Outside the Assessment Area			
	Number of Loans	Percent	Amt. Of Loans (\$000s)	Percent	Number of Loans	Percent	Amt. of Loans (\$000s)	Percent
Real Estate	42	65	4,688	74	23	35	1,684	26
Commercial	46	98	6,363	98	1	2	132	2
Farm	29	83	3,949	86	6	17	619	14
<b>TOTAL</b>	117	80	15,000	86	30	20	2,435	14

By number, 65 percent of the real estate loans, 98 percent of the commercial loans, and 83 percent of the farm loans were originated inside the assessment area. Similarly, by dollar, the bank originated 74 percent of the real estate loans, 98 percent of the commercial loans, and 86 percent of the farm loans inside the assessment area. Shoshone First Bank acts as an intermediary for many small banks throughout northern Wyoming in originating secondary market loans. Many of these institutions do not have the resources to originate these loans, but wish to offer these products to their customers. Shoshone First Bank will obtain these loan applications directly from the outlying banks and will then process these applications and fund the loans as if the application had been generated in house. As a result, many of the secondary market real estate loans are originated outside the assessment area. Shoshone First Bank is one of only a few lenders in northern Wyoming who participate in the WCDA's First Time Home Ownership Purchase Program. This program is targeted to low- and moderate-income individuals who have not previously owned a home in the past three years. The program



offers homebuyers reduced interest rates, loan fees, and home ownership counseling to assist with their home purchase. In a review of the real estate loans originated outside of the assessment area, 14 of the 23 loans were funded under WCDA loan programs.

Therefore, Shoshone First Bank is not only helping to meet the needs of low- and moderate-income individuals in their assessment area, but in other neighboring communities as well.

Of the farm loans originated outside the assessment area, 50 percent were to borrowers whose farms are located in Burlington. This community is located just over the county line to the southeast of Cody. These loans were originated from the Powell branch, as Powell serves as a regional processing center for agricultural crops. Additionally, the largest agricultural supply store in the region is also located in Powell. Therefore, most of the farmers in the area drive to Powell regularly and prefer the local ownership and local decision centers offered by Shoshone First Bank. Many of the banks in the neighboring communities have been purchased by large, multistate banks, and local farmers prefer not to patronize them. As a substantial majority of the bank's lending activity is inside the assessment area, and in view of the other factors detailed above, the bank's performance is considered outstanding for this performance criterion.

### **Geographic Distribution of Loans**

This core performance criterion focuses on the bank's penetration among BNAs of different income levels in the assessment area. The geographic distribution of the bank's lending activity reflects a more than reasonable dispersion throughout the assessment area. Although no loans were originated in the low-income BNA, 1990 census data indicates that the BNA has no businesses and less than 1 percent of all families and farms in the county. By number, 24 percent of the real estate loans were originated in the moderate-income tracts, which compares favorably to the demographics of the area in which 21 percent of families are located in this area. For commercial loans, 30 percent by number and 28 percent by dollar were originated in the moderate-income area. This also compares favorably to the 20 percent of small businesses located within the area. Finally, by number, 3 percent of the farm loans were originated in the moderate-income area, which closely resembles the 7 percent of farms located in this area. Table 4 summarizes the bank's geographic distribution of lending in the assessment area.

<b>TABLE 4 DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREA BY INCOME LEVEL OF THE BLOCK NUMBERING AREA</b>						
<b>Loan Type</b>	<b>Low-Income</b>		<b>Moderate-Income</b>		<b>Middle-Income</b>	
	<b>#</b>	<b>(\$000s)</b>	<b>#</b>	<b>(\$000s)</b>	<b>#</b>	<b>(\$000s)</b>
<b>Real Estate</b> (42 Total)	0	0	10	1,086	32	3,602
<b>Percent of Total</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>23</b>	<b>76</b>	<b>77</b>
<b>Commercial</b> (46 Total)	0	0	14	1,789	32	4,574
<b>Percent of Total</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>28</b>	<b>70</b>	<b>72</b>
<b>Farm</b> (29 Total)	0	0	1	82	28	3,867
<b>Percent of Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>97</b>	<b>98</b>
<b>Percentage of Families by Income Level of BNA</b>	< 1		21		78	
<b>Percentage of Businesses by Income Level of BNA</b>	0		20		80	
<b>Percentage of Farms by Income Level of BNA</b>	< 1		7		92	

**Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes**

This core performance criterion evaluates the bank's loan originations to borrowers of different income levels, particularly low- and moderate-income individuals, and to businesses and farms of different sizes based on their reported gross annual revenues. The distribution of loans in the bank's assessment area represents an excellent penetration to individuals of different income levels and to businesses and farms of different sizes.

**Residential Real Estate Loans:**

<b>Table 5 DISTRIBUTION OF REAL ESTATE LOANS IN THE ASSESSMENT AREA BY INCOME LEVEL OF BORROWER</b>			
<b>INCOME LEVEL OF BORROWER*</b>	<b>Percentage of Real Estate Loans</b>		<b>Percentage of Families in Assessment Area**</b>
	% by #	% by \$	
Low (Less than 50 percent of Median Family Income)	2	1	21
Moderate (50 to 80 percent of Median Family Income)	22	15	20
Middle (80 to 120 percent of Median Family Income)	24	21	25
Upper (Greater than 120 percent of Median Family Income)	52	63	34

\* The income level of borrower is taken from the 2002 HUD estimated median family income for the nonmetropolitan areas of Wyoming

\*\* The percentage of families in the assessment area is based on 1990 census data.

The bank participates in one state and two federal programs that aim to provide home ownership for low- and moderate-income individuals. One such program, as mentioned previously, is funded by the WCDA, one is through the U.S. Department of Agriculture (USDA), and the third is through the Federal Home Loan Bank (FHLB). Shoshone State Bank has been recognized by all three organizations for their active participation in the housing loan programs supported by these entities. In 2002, the bank funded \$1,089,619 in WCDA loans and \$999,240 in USDA loans. Ten of the WCDA loans originated were down payment loans originated under a second mortgage program. These loans are small in dollar amounts, ranging from \$1,150 to \$8,400. The USDA loans were originated under a rural development program that targets low- and moderate-income individuals. The Home Start Low Income Program, sponsored by the FHLB, is a relatively new program that matches down payment funds saved by a borrower. The borrower's funds are matched at a rate of 3-to-1 and, if the purchased home is maintained for five years, no repayment of the matched funds is required. Only borrowers with less than 80 percent of median income are eligible to participate in the program. The bank has only participated in this program since June 2002, but has already funded five loans.

The bank's participation in all of these loan programs demonstrates their commitment to assisting low- and moderate-income individuals in attaining home ownership. Although very few loans were originated to low-income borrowers, community contacts stated that there is a limited supply of affordable homes for these individuals to buy. Although the community has taken steps to construct affordable housing units, these are not yet

available. According to 2002 HUD figures, the median family income for the area is \$47,200. Therefore, a low-income family would have an annual income no higher than \$23,600 and could qualify for a house payment no higher than \$550, including tax and insurance costs. As the average price in 2001 for a home in Cody, according to the Economic Development Council, was \$121,173, it is evident that low-income borrowers are financially unable to purchase housing in the community. Under this same scenario, a moderate-income family would have an annual income no higher than \$37,760 and could qualify for a house payment no higher than \$881. Although the price range of house toward which this payment could apply is closer to the average home price in the community, the availability of these homes is still limited. Therefore, in consideration of these factors, the bank's penetration of loans to moderate-income borrowers is excellent. Overall, the bank's level of real estate lending to borrowers of different income levels is considered strong.

#### Commercial Loans:

<b>TABLE 6</b>				
<b>LENDING TO BUSINESSES OF DIFFERENT SIZES WITHIN THE ASSESSMENT AREA</b>				
<b>Gross Annual Revenue</b>	<b>Number of Business Loans</b>	<b>%</b>	<b>Total Amount of Loans (\$000s)</b>	<b>%</b>
Less than \$100,000	20	44	1,024	16
\$100,000 to \$250,000	7	15	689	11
\$250,001 to \$500,000	8	17	2,446	38
\$500,001 to \$1,000,000	6	13	1,385	22
Greater than \$1,000,000	5	11	819	13
<b>TOTALS</b>	<b>46</b>	<b>100</b>	<b>6,363</b>	<b>100</b>

Table 6 shows that 89 percent of the small commercial loans sampled were to businesses with gross annual revenues of \$1,000,000 or less. According to Dun and Bradstreet's 2001 data, 90 percent of the businesses in this assessment area have gross annual revenues of less than \$1,000,000. Although the bank's loan penetration mirrors the demographics of the area, the bank participates in other types of lending that are specifically targeted to small and start-up businesses. The bank is a certified SBA lender for the state of Wyoming, one of only five banks in the state with this designation. Since the previous performance evaluation, the bank has originated 28 SBA loans for a total of \$2,427,285. Shoshone First Bank is also only one of a few SBA lenders who actively use the SBAExpress program, which offers business applicants a faster decision time and

a higher maximum loan amount. In return, however, the loan guarantee portion to the bank is reduced to 50 percent in exchange for reduced documentation requirements. In consideration of the bank's current distribution of lending to small businesses and its participation in SBA lending, the bank's performance in lending to businesses of various sizes is considered outstanding.

**Farm Loans:**

<b>TABLE 7 LENDING TO FARMS OF DIFFERENT SIZES WITHIN THE ASSESSMENT AREA</b>				
<b>Gross Annual Revenue</b>	<b>Number of Farm Loans</b>	<b>%</b>	<b>Total Amount of Loans \$(000)</b>	<b>%</b>
Less than \$100,000	7	24	626	16
\$100,000 to \$250,000	10	35	1,109	28
\$250,001 to \$500,000	7	24	1,092	28
\$500,001 to \$1,000,000	5	17	1,122	28
Greater than \$1,000,000	0	0	0	0
<b>TOTALS</b>	<b>29</b>	<b>100</b>	<b>3,949</b>	<b>100</b>

Table 7 shows that 100 percent of the small farm loans sampled were to farms with gross annual revenues of \$1,000,000 or less. According to Dun and Bradstreet's 2001 data, 91 percent of the farms in this assessment area have gross annual revenues of less than \$1,000,000. The bank's performance in lending to farms of various sizes is also considered outstanding.

**Record of Responding to Complaints**

The bank has not received any complaints about its performance in meeting assessment area credit needs. Therefore, the bank's performance in responding to complaints was not assessed.

**QUALIFIED COMMUNITY DEVELOPMENT INVESTMENTS AND SERVICES**

These optional performance criteria were reviewed to evaluate the extent of the bank's involvement in community development investments and services to enhance its overall performance rating. The criteria also include a review of the bank's record of providing

branches and other services and delivery systems that enhance credit availability in the assessment area. The bank's level of investments and services enhanced its overall rating.

### **Investment Test**

Since the prior examination, the bank purchased a \$550,000 interest in a Teton County Housing Authority tax revenue bond. Although the proceeds of this bond issue will benefit an area outside of the bank's assessment area, the funds will provide affordable housing in an adjacent county. Bond issues that would be considered as qualified investments are limited within the bank's assessment area. Discussions with local community members indicated that the bank is responsive to area concerns. However, bond issues within the county have been limited to those that will improve city infrastructure, as well as issues to renovate the local hospital and museum.

The bank made qualified grants and donations totaling \$26,559 between the years 1999 and 2002. These donations were to local programs that provide community services to low- and moderate-income individuals or education to small businesses.

### **Service Test**

The bank has a relatively large branch network, including ATMs, drive-through facilities, and night depositories, for the size of the institution. Since the previous performance evaluation, the bank opened the branch in Wal-Mart and the main branch in Powell.

Services and business hours do not vary in a way that inconveniences certain portions of, or individuals within, the area. The main offices in Cody and Powell are open weekdays from 8:00 a.m. to 5:00 p.m., with drive-up hours of 7:30 a.m. to 5:30 p.m. on weekdays and 8:00 a.m. to 12:00 p.m. on Saturdays. The retail store branches are open weekdays from 10:00 a.m. to 7:00 p.m., with the exception of the grocery store branch in Powell, which is open 9:00 a.m. to 6:00 p.m. These branches are open on Saturday between 10:00 a.m. and 4:00 p.m., except for the Powell store branch, which is open between 9:00 a.m. and 1:00 p.m.

The bank also offers alternative access to bank accounts through 24-hour telephone banking and its Web site at [www.shoshonefirstbank.com](http://www.shoshonefirstbank.com).

### **Community Development Services:**

The bank provides a high level of community development services. Bank employees are involved in 13 various organizations that provide services to low- or moderate-income individuals or small businesses, or promote economic development in the county. Many

of these services center on providing education for members of the community. Bank employees have taught SBA sponsored classes on applying for SBA loans, as well as fundamentals for operating a small business. First time homebuyer classes for individuals and realtors have also been coordinated and led by bank employees. Finally, a finance class aimed at low- and moderate-income students is provided weekly by members of bank management.

Other bank officers provide financial services to area organizations by serving as board members or as a treasurer. These include local chamber organizations, a Habitat for Humanity chapter, a local economic development corporation, a local boys and girls club that provides recreational activities to low- and moderate-income children, and a local community block grant program. One other organization, for which a bank employee serves as the treasurer, targets small farm issues. Finally, a bank officer serves as a board member for a HUD assisted subsidized housing complex.

#### **COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. A review of policies, credit applications, and loans revealed no prohibited practices designed to discourage loan applicants. Further, the bank was not engaged in other illegal practices inconsistent with helping to meet community credit needs.

## GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

**Assessment Area** – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

**Block Numbering Areas (BNAs)** – BNAs are geographic entities similar to census tracts. Metropolitan areas are most often delineated into census tracts, while rural areas are delineated into BNAs.

**Community Development** – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less, or activities that revitalize or stabilize low- or moderate-income geographies.

**Community Development Service** – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank's retail banking services, benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area and has not been claimed by other affiliated institutions.

**Dun & Bradstreet Data** – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

**Geography** – A census tract or a block numbering area.

**Income Level** – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In nonMSA areas, the level is based on the statewide, nonMSA median income.

**Low-Income** – Less than 50 percent of the area median income

**Moderate-Income** – At least 50 percent and less than 80 percent of the area median income

**Middle-Income** – At least 80 percent and less than 120 percent of the area median income

**Upper-Income** – At least 120 percent or more of the area median income



**Qualified Investment** – A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

**Small Business** – A business with gross annual revenues of \$1 million or less.

**Small Business Loan** – A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”

**Small Farm** – A farm with gross annual revenues of \$1 million or less.

**Small Farm Loan** – A loan with an original amount of \$500,000 or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by farmland” or “Loans to finance agricultural production and other loans to farmers.”