

PUBLIC DISCLOSURE

March 20, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Choice Bank
RSSD #968744**

**19 South Main Street
Pontotoc, Mississippi 38863**

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.

TABLE OF CONTENTS

Institution’s Community Reinvestment Act Rating.....1

Scope of Examination.....1

Description of Institution3

Description of Assessment Area.....4

Conclusions with Respect to Performance Criteria8

Appendix A: Assessment Area Detail14

Appendix B: Glossary.....15

First Choice Bank
Pontotoc, Mississippi

CRA Performance Evaluation
March 20, 2023

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

The Lending Test is rated:

Satisfactory

The Community Development Test is rated:

Satisfactory

First Choice Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending and community development activities. 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 businesses of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI) levels.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.
- The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas, considering the bank's capacity and the need and availability of such opportunities for community development in its assessment areas. The bank has responded to these needs through community development loans, qualified investments, and community development services.
- During the COVID-19 pandemic, the bank responded to the needs of the community through its participation in the CARES Act¹ Paycheck Protection Program (PPP). The bank's participation in the PPP was also considered in the bank's rating.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) Intermediate Small Institution Examination Procedures. The intermediate small bank examination procedures entail two performance tests: the Lending Test and the Community Development Test. Residential real estate (1-4 family), small business, and consumer

¹ Coronavirus Aid, Relief, and Economic Security Act, signed into law on March 27, 2020.

First Choice Bank
Pontotoc, Mississippi

CRA Performance Evaluation
March 20, 2023

motor vehicle 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 overall lending performance. However, as the bank has a particular emphasis on real estate and commercial lending, performance based on the 1–4 family real estate and small business loan categories carried the most significance toward the bank’s overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	March 31, 2019 – December 31, 2022
Assessment Area Concentration	January 1, 2021 – December 31, 2021
Loan Distribution by Borrower’s Profile	January 1, 2021 – December 31, 2021
Geographic Distribution of Loans	January 1, 2021 – December 31, 2021
Response to Written CRA Complaints	February 4, 2019 – March 19, 2023
Community Development Activities	February 4, 2019 – March 19, 2023

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 American Community Survey (ACS) data; certain business demographics are based on 2021 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank’s lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from \$217.0 million to \$607.3 million as of December 31, 2022.

As part of the Community Development Test, the bank’s performance was evaluated using the following criteria, considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s assessment area.

- The number and dollar amount of community development loans.
- The number and dollar amount of qualified investments and grants.
- The extent to which the bank provides community development services.

The review included community development activities initiated from the date of the bank’s previous CRA evaluation to this review date. In addition, investments made prior to the date of the previous CRA evaluation, but still outstanding as of this review date, were also considered.

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

DESCRIPTION OF INSTITUTION

First Choice Bank (FCB) is a full-service, intrastate retail bank offering both consumer and commercial loan and deposit products. The bank is a wholly owned subsidiary of Pontotoc Bancshares Corp., a one-bank holding company located in Pontotoc, Mississippi. FCB operates in the northeast portion of Mississippi. The bank operates five branch locations throughout Mississippi, including its main office in Pontotoc, Mississippi, which is located in an upper-income census tract. Within Pontotoc County, the bank continues to operate two branches, located in middle- and upper-income census tracts. Additionally, since the previous examination, the bank has opened two new branches in Chickasaw and Lee Counties, the Houlka branch (Chickasaw County) and the Tupelo branch (Lee County) in December 2021 and February 2022, respectively. The Houlka branch is located in a middle-income census tract that is considered distressed due to poverty and population loss. The Tupelo branch is located in an upper-income census tract. Lastly, the bank has installed interactive teller machines at each location within the last 18 months.

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 December 31, 2022, the bank reported total assets of \$434.5 million. As of the same date, loans and leases outstanding were \$261.7 million (60.2 percent of total assets), and deposits totaled \$395.4 million. The bank's loan portfolio composition by credit category is displayed in the following table.

First Choice Bank
Pontotoc, Mississippi

CRA Performance Evaluation
March 20, 2023

Distribution of Total Loans as of December 31, 2022		
Credit Category	Amount \$ (000s)	Percentage of Total Loans
Construction and Development	\$44,221	16.9%
Commercial Real Estate	\$54,598	20.9%
Multifamily Residential	\$7,908	3.0%
1-4 Family Residential	\$97,273	37.2%
Farmland	\$1,841	0.7%
Farm Loans	\$3,230	1.2%
Commercial and Industrial	\$27,136	10.4%
Loans to Individuals	\$23,567	9.0%
Total Other Loans	\$1,895	0.7%
TOTAL	\$261,669	100%

As indicated by the preceding table, a significant portion of the bank's lending resources is directed to loans secured by 1-4 family residential properties and commercial real estate loans. While not reflected in the previous table, it is also worth noting that by number of loans originated, loans to individuals, such as consumer motor vehicle loans, represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on February 4, 2019, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 132,944, is located in northeastern Mississippi in nonmetropolitan statistical area (nonMSA) portions of the state. The bank's assessment area consists of the entirety of three counties: Pontotoc, Lee, and Chickasaw, the most populous being Lee County, with 85,036 residents. As previously noted, since the previous evaluation, the bank has entered into new markets with the opening of the Tupelo and Houlka branches. The Tupelo branch is located on a major thoroughfare near multiple businesses, major shopping centers, and restaurants. According to FCB management, there are many consumer and commercial opportunities for growth in the Tupelo area. The Houlka branch is located downtown in Chickasaw County, which is the least populous of the three counties, with 17,391 residents.

First Choice Bank
Pontotoc, Mississippi

CRA Performance Evaluation
March 20, 2023

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2022, there are 15 FDIC-insured depository institutions in the assessment area that operate 61 offices. FCB operates five, or 8.2 percent of, offices in the assessment area and ranked third in terms of deposit market share, with 8.3 percent of the total assessment area deposit dollars.

Affordable housing and related loan products represent a credit need in the assessment area, as noted by the community contact.

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	4	14	10	1	29
	0.0%	13.8%	48.3%	34.5%	3.4%	100%
Family Population	0	3,822	16,006	14,519	0	34,347
	0.0%	11.1%	46.6%	42.3%	0.0%	100%

As shown above, there are no low-income census tracts in the assessment area. However, 13.8 percent of the census tracts in the assessment area are moderate-income geographies, but only 11.1 percent of the family population resides in these tracts. These moderate-income geographies are located in the central portion of Lee County and central and northeast portions of Chickasaw County.

Based on 2015 ACS data, the median family income for the assessment area was \$51,402. At the same time, the median family income for all of nonMSA Mississippi was \$49,274. The following table displays population percentages of assessment area families by income level compared to all of the nonMSA Mississippi family population as a whole.

Family Population by Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown-	TOTAL
Assessment Area	6,532	5,058	5,927	16,830	0	34,347
	19.0%	14.7%	17.3%	49.0%	0.0%	100%
NonMSA Mississippi	94,570	65,672	68,539	167,156	0	395,937
	23.9%	16.6%	17.3%	42.2%	0.0%	100%

As shown in the preceding table, 33.7 percent of families within the assessment area were considered LMI, which is lower than LMI family percentages of 40.5 percent in the nonMSA portions of Mississippi. The percentage of families living below the poverty threshold in the assessment area, 15.7 percent, falls below the 20.1 percent level in nonMSA portions of Mississippi. Considering these factors, the assessment area appears slightly more affluent than the nonMSA portions of Mississippi as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be less affordable than in the nonMSA portions of Mississippi. The median housing value for the assessment area is \$100,094, which is above the figure for nonMSA portions of Mississippi, \$84,318. The assessment area housing affordability ratio of 40.9 percent is slightly below but comparable to the nonMSA portions of Mississippi figure of 41.0 percent. However, the median gross rent for the assessment area of \$642 per month is slightly higher than the \$628 per month for nonMSA portions of Mississippi.

Industry and Employment Demographics

The assessment area supports a variety of businesses, including a strong small business sector. County business patterns indicate that there are 115,618 employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are manufacturing (17.4 percent), followed by retail trade (7.6 percent) and healthcare and social assistance (7.5 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 portions of Mississippi as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	Assessment Area	NonMSA Mississippi
2019	4.5%	5.8%
2020	8.2%	8.1%
2021	4.8%	5.9%
2022 YTD (through August)	3.5%	4.4%

As shown in the table above, unemployment levels for the assessment area, as well as nonMSA portions of Mississippi, increased from 2019 to 2020 and then decreased in 2021 and 2022. Additionally, unemployment levels in the assessment area are lower than nonMSA portions of Mississippi levels, with the exception of 2020, when the unemployment rate in the assessment area was slightly higher than the rate of nonMSA portions of Mississippi.

Community Contact Information

Information from one community contact was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. The community contact represented an organization that is committed to helping improve the economy and quality of life in rural America, including the bank's assessment area, by offering loans, grants, and loan guarantees to help create jobs and support economic development and essential services. Additionally, the organization helps residents buy or rent safe, affordable housing and make repairs to their homes. The community contact interviewee categorized the economy as generally stable since the end the COVID-19 pandemic. Furniture factories and steel mills remain stable, yet the service industry was impacted the most. The contact indicated that many restaurants are still closed due to staffing shortages and that a furniture manufacturer closed in the assessment area, resulting in the loss of 2,500 jobs. However, the opening of an aluminum company and steel mill resulted in some job creation. According to the contact, availability of affordable housing stock is the main challenge to individuals, and higher price points of the housing stock make it difficult for low- and moderate-income individuals to enter the market.

First Choice Bank
Pontotoc, Mississippi

CRA Performance Evaluation
March 20, 2023

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

FCB meets the standards for a satisfactory Lending Test rating under the intermediate small bank procedures, which evaluate bank performance under the following five criteria, as applicable.

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

LTD Ratio Analysis			
Name	Headquarters	Asset Size \$ (000s) as of December 31, 2022	Average LTD Ratio
First Choice Bank	Pontotoc, Mississippi	\$434,542	66.0%
Regional Banks	Baldwyn, Mississippi	\$471,161	62.0%
	Oxford, Mississippi	\$211,009	83.1%
	Oxford, Mississippi	\$607,298	61.7%

Based on data from the previous table, the bank's level of lending is above that of two other banks in the region. During the review period, the LTD ratio experienced a slightly increasing trend to a high of 73.5 as of December 31, 2019, followed by a slightly decreasing trend, with a 16-quarter average of 66.0 percent. In comparison, the average LTD ratios for the two of the regional peers were lower and had stable or decreasing trends. 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.

First Choice Bank
Pontotoc, Mississippi

CRA Performance Evaluation
March 20, 2023

Lending Inside and Outside of Assessment Area January 1, 2021 through December 31, 2021						
Loan Type	Inside Assessment Area		Outside Assessment Area		TOTAL	
1–4 Family Residential Real Estate	59	86.8%	9	13.2%	68	100%
	\$3,640	86.4%	\$573	13.6%	\$4,213	100%
Small Business	94	88.7%	12	11.3%	106	100%
	\$11,366	89.6%	\$1,325	10.4%	\$12,691	100%
Consumer Motor Vehicle	108	90.0%	12	10.0%	120	100%
	\$1,875	87.7%	\$264	12.3%	\$2,138	100%
TOTAL LOANS	261	88.8%	33	11.2%	294	100%
	\$16,881	88.7%	\$2,162	11.3%	\$19,042	100%

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 88.8 percent of the total loans were made inside the assessment area, accounting for 88.7 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. The bank's 1–4 family residential real estate loan distribution by borrower's profile is excellent, the bank's performance under the small business category is excellent, and the bank's performance under the consumer motor vehicle loan category is reasonable. Greater significance is placed on performance in the 1–4 family residential real estate and small business loan categories given the bank's emphasis on extending these two types of loan products.

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 (\$51,400 for the nonMSA portions of Mississippi as of 2021). The following table shows the distribution of 1–4 family residential real estate loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2021 aggregate data is displayed.

First Choice Bank
Pontotoc, Mississippi

CRA Performance Evaluation
March 20, 2023

Borrower Distribution of Residential Real Estate Loans (2021)							
Assessment Area: Mississippi nonMSA							
Borrower Income Level	Bank Loans				Families by Family Income %	Aggregate HMDA Data	
	#	# %	\$	\$ %		# %	\$ %
Low	10	16.9%	341	9.4%	19.0%	2.3%	1.0%
Moderate	9	15.3%	414	11.4%	14.7%	12.7%	8.1%
Middle	15	25.4%	1,124	30.9%	17.3%	21.1%	16.8%
Upper	25	42.4%	1,760	48.4%	49.0%	47.5%	56.2%
Unknown	0	0.0%	0	0.0%	0.0%	16.5%	18.0%
TOTAL	59	100.0%	3,640	100.0%	100.0%	100.0%	100.0%

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (16.9 percent) is below the low-income family population figure (19.0 percent) but significantly higher than the 2021 aggregate lending level to low-income borrowers (2.3 percent), reflecting excellent performance. The bank's level of lending to moderate-income borrowers (15.3 percent) is in line with the moderate-income family population percentage (14.7 percent) and the 2021 aggregate lending level to moderate-income borrowers (12.7 percent), reflecting reasonable performance. Therefore, considering performance to both income categories, the bank's overall distribution of loans by borrower's profile is excellent.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2021 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

First Choice Bank
Pontotoc, Mississippi

CRA Performance Evaluation
March 20, 2023

Small Business Loans by Revenue and Loan Size Assessment Area: Mississippi nonMSA								
Business Revenue and Loan Size		2021						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	%
		#	%	%	\$ (000s)	\$ %	\$ %	
Business Revenue	\$1 Million or Less	85	90.4%	38.8%	\$9,407	82.8%	30.4%	89.2%
	Over \$1 Million/ Unknown	9	9.6%	61.2%	\$1,959	17.2%	69.6%	10.8%
	TOTAL	94	100.0%	100.0%	\$11,366	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less	73	77.7%	87.1%	\$3,523	31.0%	27.7%	
	\$100,001–\$250,000	11	11.7%	7.1%	\$1,728	15.2%	20.6%	
	\$250,001–\$1 Million	10	10.6%	5.8%	\$6,115	53.8%	51.7%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	TOTAL	94	100.0%	100.0%	\$11,366	100.0%	100.0%	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	68	80.0%		\$3,236	34.4%		
	\$100,001–\$250,000	9	10.6%		\$1,496	15.9%		
	\$250,001–\$1 Million	8	9.4%		\$4,675	49.7%		
	Over \$1 Million	0	0.0%		\$0	0.0%		
	TOTAL	85	100.0%		\$9,407	100.0%		

The bank's level of lending to small businesses is excellent. The bank originated the majority of its small business loans (90.4 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 89.2 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the 2021 aggregate lending level to small businesses is 38.8 percent. Additionally, of the 85 small business loans extended to businesses with revenues of \$1 million or less, 68 of the loans, or 80.0 percent, were in amounts of \$100,000 or less. This indicates the bank's willingness to meet the credit need of small businesses with small dollar loans.

Finally, the bank's consumer motor vehicle loans were analyzed by borrower income level compared to household population demographics for the assessment area.

First Choice Bank
Pontotoc, Mississippi

CRA Performance Evaluation
March 20, 2023

Borrower Distribution of Consumer Motor Vehicle Loans					
Assessment Area: Mississippi nonMSA					
Borrower Income Levels	2021				
	Count		Dollar		Households
	#	%	\$ (000s)	\$ %	%
Low	11	10.2%	\$106	5.7%	21.3%
Moderate	18	16.7%	\$227	12.1%	13.1%
Middle	22	20.4%	\$364	19.4%	16.3%
Upper	57	52.8%	\$1,177	62.8%	49.3%
Unknown	0	0.0%	\$0	0.0%	0.0%
TOTAL	108	100.0%	\$1,874	100.0%	100.0%

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (10.2 percent) is below the household population figure (21.3), reflecting poor performance. The bank's level of lending to moderate-income individuals (16.7 percent) is above the household population comparison (13.1 percent), reflecting reasonable performance. Based on this data, the distribution of the bank's consumer motor vehicle loans reflects reasonable performance to LMI individuals.

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of lending within its assessment area by income level of census tracts with consideration given to the dispersion of loans throughout the assessment area. When evaluating the bank's performance, particular emphasis is normally placed on the bank's performance in LMI geographies; however, the bank's assessment area consisted solely of Pontotoc County for the majority of 2021, and Pontotoc County does not contain any LMI 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 the bank made loans in nearly all assessment area geographies. Therefore, the bank's geographic distribution of loans is considered reasonable.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (February 4, 2019 through March 19, 2023).

COMMUNITY DEVELOPMENT TEST

The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of the assessment area, considering the bank's capacity and the need and availability of such opportunities for community development in the assessment area. The bank has addressed the community development needs of the assessment area through community development loans, qualified investments, and community development services.

During the review period, the bank made 59 qualifying loans totaling approximately \$1.8 million. The bank's community development lending activity included 43 PPP loans totaling \$501,800 to businesses located in LMI geographies or distressed middle-income geographies. These PPP loans were deemed responsive to area community development needs and positively affected the bank's overall rating. Of the remaining qualified loans, 11 were for affordable housing for LMI individuals, and 4 were made to schools at which the majority of students qualify for free or reduced-price meals under the U.S. Department of Agriculture's National School Lunch Program. One additional loan was made to revitalize and stabilize a distressed middle-income geography.

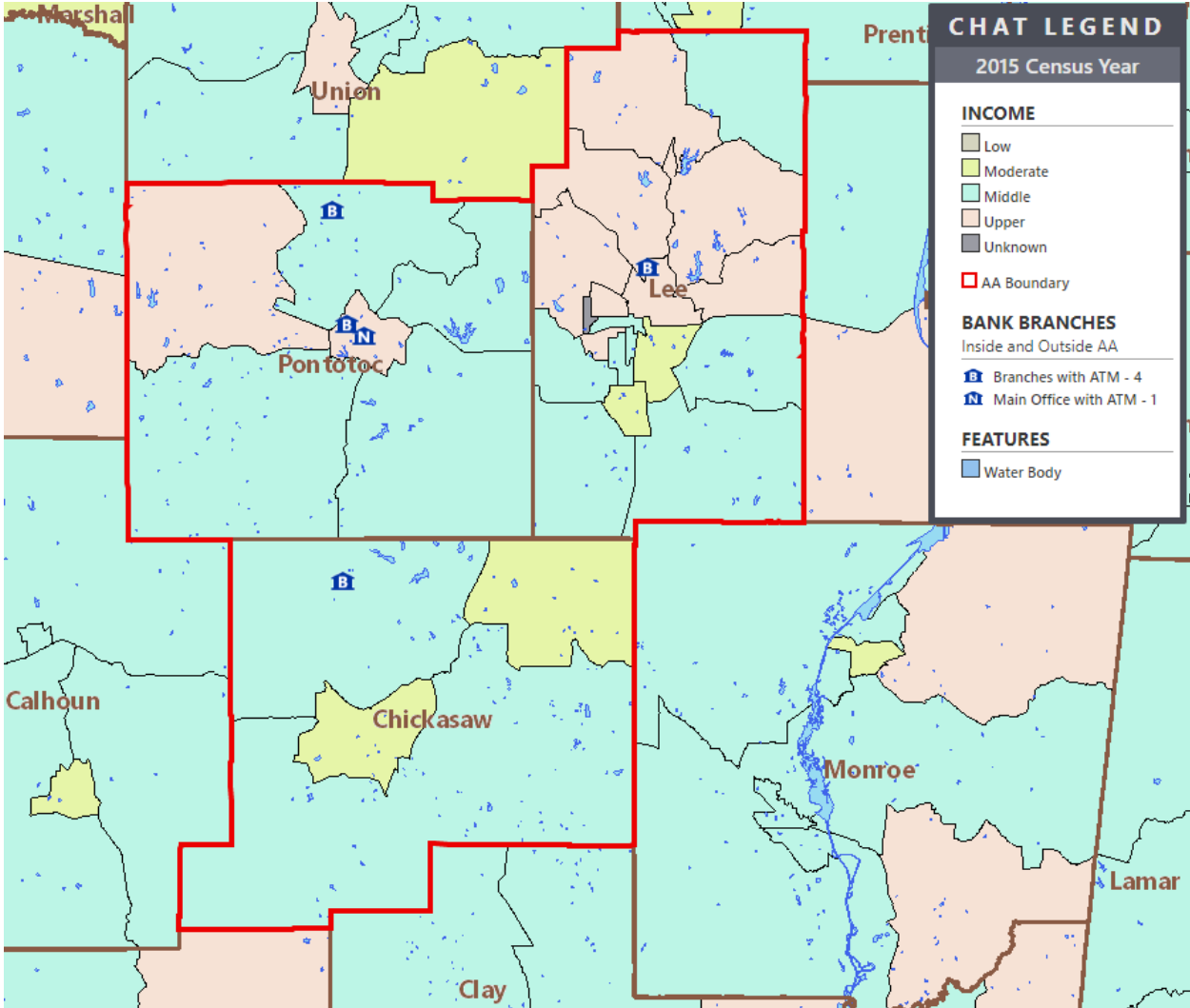
Community development investments and donations made to the assessment area totaled \$2,611,435. This amount included eight qualified investments totaling \$2,581,403 and 20 donations totaling \$30,032. The eight investments were municipal bonds made for statewide infrastructure improvements to revitalize/stabilize LMI and distressed and underserved census tracts across the statewide area, including the bank's assessment area.

In addition, five employees contributed community development services to three different entities.

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 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) 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 (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).

Appendix B (continued)

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.