PUBLIC DISCLOSURE

October 7, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Simmons First Bank of Searcy
RSSD# 966348

401 South Main Street
Searcy, Arkansas 72143

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.

Simmons First Bank of Searcy meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending activity. The borrower's profile analysis reveals reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI) levels, and businesses of different revenue sizes. The geographic distribution of loans analysis reflects reasonable dispersion throughout the bank's assessment area. The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's loans and other lending-related activities are in the bank's assessment area. Lastly, no CRA-related complaints were filed against the bank for this review period.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the small bank examination procedures, and the period of review spanned from the date of the bank's previous CRA evaluation on September 28, 2009 to October 7, 2013. Lending performance was based on loans originated from January 1, 2012 to December 31, 2012, including 1–4 family residential real estate loans and small business loans. These two loan categories are considered the bank's primary lines of business, based on lending volume by number and dollar amounts and in light of the bank's stated business strategy. Therefore, loan activity represented by these credit products is deemed indicative of the bank's overall lending performance and carried equal significance toward the bank's overall performance conclusions.

Under the small bank CRA performance criteria, analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders (based on Home Mortgage Disclosure Act and CRA aggregate lending data). Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data. Certain business demographics are based on Dun & Bradstreet data, which are applicable to the year of loan data being evaluated. Generally, when bank performance is analyzed by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is 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 within the same general region, as well as in the greater nonmetropolitan statistical area (nonMSA) of the state of Arkansas. Three other banks were identified as similarly situated peers, with asset sizes ranging from $73.8 million to $161.8 million as of September 30, 2013.

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

DESCRIPTION OF INSTITUTION

Simmons First Bank of Searcy is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Simmons First National Corporation, a multibank holding company headquartered in Pine Bluff, Arkansas. The bank operates five retail service facilities (including the main office and a mortgage loan production office) in the state of Arkansas. The main office, two additional branches, and the mortgage loan production office are located in the city of Searcy, which is the most populous city in White County. An additional branch is located in the nearby town of Beebe, Arkansas. The bank also has a stand-alone, cash-only automated teller machine in the Student Center at Harding University, which is also located in Searcy. 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 standard hours of operation and 24-hour 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 credits 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 September 30, 2013, the bank reported total assets of $160.4 million. As of the same date, total loans and leases outstanding were $97.1 million (60.5 percent of total assets), and deposits totaled $128.6 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2013		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$12,470	12.8%
Commercial Real Estate	$32,362	33.3%
Multifamily Residential	$4,438	4.6%
1–4 Family Residential	$32,101	33.1%
Farmland	$1,997	2.1%
Farm Loans	$1,664	1.7%
Commercial and Industrial	$6,314	6.5%
Loans to Individuals	$5,640	5.8%
Total Other Loans	$76	0.1%
TOTAL	**$97,062**	**100%**

As indicated by the table above, the majority of the bank's lending resources are directed to loans secured by 1–4 family residential properties (33.3 percent) and commercial real estate (33.1 percent).

The bank received a Satisfactory rating at its previous CRA evaluation conducted on September 28, 2009, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area is located in nonMSA Arkansas and is rural in nature. The assessment area includes all 13 census tracts in White County and is located in northeast Arkansas. Of these 13 census tracts, 2 are moderate-income tracts, 7 are middle-income tracts, and 4 are upper-income tracts. According to 2010 U.S. Census data, White County has a population of 77,076. The county seat, Searcy, is approximately 50 miles northeast of Little Rock and has a population of 22,858, which accounts for 29.7 percent of the county's population.

There are 11 banks insured by the Federal Deposit Insurance Corporation (FDIC) that operate in the assessment area (including Simmons First Bank of Searcy), accounting for a total of 41 offices, which results in a significant level of banking competition. According to the FDIC Deposit Market Share Report as of June 30, 2013, the bank ranked fourth in terms of deposit market share, with only 8.7 percent of the total deposit dollars in White County.

Income and Wealth Demographics

As previously noted, the bank's assessment area consists of 13 census tracts, comprising White County in its entirety. The following table reflects the number and family population of the census tracts within the assessment area in each income category.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0 0.0%	2 15.4%	7 53.8%	4 30.8%	0 0.0%	**13** **100%**
Family Population	0 0.0%	2,984 14.4%	10,322 49.7%	7,455 35.9%	0 0.0%	**20,761** **100%**

The table above reveals that the bank's assessment area is comprised of two moderate-income tracts, seven middle-income tracts, and four upper-income tracts, with a total family population of 20,761. By far, the largest portion of the assessment area family population resides in middle- and upper-income census tracts, resulting in a relatively small population in the area's two moderate-income tracts.

Based on 2010 census data, the median family income for the assessment area was $46,012. At the same time, the nonMSA Arkansas median family income was $42,249. More recently, the U.S. Department of Housing and Urban Development (HUD) estimates the 2012 nonMSA

Arkansas median family income to be $43,900. 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-**	**TOTAL**
Assessment Area	3,620 17.4%	3,401 16.4%	4,337 20.9%	9,403 45.3%	**20,761** **100%**
NonMSA Arkansas	65,133 20.9%	56,878 18.2%	62,504 20.0%	127,663 40.9%	**312,178** **100%**

Based on the data in the preceding table, the assessment area is slightly more affluent than nonMSA Arkansas as a whole. Although the first table in this section indicates that the only a small percentage of assessment area families live in moderate-income census tracts (14.4 percent), this table reveals that a significant portion of assessment area families (33.8 percent) are considered LMI. However, the LMI family population is below that of nonMSA Arkansas (39.1 percent). The assessment area also has a slightly larger upper-income family population than nonMSA Arkansas (45.3 percent compared to 40.9 percent). Lastly, the level of assessment area families living below the poverty level (11.7 percent) is below that of nonMSA Arkansas families (15.1 percent).

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be slightly less affordable than in nonMSA Arkansas. The median housing value for the assessment area is $92,700, which is well above the figure for nonMSA Arkansas of $78,792. Conversely, housing affordability appears to be similar to nonMSA Arkansas when considering income levels. The assessment area housing affordability ratio of 42.3 percent is only marginally below the nonMSA Arkansas figure of 43.0 percent. Lastly, the median gross rent for the assessment area of $572 per month is less affordable compared to $535 per month for nonMSA Arkansas. Considering these factors, housing in the assessment area, while slightly less affordable than the nonMSA, appears to be within reach of the population.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of manufacturing and service-oriented sectors. According to U.S. Census Bureau 2011 County Business Patterns, by number of paid employees in White County, health care and social assistance plays the lead role with 3,669 employees, followed closely by retail trade (3,573) and manufacturing (2,539). Furthermore, 2012 business demographic estimates by Dun & Bradstreet indicate that 90.6 percent of assessment area businesses have gross annual revenues of $1 million or less. Although the assessment area population has remained stable over the decade, employment has fluctuated during this review period. According to the U.S. Department of Labor, Bureau of Labor Statistics, the 2012 annual average unemployment rate (not seasonally adjusted) was estimated to be 7.9 percent for White County, slightly above the Arkansas state figure of 7.3 percent for the same period. The following table displays the annual average unemployment rate for White County and the state of Arkansas for the preceding four years.

Annual Average Unemployment Data				
Dataset	**2009**	**2010**	**2011**	**2012**
White County	7.9%	8.5%	8.8%	7.9%
Arkansas	7.5%	7.9%	8.0%	7.3%

Community Contact Information

Information from two community contacts was utilized to help shape the performance context in which the bank's activities in this assessment area were evaluated. Of these interviews, one was with an individual specializing in economic development, and the other was conducted with an individual familiar with the business needs of the area. The community contact interviewees categorized the economy as relatively stable with only incremental growth. However, both contacts recognized that the unemployment rate has consistently been above that of the state of Arkansas for the last few years. Both contacts stated that there is a significant amount of banking competition in the area and felt as though most credit needs were being met.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Simmons First Bank of Searcy meets the standards for a Satisfactory rating under CRA small bank evaluation procedures, which evaluate bank performance under the following five criteria, as applicable.

- Loan distribution by borrower's profile (applicant income or business revenue profile).
- The geographic distribution of loans.
- The bank's average LTD ratio.
- The concentration of lending within the assessment area.
- A review of the bank's response to written CRA complaints.

The remaining sections of this evaluation are based on analyses of the bank's lending performance under these five performance criteria.

Loan Distribution by Borrower's Profile

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 HUD ($43,900 for nonMSA Arkansas in 2012). The following table shows the distribution of 1–4 family residential real estate loans by borrower income level, compared to family population income characteristics for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Borrower					
Dataset	Borrower Income Level				
	Low-	Moderate-	Middle-	Upper-	TOTAL
1–4 Family Residential Real Estate Loans	4 6.7%	9 15.0%	2 3.3%	45 75.0%	**60** **100%**
Family Population	17.4%	16.4%	20.9%	45.3%	**100%**

The bank's total percentage of lending to low-income borrowers (6.7 percent) is well below the percentage of low-income families within the assessment area (17.4 percent) but well above the aggregate performance (2.7 percent). The low percentage of lending by both the bank and the aggregate data in comparison to the family population is in part due to limited opportunities for real estate lending to low-income borrowers. Of the 17.4 percent of families classified as low-income, 11.7 percent live below the poverty line. In addition, rental units account for 28.5 percent of total housing units in the assessment area. There is a likely correlation between the percentage of those living below the poverty line and rental unit occupation, as individuals living below the poverty line are unlikely to apply or be approved for traditional financing of a home purchase. As a result, many of these individuals may choose to rent as an alternative to applying for a mortgage; therefore, the bank's lending to low-income borrowers is considered reasonable.

In addition, the bank's lending performance to moderate-income borrowers is 15.0 percent, which is just below the percentage of moderate-income families in the assessment area of 16.4 percent but above the aggregate performance of 12.1 percent. The bank's performance for lending to moderate-income borrowers is reasonable.

When reviewed together, the bank's lending to LMI borrowers is 21.7 percent, which is below the total population of LMI families (33.8 percent). Conversely, the bank's performance exceeded the aggregate percentage of LMI lending for the same time period, 14.8 percent. Given that the bank's total lending to LMI borrowers is below the family population but substantially above that of other lenders in the assessment area, the bank's overall 1–4 family residential real estate lending performance by borrower's profile is considered reasonable.

As with the bank's 1–4 family residential real estate loan activity, the bank's distribution of small business loans to businesses of various revenue sizes was reviewed. The following table reflects Simmons First Bank of Searcy's distribution of small business loans by gross annual revenue and loan amount.

Lending Distribution by Business Revenue Level

Gross Revenue	Loan Amounts in $000s			TOTAL
	<$100	>$100≤$250	>$250≤$1,000	
$1 Million or Less	37 68.5%	7 13.0%	2 3.7%	**46** **85.2%**
Greater than $1 Million/Unknown	6 11.1%	1 1.9%	1 1.9%	**8** **14.8%**
TOTAL	**43** **79.6%**	**8** **14.8%**	**3** **5.6%**	**54** **100%**

Based on this analysis of small business loans, the bank is meeting the credit needs of small businesses in its assessment area. The table above demonstrates that 46 of 54 loans reviewed (85.2 percent) were made to businesses with gross annual revenues of $1 million or less. In comparison, 2012 business demographic data from Dun & Bradstreet indicate that 90.6 percent of businesses inside the assessment area are small businesses. Although the bank's performance is below this demographic, its performance is significantly higher than aggregate small business lending (50.2 percent). In addition, the fact that 80.4 percent of loans to small businesses reviewed were in amounts of $100,000 or less further indicates the bank's willingness to meet the credit needs of small businesses in its assessment area. Therefore, the bank's borrower's profile performance for the small business loan category is reasonable.

Overall, the borrower's profile performance, based on the analyses of both loan categories, is reasonable.

Geographic Distribution of Loans

As noted in the description of the bank's assessment area, the bank's assessment area contains no low-, two moderate-, seven middle-, and four upper-income census tracts. The analysis in this section illustrates the distribution of the bank's loan activity across these geographies. The following table displays the geographic distribution of 1–4 family residential real estate loans in comparison to owner-occupied housing statistics for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography					
Dataset	**Geography Income Level**				
	Low-	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
1–4 Family Residential Real Estate Loans	0 0.0%	7 11.7%	27 45.0%	26 43.3%	**60** **100%**
Owner-Occupied Housing	0.0%	12.9%	46.3%	40.8%	**100%**

The analysis of 1–4 family residential loans in moderate-income tracts revealed lending performance on par with data used for comparison purposes. The bank's total penetration of moderate-income census tracts by number of loans (11.7 percent) is less than the percentage of owner-occupied housing units in moderate-income census tracts (12.9 percent) but well above the aggregate performance (8.4 percent). Considering these comparisons, the bank's performance is reasonable.

Similarly, the geographic distribution of small business loan activity was reviewed, and the performance is displayed in the following table.

Distribution of Loans Inside Assessment Area by Income Level of Geography					
Dataset	**Geography Income Level**				
	Low-	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Small Business Loans	0 0.0%	8 14.8%	20 37.0%	26 48.1%	**54** **100%**
Business Institutions	0.0%	12.8%	55.1%	32.1%	**100%**

The analysis of small business loans revealed the bank's lending performance is above the data used for comparison purposes. Of the 54 small business loans reviewed, 14.8 percent were made to businesses in the moderate-income census tracts. In comparison, business demographic data indicate that 12.8 percent of the reporting small businesses are located within the moderate census tracts. Also, the bank's level of lending exceeds the aggregate performance (11.5 percent). Overall, the bank's performance in the geographic distribution of small business loans is considered excellent.

Based on reviews of both loan categories, the overall geographic distribution of loans reflects reasonable penetration throughout the assessment area.

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's average LTD ratio in comparison to those of three regional competitors. The average LTD ratio represents a 17-quarter average, dating back to the bank's last CRA examination.

LTD Ratio Analysis

Name	Asset Size as of September 30, 2013 (in $000s)	Headquarters	Average Quarterly LTD Ratio
Simmons First Bank of Searcy	$160,429	Searcy, Arkansas	83.8%
Regional/NonMSA Arkansas Banks	$161,847	Dardanelle, Arkansas	80.9%
	$160,490	Morrilton, Arkansas	54.7%
	$73,828	Augusta, Arkansas	62.2%

Based on data from the table above, the bank's level of lending is above that of other banks in the region. During the review period, the bank's LTD ratio ranged from a low of 74.2 percent on September 30, 2013, to a high of 94.5 percent on September 30, 2009, representing a generally decreasing trend. The bank's average LTD ratio for the previous 17 quarters was 83.8 percent compared to its regional peers' ratios of 54.7 percent, 62.2 percent, and 80.9 percent for the same time period. Additionally, the bank's peer group has shown the same generally decreasing trend during the examination period. Therefore, the bank's LTD ratio is more than reasonable considering the bank's size, financial condition, assessment area credit needs, and comparisons to similarly positioned peers.

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 ($000s)			
Loan Type	**Inside Assessment Area**	**Outside Assessment Area**	**TOTAL**
1–4 Family Residential Real Estate Loans	60	2	**62**
	96.8%	3.2%	**100%**
	$3,409	$185	**$3,594**
	94.9%	5.1%	**100%**
Small Business Loans	54	10	**64**
	84.4%	15.6%	**100%**
	$4,626	$1,556	**$6,182**
	74.8%	25.2%	**100%**
TOTAL	**114**	**12**	**126**
	90.0%	**10.0%**	**100%**
	$8,035	**$1,741**	**$9,776**
	82.2%	**17.8%**	**100%**

As shown above, by both number and dollar volume, a majority of the loans sampled were extended to borrowers or businesses that reside or operate in the bank's assessment area. In total, 90.0 percent of the total loans were made inside the assessment area, accounting for 82.2 percent of the dollar volume of total loans.

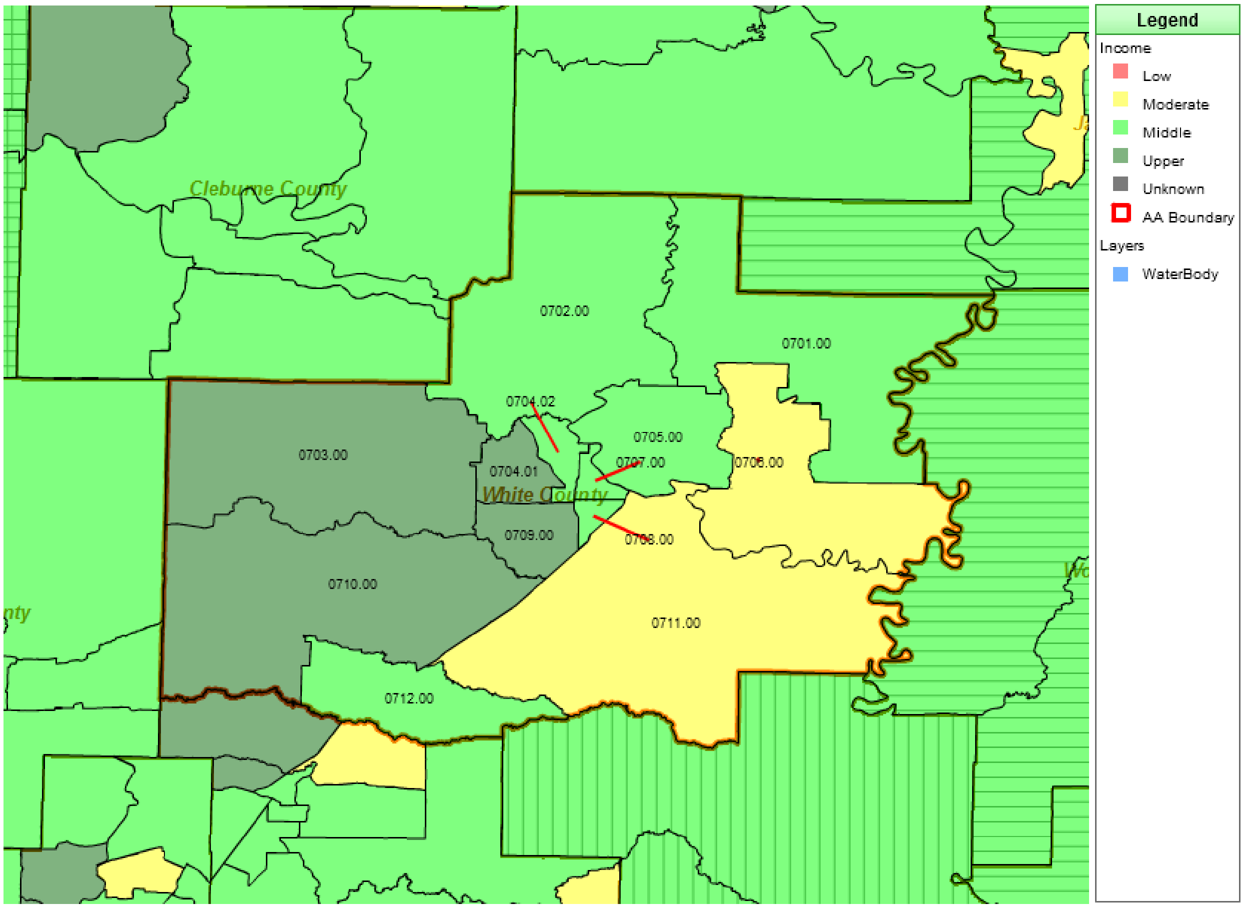
Review of Complaints

No CRA-related complaints were filed against the bank during this review period (September 28, 2009 through October 7, 2013).

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



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 upon 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) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that revitalize or stabilize 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 (such as age, race, sex, income, etc.) 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 the income of applications, 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: Is 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 either by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): 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 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.