PUBLIC DISCLOSURE

October 11, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Hillsboro
RSSD #973056

10625 Highway 21
Hillsboro, Missouri 63050

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 Hillsboro 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.
- Distribution of loans to borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels (including low- and moderate-income [LMI] levels).
- Geographic distribution of loans reflects 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) small bank procedures. Residential real estate and small business 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 defined business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, as the bank has a particular emphasis on small business lending, performance based on the small business loan category 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	December 31, 2012 – June 30, 2016
Assessment Area Concentration	January 1, 2013 – December 31, 2015
Loan Distribution by Borrower's Profile	January 1, 2013 – December 31, 2015
Geographic Distribution of Loans	January 1, 2013 – December 31, 2015
Response to Written CRA Complaints	October 1, 2012 – October 11, 2016

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 2010 U.S. Census data; certain business and farm geodemographics are based on 2015 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 in an assessment area. Aggregate lending datasets are also 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. Four other banks were identified as similarly situated peers, with asset sizes ranging from $183.0 million to $252.0 million as of June 30, 2016.

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 area. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Bank of Hillsboro is a full-service bank offering both consumer and commercial loan and deposit products. Bank of Hillsboro is wholly owned by Hillsboro Bancshares, Inc., a one-bank holding company located in Hillsboro, Missouri. The bank operates exclusively from its main office in Hillsboro, which includes both drive-through services and a cash-dispensing automated teller machine. The bank did not open or close any branch offices during this review period, and the bank has no subsidiaries. Based on the bank's service delivery systems, such as online banking services, the bank is reasonably 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, 2016, the bank reported total assets of $65.0 million. As of the same date, loans and leases outstanding were $46.4 million (71.3 percent of total assets) and deposits totaled $56.3 million. The bank's loan portfolio composition by credit category is displayed in the following table:

Distribution of Total Loans as of June 30, 2016		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$3,160	6.8%
Commercial Real Estate	$28,283	61.0%
Multifamily Residential	$4,209	9.1%
1–4 Family Residential	$5,489	11.8%
Farmland	$671	1.4%
Commercial and Industrial	$3,936	8.5%
Loans to Individuals	$603	1.3%
TOTAL	**$46,351**	**100%**

As indicated in the previous table, a significant portion of the bank's lending resources is directed to commercial real estate loans. To a lesser extent, but still significant, the bank has lending concentrations in loans secured by 1–4 family residential properties and multifamily residential loans.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on October 1, 2012.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area consists of the entirety of Jefferson County in the St. Louis, Missouri-Illinois metropolitan statistical area (St. Louis MSA) and is comprised of 42 census tracts. This assessment area has more rural areas to the south and suburban areas to the north. The bank's only location is situated centrally in Jefferson County, approximately 20 miles from the northernmost parts of the assessment area. Based on this location, the bank can reasonably serve its entire assessment area; however, the northernmost portions may not be as easily served.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2016, the bank ranked 11th out of 19 FDIC-insured depository institutions with a branch presence in this assessment area, encompassing 2.3 percent of the total assessment area deposit dollars.

Credit needs in the area are varied and include a blend of consumer and business loan products. Other specific credit needs, as noted by community contacts, include loans for start-up businesses and transitional housing for families moving from shelters.

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	6	35	1	0	**42**
	0.0%	14.3%	83.3%	2.4%	0.0%	**100%**
Family Population	0	8,071	49,336	1,444	0	**58,851**
	0.0%	13.7%	83.8%	2.5%	0.0%	**100%**

The previous table reveals that the bank's assessment area contains six moderate-income census tracts and that the family population in those tracts (13.7 percent) is relatively consistent with the distribution of census tracts at 14.3 percent. A majority of the census tracts are classified as middle-income and, consequently, the largest portion of the assessment area family population resides in these census tracts. Two of the moderate-income tracts within the assessment area are on the northern edge of Jefferson County and, as previously mentioned, are not as easily served by the bank's one office.

Based on 2010 U.S. Census data, the median family income for the assessment area was $65,671. At the same time, the median family income for the St. Louis MSA was $66,798. More recently, the FFIEC estimates the 2013, 2014, and 2015 median family income for the St. Louis MSA to be $69,200, $71,000, and $72,200, respectively. The following table displays population percentages of assessment area families by income level compared to the St. Louis MSA family population as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	11,252	10,912	14,609	22,078	0	**58,851**
	19.1%	18.5%	24.8%	37.5%	0.0%	**100%**
St. Louis MSA	151.253	123,511	153,188	294,005	0	**721,957**
	21.0%	17.1%	21.2%	40.7%	0.0%	**100%**

As shown in the previous table, 37.6 percent of families in the assessment area were considered LMI, with a lower proportion of low-income families and a higher proportion of moderate-income families than the St. Louis MSA. Additionally, the assessment area has a greater proportion of middle-income families and a smaller proportion of upper-income families than the St. Louis MSA. The percentage of families living below the poverty threshold in the assessment area, 7.4 percent, is lower than the 8.6 percent level in the St. Louis MSA. Considering these factors, the assessment area population is less likely to fall in the low-income or upper-income category when compared to the MSA as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than in the St. Louis MSA. The median housing value for the assessment area is $154,700, which is below the figure for the St. Louis MSA, $160,312. The assessment area housing affordability ratio of 36.7 percent is above the St. Louis MSA figure of 33.3 percent, indicating higher affordability of housing in the assessment area relative to median family income. Also, the median gross rent for the assessment area of $670 per month is lower than the $730 per month for the St. Louis MSA.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of healthcare and retail-trade sectors. U.S. Census Bureau 2014 County Business Patterns data indicate that there are 41,053 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are healthcare and social assistance (18.3 percent), followed by retail trade (17.6 percent), and accommodation and food services (14.5 percent).

The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to the St. Louis MSA as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Jefferson County**	**St. Louis MSA**
2013	6.8%	7.1%
2014	6.2%	6.3%
2015	4.8%	5.1%

As shown in the previous table, unemployment levels for the assessment area, as well as the St. Louis MSA, have shown a decreasing trend. Additionally, unemployment levels in the assessment area are slightly lower than the St. Louis MSA levels.

Community Contact Information

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

The community contact specializing in affordable housing noted that the population of the area is growing and there is a good amount of subsidized housing in the area. This contact noted that there is still a credit need for the purchase of affordable housing. Overall, the contact noted that housing needs exist for the elderly, and transitional housing needs exist for families trying to move out of shelters. The community contact specializing in economic development categorized the economy as lagging behind other counties in the St. Louis MSA. The contact also stated that unemployment is trending downwards, and many people live in Jefferson County but commute outside the county for work. Additionally, the contact stated that there is a need for funding of small businesses, including start-ups.

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 table below displays the bank's average LTD ratio in comparison to those of its regional peers. The average LTD ratio represents a 15-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis

Name	Headquarters	Asset Size ($000s) as of June 30, 2016	Average LTD Ratio
Bank of Hillsboro	Hillsboro, Missouri	$64,973	67.3%
Regional Banks	Arnold, Missouri	$182,970	94.8%
	Eureka, Missouri	$252,025	82.2%
	Bloomsdale, Missouri	$219,988	65.0%
	Saint Clair, Missouri	$183,185	86.7%

Based on data from the previous table, the bank's level of lending is within the range of other banks in the region. During the review period, the quarterly LTD ratio was reviewed for all 15 quarters and experienced a generally increasing trend, ranging from 49.6 percent to 81.3 percent, with a 15-quarter average of 67.3 percent. In comparison, the average LTD ratios for the regional peers were higher for three banks, with one bank having a lower LTD ratio than Bank of Hillsboro; all four regional banks also had an increasing trend. Therefore, compared to data from regional banks and trend data described, 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, 2013 through December 31, 2015

Loan Type	Inside Assessment Area		Outside Assessment Area		TOTAL	
Small Business	43	63.2%	25	36.8%	**68**	**100%**
	$6,353	49.1%	$6,583	50.9%	**$12,936**	**100%**
HMDA	26	40.6%	38	59.4%	**64**	**100%**
	$4,222	27.7%	$11,000	72.3%	**$15,222**	**100%**
TOTAL LOANS	**69**	**52.3%**	**63**	**47.7%**	**132**	**100%**
	$10,575	**37.6%**	**$17,583**	**62.4%**	**$28,158**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment area. Overall, 52.3 percent of the total loans were made inside the assessment area, accounting for 37.6 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 reasonable, based on performance from both loan categories reviewed.

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

Distribution of Loans Inside Assessment Area by Business Revenue
January 1, 2013 through December 31, 2015

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	25	58.1%	5	11.6%	8	18.6%	**38**	**88.4%**
Greater than $1 Million/Unknown	2	4.7%	1	2.3%	2	4.7%	**5**	**11.6%**
TOTAL	**27**	**62.8%**	**6**	**14.0%**	**10**	**23.3%**	**43**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**94.0%**	
2013 Small Business Aggregate ≤$1MM							**47.1%**	
2014 Small Business Aggregate ≤$1MM							**45.1%**	
2015 Small Business Aggregate ≤1MM							**48.0%**	

The bank's level of lending to small businesses is reasonable. The bank originated the majority of its small business loans (88.4 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 94.0 percent of businesses in the assessment area had annual revenues of $1 million or less. The 2013 aggregate lending level to small businesses is 47.1 percent, the 2014 aggregate lending level to small businesses is 45.1 percent, and the 2015 aggregate lending level to small businesses is 48.0 percent.

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 ($69,200, $71,000, and $72,200 for the St. Louis MSA as of 2013, 2014, and 2015, respectively). The following table shows the distribution of HMDA-reported loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2013–2015 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income

January 1, 2013 through December 31, 2015

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	2	25.0%	1	12.5%	1	12.5%	3	37.5%	1	12.5%	**8**	**100%**
Refinance	1	9.1%	3	27.3%	1	9.1%	4	36.4%	2	18.2%	**11**	**100%**
Home Improvement	1	33.3%	0	0.0%	1	33.3%	1	33.3%	0	0.0%	**3**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	4	100.0%	**4**	**100%**
TOTAL HMDA	**4**	**15.4%**	**4**	**15.4%**	**3**	**11.5%**	**8**	**30.8%**	**7**	**26.9%**	**26**	**100%**
Family Population	19.1%		18.5%		24.8%		37.5%		0.0%		**100%**	
2013 HMDA Aggregate	10.2%		21.2%		22.9%		25.0%		20.6%		**100%**	
2014 HMDA Aggregate	11.4%		21.2%		21.1%		21.4%		24.9%		**100%**	
2015 HMDA Aggregate	10.6%		20.3%		21.0%		20.4%		27.7%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (15.4 percent) is reasonable. Bank performance is slightly below the low-income family population figure (19.1 percent); the 2013, 2014, and 2015 aggregate lending levels to low-income borrowers are 10.2 percent, 11.4 percent, and 10.6 percent, respectively. The bank's level of lending to moderate-income borrowers (15.4 percent) is also reasonable. Performance is slightly below the moderate-income family population percentage (18.5 percent); the 2013, 2014, and 2015 aggregate lending levels to moderate-income borrowers are 21.2 percent, 21.2 percent, and 20.3 percent, respectively. Given the bank's focus on commercial lending, 26.9 percent of the bank's HMDA loans were made to borrowers with unknown income levels; this performance is reasonable.

Geographic Distribution of Loans

As noted previously, the assessment area includes 0 low-, 6 moderate-, 35 middle-, and 1 upper-income census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration throughout these LMI census tracts, based on the two loan categories. The bank has limited lending in the northwestern portion of the assessment area based on the size of the county and the location of the bank's office, but there are no conspicuous gaps in the geographic distribution of loans.

The bank's geographic distribution of small business loans was reviewed. The following table displays small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Geography Income Level

January 1, 2013 through December 31, 2015

	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	5	11.6%	38	88.4%	0	0.0%	0	0.0%	**43**	**100%**
Business Institutions	0.0%		15.1%		81.8%		3.1%		0.0%		**100%**	
2013 Small Business Aggregate	0.0%		17.0%		78.5%		3.2%		1.4%		**100%**	
2014 Small Business Aggregate	0.0%		15.9%		79.1%		3.8%		1.2%		**100%**	
2015 Small Business Aggregate	0.0%		15.1%		80.0%		3.8%		1.2%		**100%**	

The bank's level of lending in moderate-income census tracts (11.6 percent) is slightly lower than the percentage of small businesses in moderate-income census tracts (15.1 percent). Aggregate lending in moderate-income census tracts is 17.0 percent, 15.9 percent, and 15.1 percent in 2013, 2014, and 2015, respectively. As mentioned previously, two of the moderate-income census tracts are on the northern edge of the assessment area and are not easily served by the bank's office. Based on this, the bank's overall geographic distribution of small business loans is reasonable.

The following table displays the geographic distribution of HMDA loans compared to owner-occupied housing demographics and aggregate performance for the assessment area.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2013 through December 31, 2015												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	0	0.0%	2	25.0%	6	75.0%	0	0.0%	0	0.0%	**8**	**100%**
Refinance	0	0.0%	1	9.1%	9	81.8%	1	9.1%	0	0.0%	**11**	**100%**
Home Improvement	0	0.0%	1	33.3%	2	66.7%	0	0.0%	0	0.0%	**3**	**100%**
Multifamily	0	0.0%	0	0.0%	4	100.0%	0	0.0%	0	0.0%	**4**	**100%**
TOTAL HMDA	**0**	**0.0%**	**4**	**15.4%**	**21**	**80.8%**	**1**	**3.8%**	**0**	**0.0%**	**26**	**100%**
Owner-Occupied Housing	0.0%		13.5%		83.9%		2.7%		0.0%		**100%**	
2013 HMDA Aggregate	0.0%		10.8%		85.0%		4.2%		0.0%		**100%**	
2014 HMDA Aggregate	0.0%		10.3%		86.5%		3.2%		0.0%		**100%**	
2015 HMDA Aggregate	0.0%		9.6%		87.0%		3.3%		0.0%		**100%**	

The analysis of HMDA loans revealed reasonable lending performance to borrowers residing in moderate-income geographies. The bank's total penetration of moderate-income census tracts by number of loans (15.4 percent) is above the percentage of owner-occupied housing units in moderate-income census tracts (13.5 percent). Aggregate performance in 2013, 2014, and 2015 is 10.8 percent, 10.3 percent, and 9.6 percent, respectively. The bank's lending is above both the demographic and the aggregate and, overall, the bank's geographic distribution of HMDA loans is reasonable.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (October 1, 2012 through October 11, 2016).

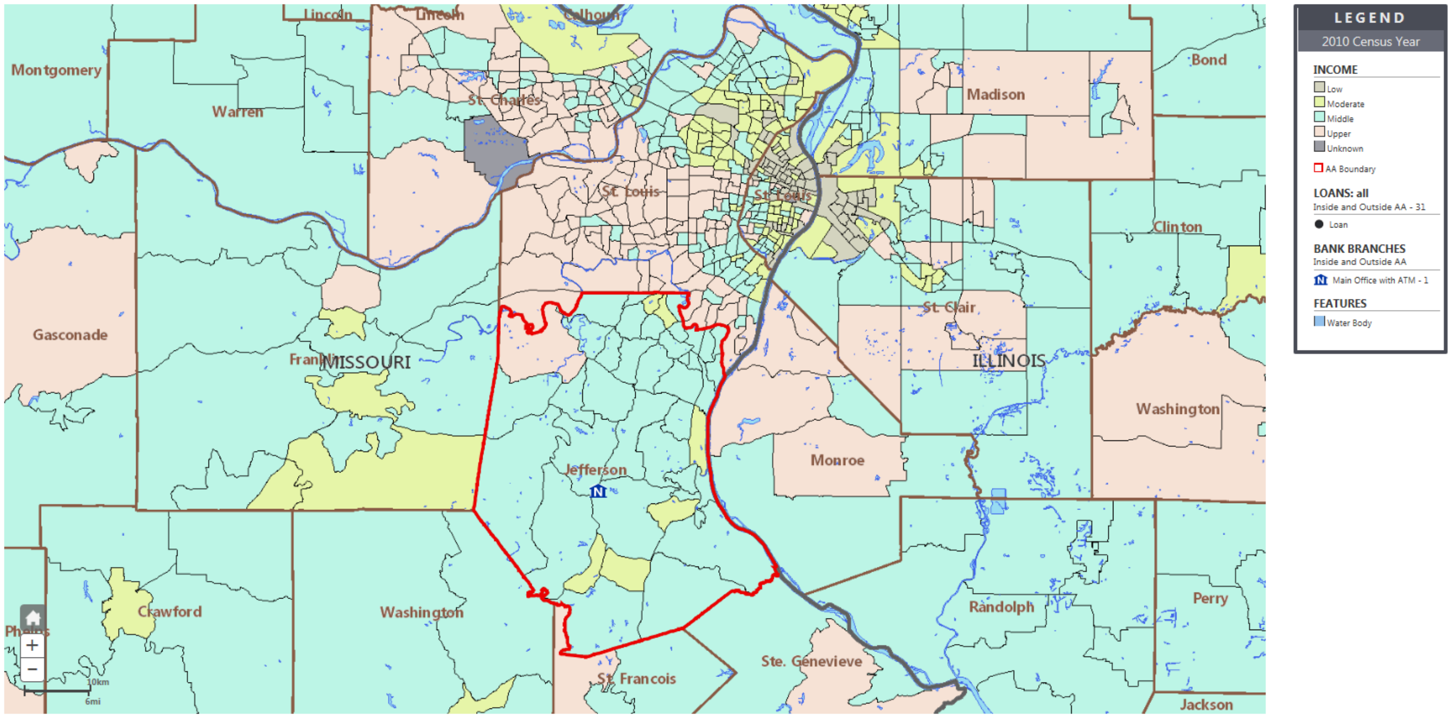
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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.

Appendix A

ASSESSMENT AREA DETAIL

Bank of Hillsboro - Hillsboro, Missouri
Tract Income Map



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 LMI individuals; (2) community services targeted to LMI 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 LMI 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 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.