PUBLIC DISCLOSURE

July 26, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Salem
RSSD #931047

207 West Church Street
Salem, Arkansas 72576

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.

Bank of Salem 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 excellent penetration among business and farms 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, small farm, and residential real estate 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. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. Based on lending volumes and the bank's strategic focus, small business and small farm loans carry more weight than residential real estate loans 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	December 31, 2016 – March 31, 2021
Assessment Area Concentration	January 1, 2020 – December 31, 2020
Loan Distribution by Borrower's Profile	
Response to Written CRA Complaints	December 5, 2016 – July 25, 2021

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 U.S. Census data; certain business and farm demographics are based on 2020 Dun & Bradstreet data. Bank performance was analyzed by comparing lending activity to both demographic data and aggregate lending data. However, when reviewing residential real estate loans greater emphasis was placed on demographic data since this bank is not a HMDA reporter, the aggregate does not include Bank of Salem or all similarly situated banks. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $153.8 million to $601.2 million as of March 31, 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

The Bank of Salem is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Smith Associated Banking Corporation, a two-bank holding company headquartered in Hot Springs, Arkansas. The bank's branch network consists of three offices (including the main office), all of which have full-service ATMs on site, and are located in distressed middle-income census tracts. In addition, the bank operates two stand-alone ATMs. 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 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. As of June 30, 2021, the bank reported total assets of $171.8 million. As of the same date, loans and leases outstanding were $116.7 million (67.9 percent of total assets), and deposits totaled $153.3 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of June 30, 2021		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$ 5,298	4.5%
Commercial Real Estate	$ 17,515	15.0%
1–4 Family Residential	$ 32,831	28.1%
Farmland	$ 23,521	20.2%
Farm Loans	$ 12,999	11.1%
Commercial and Industrial	$ 16,189	13.9%
Loans to Individuals	$ 8,279	7.1%
Total Other Loans	$ 37	0.0%
TOTAL	**$116,669**	**100%**

As indicated by the table above, a significant portion of the bank's lending resources is directed to loans secured by 1–4 family residential real estate, farmland/farm operations, and commercial and industrial and commercial real estate loans.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on December 5, 2016, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 12,224, is in northcentral Arkansas. This nonmetropolitan statistical area (nonMSA) assessment area consists solely of one county in its entirety—Fulton County. This assessment area is almost entirely rural. Within this assessment area, Salem, the county seat of Fulton County, has the largest population at 1,635 as of the 2010 census.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2021, there are three FDIC-insured depository institutions in the assessment area that operate six offices. Bank of Salem (operating three, or 50 percent, of the offices in the assessment area) ranked first in terms of deposit market share, with 61.9 percent of the total assessment area deposit dollars.

Commercial lending products represent a credit need in the assessment area, along with the need for a standard blend of consumer loan products. Other particular credit needs in the assessment area, as noted primarily from community contacts, include small-dollar loans to consumers, small businesses, and small farms.

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	2	0	0	**2**
	0.0%	0.0%	100.0%	0.0%	0.0%	**100%**
Family Population	0	0	3,750	0	0	**3,750**
	0.0%	0.0%	100.0%	0.0%	0.0%	**100%**

As shown above, there are no LMI census tracts in the assessment area. The two middle-income census tracts are classified as distressed due to high poverty rates.

Based on 2015 U.S. Census data, the median family income for the assessment area was $43,407. 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 non-MSA Arkansas to be $50,800. The following table displays population percentages of assessment area families by income level compared to the nonMSA Arkansas family population as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	829	668	919	1,334	0	**3,750**
	22.1%	17.8%	24.5%	35.6%	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, 39.9 percent of families within the assessment area were considered LMI, which is comparable to the LMI family percentage of 39.4 percent in nonMSA Arkansas. The percentage of families living below the poverty threshold in the assessment area, 14.1 percent, is slightly below the 16.6 percent level in nonMSA Arkansas. Considering these factors, affluence in the assessment area appears similar to nonMSA Arkansas as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be comparable to nonMSA Arkansas as a whole. The median housing value for the assessment area is $96,700, which is above the figure for nonMSA Arkansas of $85,869. The assessment area housing affordability ratio of 38.3 percent is slightly less than the nonMSA Arkansas figure of 41.0 percent. However, the median gross rent for the assessment area of $508 per month is lower than the $588 per month for nonMSA Arkansas.

Furthermore, rental units appear to be less prominent in the assessment area than in nonMSA Arkansas. Of all housing units in the assessment area, 19.0 percent are rental units compared to 24.9 percent of rental units found in nonMSA Arkansas. Based on housing data and community contact interviews, demand for affordable rental housing seems to exceed supply.

Industry and Employment Demographics

The assessment area supports a limited business community with little diversity in industry and significant concentration of small businesses. County business patterns indicate that there are 1,403 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are construction (15.5 percent), followed by retail trade (13.2 percent), and finance and insurance (4.2 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to nonMSA Arkansas as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**NonMSA Arkansas**
2016	4.3%	4.9%
2017	4.3%	4.5%
2018	4.0%	4.3%
2019	4.0%	4.3%
2020	5.1%	6.4%

As shown in the table above, unemployment levels for the assessment area, as well as all of nonMSA Arkansas, had exhibited a decreasing trend over the period but increased in 2020, most likely due to the COVID-19 pandemic. Additionally, unemployment levels in the assessment area have consistently been lower than the nonMSA Arkansas levels.

Community Contact Information

Information from two community contacts was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. Of these community contact interviews, one was with an individual specializing in affordable housing, and one was with an individual specializing in economic development.

Fulton County is mainly a rural farm community with small pockets of wealth and many LMI families. The community contact interviewees described the economy as steadily declining over the past several years. They mainly attributed this to the lack of industry and living-wage jobs in Fulton County. There are no major highways, and many residents commute long distances to other counties for work. According to a community contact, wages have remained stagnant, whereas the cost of living and poverty rate have increased. With many families living paycheck-to-paycheck, there is an unmet need for small-dollar consumer loans from banks.

Livestock production, mainly cattle and poultry, are essential to the county's economy. Many farms are dependent on meat processors in Batesville, Arkansas. Other important industries include healthcare and social assistance, retail trade, and construction.

Community contacts believe there are federal funds available for small businesses, but potential entrepreneurs often lack the credit history, education, experience, and skills necessary to receive funds. Many who do receive funds struggle to find business spaces in higher-traffic areas of the county.
Interviewees assert that new housing is out-of-reach for most residents because of the increasing cost of land and building materials. Thus, there has not been a lot of new housing construction in the area. This results in higher demand for older, more affordable single-family housing. With an aging population and housing stock, there is a need for home improvement loans for renovations and accessibility accommodations. Additionally, due to poor credit histories, high debt, and lack of down payment funds for home purchases, the need for affordable rental units is also in high demand but short supply.

There are only a few banks serving the county, and they are only accessible in the towns of Salem, Mammoth Springs, and Cherokee. While they offer online banking, there is a lack of broadband infrastructure in some of the rural areas. Interviewees also mentioned a lack of computer and financial literacy.

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

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of March 31, 2021**	**Average LTD Ratio**
Bank of Salem	Salem, Arkansas	$172,746	87.4%
Regional Banks	Ash Flat, Arkansas	$601,205	92.8%
	Calico Rock, Arkansas	$192,643	67.0%
	Cave City, Arkansas	$153,842	80.3%

Based on data from the previous table, the bank's level of lending is slightly less than the leading bank and higher than its other two peers. During the review period, the LTD ratio experienced a generally stable trend in 2017 and 2018 and then decreased in 2020, resulting in a 18-quarter average of 87.4 percent. Two of the regional peers had similar trends, while one had an overall declining trend over the period. Therefore, compared to data from regional banks, 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, 2020 through December 31, 2020						
Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
Small Business	74	69.8%	32	30.2%	**106**	**100%**
	$1,808	45.6%	$2,158	54.4%	**$3,966**	**100%**
Small Farm	85	76.6%	26	23.4%	**111**	**100%**
	$3,456	71.2%	1,396	28.8%	**$4,852**	**100%**
1–4 Family Residential Real Estate	50	76.9%	15	23.1%	**65**	**100%**
	$3,694	64.0%	$2,074	36.0%	**$5,768**	**100%**
TOTAL LOANS	**209**	**74.1%**	**73**	**25.9%**	**282**	**100%**
	$8,959	**61.4%**	**$5,628**	**38.6%**	**$14,587**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 74.1 percent of the total loans were made inside the assessment area, accounting for 61.4 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from the three loan categories reviewed. More significance is placed on performance in the small business and small farm categories than in residential real estate, due to lending volumes and the bank's strategic focus.

Small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2020 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

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

Business Revenue and Loan Size			2020						
			Count			Dollars			Total Businesses
			Bank		Aggregate	Bank		Aggregate	
			#	%	%	$ (000s)	$ %	$ %	%
Business Revenue		$1 Million or Less	74	100.0%	58.5%	$1,808	100.0%	50.5%	89.0%
		Over $1 Million/ Unknown	0	0.0%	41.5%	$0	0.0%	49.5%	11.0%
		TOTAL	**74**	**100.0%**	**100.0%**	**$1,808**	**100.0%**	**100.0%**	**100.0%**
Loan Size		$100,000 or Less	72	97.3%	94.1%	$1,569	86.8%	53.6%	
		$100,001–$250,000	2	2.7%	5.2%	$239	13.2%	24.2%	
		$250,001–$1 Million	0	0.0%	0.7%	$0	0.0%	22.2%	
		Over $1 Million	0	0.0%	0.0%	$0	0.0%	0.0%	
		TOTAL	**74**	**100.0%**	**100.0%**	**$1,808**	**100.0%**	**100.0%**	
Loan Size	Revenue $1 Million or Less	$100,000 or Less	72	97.3%		$1,569	86.8%		
		$100,001–$250,000	2	2.7%		$239	13.2%		
		$250,001–$1 Million	0	0.0%		$0	0.0%		
		Over $1 Million	0	0.0%		$0	0.0%		
		TOTAL	**74**	**100.0%**		**$1,808**	**100.0%**		

The bank's level of lending to small businesses is excellent. The bank originated all its small business loans to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 89.0 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2020 aggregate lending level to small businesses is 58.5 percent. Additionally, 97.3 percent of the bank's loans to small businesses were in amounts of $100,000 or less; community contacts indicated a need for small-dollar commercial loans.

Next, small farm loans were reviewed to determine the bank's lending levels to farms of different sizes. The following table shows the distribution of 2020 small farm loans by loan amount and farm revenue size compared to Dun & Bradstreet and aggregate data.

Small Farm Loans by Revenue and Loan Size

Assessment Area: NonMSA Arkansas

Business Revenue and Loan Size			2020						
			Count			Dollars			Total Businesses
			Bank		Aggregate	Bank		Aggregate	
			#	%	%	$ (000s)	$ %	$ %	%
Business Revenue		$1 Million or Less	85	100.0%	92.2%	3456	100.0%	77.8%	100.0%
		Over $1 Million/ Unknown	0	0.0%	7.8%	0	0.0%	22.2%	0.0%
		TOTAL	**85**	**100.0%**	**100.0%**	**3456**	**100.0%**	**100.0%**	**100.0%**
Loan Size		$100,000 or Less	73	85.9%	88.2%	1407	40.7%	44.2%	
		$100,001–$250,000	11	12.9%	9.8%	1649	47.7%	36.9%	
		$250,001–$1 Million	1	1.2%	2.0%	400	11.6%	19.0%	
		Over $1 Million	0	0.0%	0.0%	0	0.0%	0.0%	
		TOTAL	**85**	**100.0%**	**100.0%**	**3456**	**100.0%**	**100.0%**	
Loan Size	Revenue $1 Million or Less	$100,000 or Less	73	85.9%		1407	40.7%		
		$100,001–$250,000	11	12.9%		1649	47.7%		
		$250,001–$1 Million	1	1.2%		400	11.6%		
		Over $1 Million	0	0.0%		0	0.0%		
		TOTAL	**85**	**100.0%**		**3456**	**100.0%**		

The bank's level of lending to small farms is excellent. The bank originated all its small farm loans to farms with revenues of $1 million or less. Further, most of these loans were in amounts of $100,000 or less, which further indicates the willingness of the bank to serve small farm customers.

Next, residential real estate loans were reviewed to determine the bank's lending levels to borrowers of different incomes. 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 ($50,800 for nonMSA Arkansas as of 2020). The following table shows the distribution of home mortgage loans by borrower income level in comparison to family population income demographics for the assessment area. As previously mentioned, since this bank is not a HMDA reporter, aggregate HMDA data for the assessment area was given less consideration in the analysis.

Borrower Distribution of Residential Real Estate Loans

Assessment Area: NonMSA Arkansas

Product Type	Borrower Income Levels	2020				
		Count		Dollar		Families
		Bank		Bank		
		#	%	$ (000s)	$ %	%
Home Mortgage Loans	Low	6	12.0%	225	6.1%	22.1%
	Moderate	9	18.0%	459	12.4%	17.8%
	Middle	4	8.0%	229	6.2%	24.5%
	Upper	16	32.0%	1,473	39.9%	35.6%
	Unknown	15	30.0%	1,309	35.4%	0.0%
	TOTAL	**50**	**100.0%**	**3,694**	**100.0%**	**100.0%**

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (12.0 percent) is substantially below the low-income family population figure (22.1 percent), but above the aggregate lending level to low-income borrowers (4.8 percent). Therefore, the bank's level of lending to low-income borrowers is reasonable.

The bank's level of lending to moderate-income borrowers (18.0 percent) is roughly equal to the moderate-income family population percentage (17.8 percent) and is above the aggregate lending level to moderate-income borrowers (13.6 percent) and is considered reasonable. Therefore, considering performance in both income categories, the bank's overall distribution of loans by borrower's profile is reasonable.

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 is composed of two 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, consistent with demographics and bank structure. Therefore, the bank's geographic distribution of loans is reasonable.

Responses to Complaints

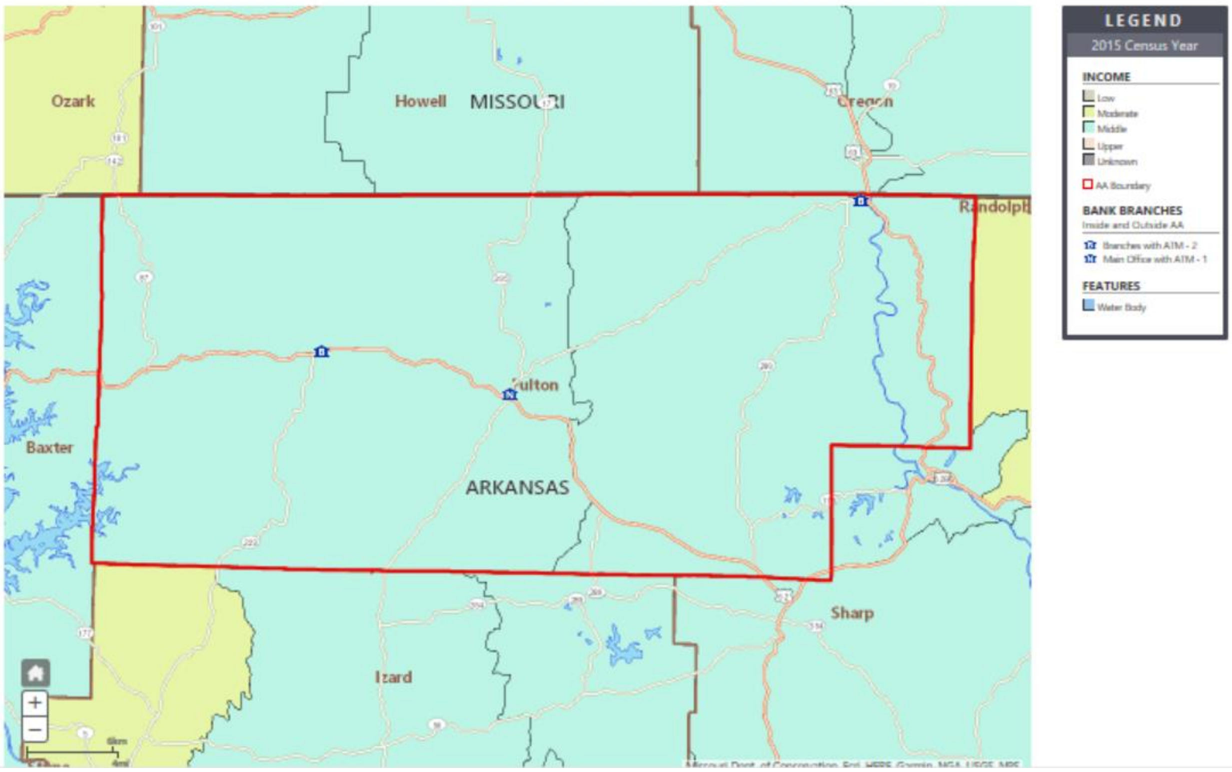
No CRA-related complaints were filed against the bank during this review period (December 5, 2016 through July 25, 2021).

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

Bank of Salem - Salem, AR 2020
NonMSA, AR



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.