PUBLIC DISCLOSURE

December 2, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Community Bank Xenia-Flora
RSSD #242

260 Front Street
Xenia, Illinois 62899

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.

First Community Bank Xenia-Flora 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 substantial majority of loans and other lending-related activities are in the assessment area.
- The borrower's profile analysis reveals excellent penetration among businesses and farms of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI) levels.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) Examination Procedures for Small Institutions. Small business, small farm, and residential real estate loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. The small business product carried the most significance toward the bank's overall performance conclusions, given its higher number of originations during the review period, followed by small farm loans, and lastly, 1–4 family residential real estate. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	September 30, 2015 – September 30, 2019
Assessment Area Concentration	January 1, 2018 – December 31, 2018
Loan Distribution by Borrower's Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	September 28, 2015 – December 1, 2019

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 and certain business and farm demographics are based on 2018 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 $48.6 million to $69.3 million on September 30, 2019.

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

DESCRIPTION OF INSTITUTION

First Community Bank Xenia-Flora is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by First Community Bancshares, Inc., a one-bank holding company headquartered in Xenia, Illinois. The bank's branch network consists of two offices (including the main office), one of which has a cash-dispensing automated teller machine on site. In addition to being full-service facilities, both branches have drive-up accessibility. The bank did not open or close any branch offices during this review period. Based on this branch network, and other delivery systems, such as online banking capabilities and mobile and telephone banking, the bank is well positioned to deliver financial services to its entire assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. On September 30, 2019, the bank reported total assets of $41.1 million. On that same date, loans and leases outstanding were $24.1 million (58.6 percent of total assets), and deposits totaled $31.0 million. The bank's loan portfolio composition by credit category is displayed in the following table:

Distribution of Total Loans as of September 30, 2019		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Commercial Real Estate	$3,901	16.2%
1–4 Family Residential	$9,530	39.6%
Farmland	$4,028	16.7%
Farm Loans	$2,357	9.8%
Commercial and Industrial	$1,593	6.6%
Loans to Individuals	$2,554	10.6%
Total Other Loans	$110	0.5%
TOTAL LOANS	**$24,073**	**100%**

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

The bank received a Satisfactory rating at its previous CRA evaluation conducted on September 28, 2015, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 68,802, is located in southern Illinois, approximately 75 miles east of St. Louis, Missouri. The assessment area is comprised entirely of Clay, Marion, and Wayne Counties, which are mostly rural and located in nonmetropolitan statistical area (nonMSA) Illinois. Marion County has the largest population, much of which is concentrated in and around the city of Centralia.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2019, there are 21 FDIC-insured depository institutions in the assessment area that operate 39 offices. First Community Bank Xenia-Flora, operating two of the offices in the assessment area (5.1 percent), ranked 15th in terms of deposit market share, with 2.2 percent of the total assessment area deposit dollars.

Credit needs in the assessment area include a mix of commercial and agricultural loan products, along with a need for 1–4 family residential real estate lending. Community contacts stated that due to the advanced age of the housing stock and needs for home repairs and updates, small dollar mortgage loans are especially needed in the area. The contact also stated there is a need for mortgage products to support affordable rental housing in Marion County. Additional needs mentioned by community contacts include both small business development counseling and financial literacy programs, as there appears to be a limited understanding of mortgage products and a reliance on high-interest lending among LMI borrowers in the assessment area.

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	15	0	0	**21**
	0.0%	28.6%	71.4%	0.0%	0.0%	**100%**
Family Population	0	4,924	14,174	0	0	**19,098**
	0.0%	25.8%	74.2%	0.0%	0.0%	**100%**

As shown above, 28.6 percent of the census tracts in the assessment area are LMI geographies, but only 25.8 percent of the family population resides in these tracts. These LMI areas are primarily concentrated in and around the cities of Centralia, Salem, and Flora.

Based on 2015 ACS data, the median family income for the assessment area was $53,852. At the same time, the median family income for nonMSA Illinois was $59,121. More recently, the FFIEC estimates the 2018 median family income for nonMSA Illinois to be $63,900. The following table displays population percentages of assessment area families by income level compared to the nonMSA family population as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	4,615	3,594	4,192	6,697	0	**19,098**
	24.2%	18.8%	21.9%	35.1%	0.0%	**100%**
NonMSA Illinois	79,055	71,275	84,204	155,344	0	**389,878**
	20.3%	18.3%	21.6%	39.8%	0.0%	**100%**

As shown in the table above, 43.0 percent of families in the assessment area were considered LMI, which is higher than the LMI family percentage of 38.6 percent in nonMSA Illinois as a whole. While not displayed in the above table, the percentage of families living below the poverty threshold in the assessment area (13.2 percent) is above the level in nonMSA Illinois (10.4 percent). Considering these factors, the assessment area appears less affluent than nonMSA Illinois as a whole.

Housing Demographics

The following table displays housing demographics for the assessment area compared to nonMSA Illinois as a whole.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (Monthly)**
Assessment Area	$72,435	60.0%	$572
NonMSA Illinois	$92,863	49.0%	$604

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be considerably more affordable than in nonMSA Illinois as a whole. The median housing value for the assessment area ($72,435) is well below the figure for nonMSA Illinois ($92,863). The assessment area housing affordability ratio of 60.0 percent is above the nonMSA Illinois figure of 49.0 percent, indicating greater affordability when considering income. Similarly, the median gross rent for the assessment area of $572 per month is lower than $604 per month for nonMSA Illinois as a whole. While housing appears to be more affordable for the assessment area's LMI population, one community contact noted that new housing development has been minimal, and available affordable housing stock is often in need of repairs. However, based on housing data and the community contact interviews, homeownership appears to be more attainable for LMI populations in the assessment area compared to the broader nonMSA Illinois area as a whole.

Industry and Employment Demographics

The assessment area supports a diverse business community, including a strong small business sector as evidenced by Dun & Bradstreet data, which estimates 87.5 percent of businesses inside the assessment area have gross annual revenues of less than $1 million. County business patterns indicate that there are 19,287 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are manufacturing (27.1 percent), followed by healthcare and social assistance (22.4 percent) and retail trade (12.6 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 Illinois as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**NonMSA Illinois**
2016	7.0%	6.1%
2017	5.5%	5.1%
2018	5.2%	5.0%
2019 (9-Month Average)	4.9%	4.8%

As shown in the table above, unemployment levels for the assessment area and nonMSA Illinois have shown an overall decreasing trend. In addition, unemployment levels in the assessment area have consistently remained higher than nonMSA Illinois levels.

Community Contact Information

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

The community contact interviewees described the assessment area's economic condition as recently stabilized, after several years of slow decline. The primary reason for the decline was attributed to the departure of younger residents as they pursue higher education and better job opportunities. As these residents leave, area businesses have found it more difficult to attract and retain skilled workers. Per the contacts, the absence of skilled workers in addition to the lack of infrastructure, including broadband services, throughout Clay and Wayne Counties have made it challenging to attract new businesses to the area. Additionally, one contact stated that Wayne County lost a major employer in 2015, which further negatively impacted several small businesses in the area who provided services to the employer. Furthermore, as Clay and Wayne Counties are rural in nature, local economic trends are particularly vulnerable to harvest yields, according to one community contact.

One contact described a healthy stock of affordable housing; however, due to the advanced age of the majority of the housing stock, updates and repairs are generally needed. A significant portion of the affordable housing stock has been occupied by senior residents for many years and is in need of repairs. The contact also indicated a lack of financial education related to mortgage products among LMI borrowers. To help mitigate some of these problems, the contact cited a need for small dollar mortgage loans in the area to assist with home improvement, in addition to financial literacy courses.

Lastly, both contacts indicated the number of banks operating in the assessment area was sufficient. One contact noted that few banks operate in Clay and Wayne Counties; however, coverage was still adequate due to the rural nature of both counties and the availability of mobile/Internet banking options. While the contacts stated that banks are sufficiently involved in the community, especially given the somewhat limited community development opportunities in the area, there are further opportunities for bank involvement that include small business and homeownership counseling.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

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

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of September 30, 2019**	**Average LTD Ratio**
First Community Bank Xenia-Flora	Xenia, Illinois	$41,114	80.1%
Regional Banks	Kinmundy, Illinois	$48,574	87.8%
	Sandoval, Illinois	$53,731	64.0%
	Flora, Illinois	$69,314	74.9%

Based on data from the previous table, the bank's level of lending is commensurate with other similarly situated banks that operate in the region. During the review period, the LTD ratio experienced a generally decreasing trend, with a 17-quarter average of 80.1 percent. In comparison, the peer banks' LTD ratios generally exhibited stable or increasing trends. Compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and the credit needs of its assessment area.

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, 2018 through December 31, 2018

Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
Small Business	88	95.7%	4	4.3%	**92**	**100%**
	$2,263	85.9%	$371	14.1%	**$2,634**	**100%**
Small Farm	49	98.0%	1	2.0%	**50**	**100%**
	4,585	99.5%	21	0.5%	**$4,606**	**100%**
1–4 Family Residential Real Estate	46	92.0%	4	8.0%	**50**	**100%**
	$2,667	90.0%	$297	10.0%	**$2,964**	**100%**
TOTAL LOANS	**183**	**95.3%**	**9**	**4.7%**	**192**	**100%**
	$9,515	**93.2%**	**$689**	**6.8%**	**$10,204**	**100%**

A substantial majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 95.3 percent of the total loans were made inside the assessment area, accounting for 93.2 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 all three 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 2018 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, 2018 through December 31, 2018								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	67	76.1%	3	3.4%	0	0.0%	**70**	**79.5%**
Greater than $1 Million/Unknown	18	20.5%	0	0.0%	0	0.0%	**18**	**20.5%**
TOTAL	**85**	**96.6%**	**3**	**3.4%**	**0**	**0.0%**	**88**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**87.5%**	
2018 Small Business Aggregate ≤ $1MM							**40.6%**	

The bank originated the majority of its small business loans (79.5 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 87.5 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2018 aggregate lending level to small businesses was 40.6 percent. Additionally, 76.1 percent of the bank's small business loans were in amounts of $100,000 or less, demonstrating the bank's willingness to meet the small dollar credit needs of small businesses in the assessment area. Therefore, the bank's level of small business lending is reasonable.

Next, small farm loans were reviewed to determine the bank's lending levels to farms of different sizes. The following table shows the distribution of 2018 small farm loans by loan amount and farm revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Farm Revenue January 1, 2018 through December 31, 2018								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$500**			
$1 Million or Less	34	69.4%	8	16.3%	7	14.3%	**49**	**100.0%**
Greater Than $1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
TOTAL	**34**	**69.4%**	**8**	**16.3%**	**7**	**14.3%**	**49**	**100%**
Dun & Bradstreet Farms ≤ $1MM							**98.9%**	
2018 CRA Aggregate Data							**37.0%**	

The bank originated all of its small farm loans to farms with revenues of $1 million or less. By comparison, assessment area demographics estimate that 98.9 percent of farms in the assessment area had annual revenues of $1 million or less, and the 2018 aggregate lending level to small farms was 37.0 percent. In addition, the bank originated a majority of its small farm loans (69.4 percent) in amounts less than $100,000, further indicating the bank's willingness to meet the small dollar credit needs of small farms. As a result, overall performance to small farms is considered excellent.

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 ($63,900 for nonMSA Illinois as of 2018). 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, 2018 aggregate data for the assessment area is shown.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2018 through December 31, 2018												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
1–4 Family Residential Real Estate	10	21.7%	11	23.9%	14	30.4%	7	15.2%	4	8.7%	**46**	**100%**
Family Population	24.2%		18.8%		21.9%		35.1%		0.0%		**100%**	
2018 HMDA Aggregate	9.0%		27.1%		21.9%		27.8%		14.2%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (21.7 percent) is slightly below the low-income family population figure (24.2 percent) but significantly above the 2018 aggregate lending level to low-income borrowers (9.0 percent), reflecting excellent performance. The bank's performance to low-income borrowers is particularly responsive, given the assessment area's elevated poverty level, where 13.2 percent of families fall below the poverty threshold. The bank's level of lending to moderate-income borrowers (23.9 percent) is above the moderate-income family population percentage (18.8 percent) but slightly below the 2018 aggregate lending level to moderate-income borrowers (27.1 percent), reflecting reasonable performance. Therefore, considering performance to both income categories, the bank's overall distribution of 1–4 family residential real estate loans by borrower's profile is excellent.

Geographic Distribution of Loans

Under the geographic distribution of loans analysis, emphasis is placed on the bank's performance in LMI geographies. The bank's assessment area does not contain any low-income census tracts and consists of 6 moderate and 15 middle-income census tracts. Overall, the bank's geographic distribution of loans in the assessment area reflects reasonable penetration throughout the moderate-income census tracts, based on the small business, small farm, and 1–4 family residential real estate loan categories.

The following table displays 2018 small business loan activity by geographic income level compared to the location of businesses throughout the bank's assessment area and 2018 small business aggregate data.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2018 through December 31, 2018											
	Geography Income Level										TOTAL
	Low-		Moderate-		Middle-		Upper-		Unknown		
Small Business Loans	0	0.0%	24	27.3%	64	72.7%	0	0.0%	0	0.0%	**88**	**100%**
Business Institutions	0.0%		43.0%		57.0%		0.0%		0.0%		**100%**	
2018 Small Business Aggregate	0.0%		35.2%		59.6%		0.0%		5.2%		**100%**	

The bank's percentage of loans in moderate-income census tracts (27.3 percent) is below the percentage of small businesses operating inside these tracts (43.0 percent) and 2018 aggregate lending levels in the moderate-income tracts (35.2 percent). Therefore, the bank's overall geographic distribution of small business loans is poor based on performance in the moderate-income tracts.

Next, the bank's geographic distribution of small farm loans was reviewed. The following table displays 2018 small farm loan activity by geographic income level compared to the location of small farms throughout the bank's assessment area and 2018 small farm aggregate data.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2018 through December 31, 2018											
	Geography Income Level										TOTAL
	Low-		Moderate-		Middle-		Upper-		Unknown		
Small Farm Loans	0	0.0%	1	2.0%	48	98.0%	0	0.0%	0	0.0%	**49**	**100%**
Agricultural Institutions	0.0%		5.3%		94.7%		0.0%		0.0%		**100%**	
2018 Small Farm Aggregate	0.0%		2.5%		97.5%		0.0%		0.0%		**100%**	

As displayed in the preceding table, the bank originated one agricultural loan in moderate-income census tracts during the 2018 review period. The bank's percentage of loans in moderate-income tracts (2.0 percent) is below the percentage of small farms in moderate-income tracts (5.3 percent). However, the bank's performance is in line with aggregate lending (2.5 percent). In addition, the assessment area's moderate-income tracts contain only 13 small farm entities, limiting opportunities for agricultural lending in these tracts. Therefore, the bank's geographic distribution of small farm loans is reasonable.

The following table displays the geographic distribution of 2018 1–4 family residential real estate 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, 2018 through December 31, 2018												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
1–4 Family Residential Real Estate	0	0.0%	15	32.6%	31	67.4%	0	0.0%	0	0.0%	**46**	**100%**
Owner-Occupied Housing	0.0%		22.8%		77.2%		0.0%		0.0%		**100%**	
2018 HMDA Aggregate	0.0%		23.5%		76.5%		0.0%		0.0%		**100%**	

The bank's total penetration of moderate-income census tracts by number of loans (32.6 percent) is well above the percentage of owner-occupied housing units in moderate-income census tracts (22.8 percent). The bank's performance in moderate-income census tracts is also significantly above that of other lenders based on aggregate lending data, which indicate that 23.5 percent of aggregate 1–4 family residential real estate loans inside the assessment area were made to borrowers residing in moderate-income census tracts. Therefore, the bank's performance in moderate-income census tracts was significantly above comparison data and deemed excellent.

Lastly, based on reviews from all three loan categories, the bank had loan activity in 33.3 percent of the assessment area's moderate-income census tracts and 46.7 percent of the assessment area's middle-income census tracts. Given the significant distance between the bank's branches and the census tracts located in western Marion County (four moderate-income tracts and four middle-income tracts are located approximately 20–40 miles away from the nearest branch location), this performance is deemed reasonable. Overall, when accounting for proximity to bank branches there were no conspicuous lending gaps noted in LMI areas. This information supports the conclusion that the bank's overall geographic distribution of loans is reasonable.

<u>Responses to Complaints</u>

No CRA-related complaints were filed against the bank during this review period (September 28, 2015 through December 1, 2019).

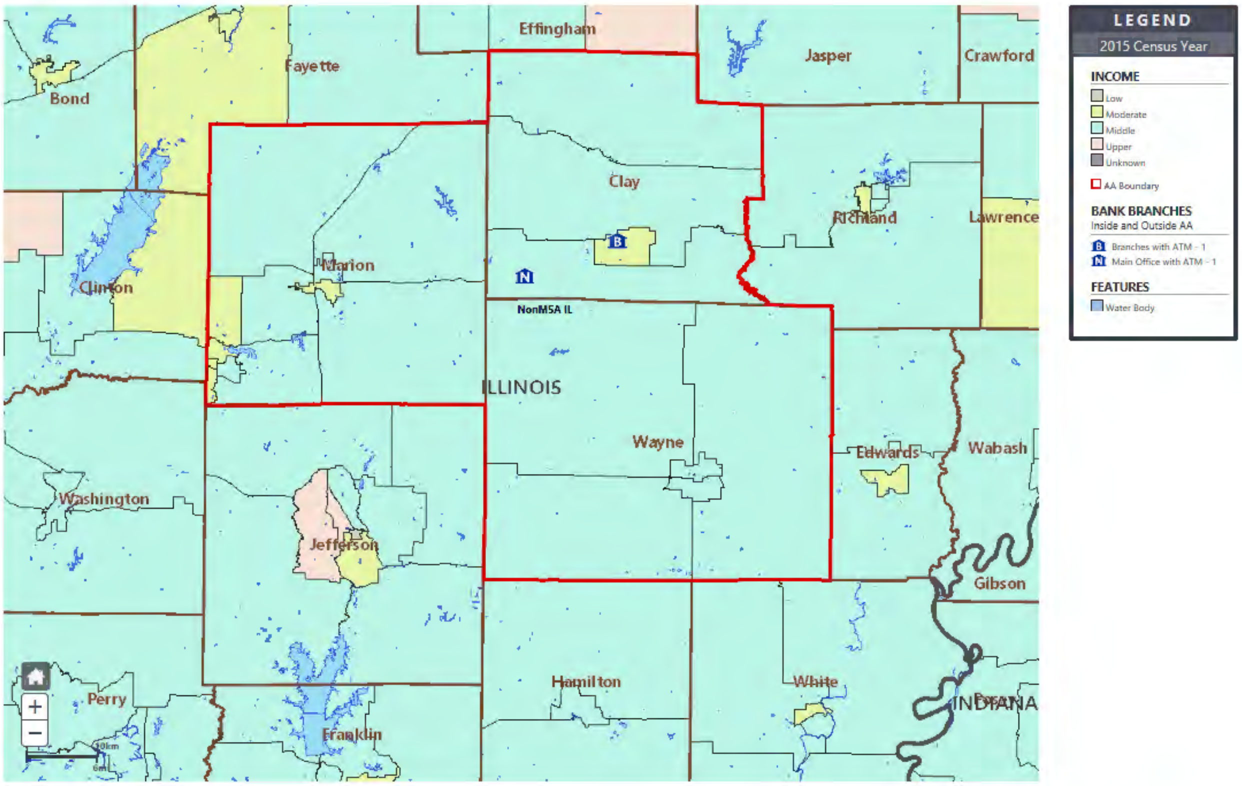
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

FCB Xenia-Flora, Xenia IL 2019
NonMSA IL



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.