# PUBLIC DISCLOSURE

**March 6, 2017**

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Texico State Bank**
**RSSD #256049**

**13766 E. Dix Texico Road**
**Texico, Illinois 62889**

**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.**

Texico State Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending. 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 excellent penetration among individuals of different income levels (including low- and moderate-income [LMI] borrowers).
- Geographic distribution of loans reflects poor 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 loans were used to evaluate the bank's lending performance, as this loan category is the bank's core business line based on lending volume and the bank's business strategy. Therefore, the loan activity represented by this credit product is deemed indicative of the bank's overall lending performance. The following table details the performance criterion and the corresponding time periods used in each analysis.

| Performance Criterion | Time Period |
|---|---|
| LTD Ratio | March 31, 2013 through December 31, 2016 |
| Assessment Area Concentration | February 26, 2013 through December 31, 2015 |
| Loan Distribution by Borrower's Profile | February 26, 2013 through December 31, 2015 |
| Geographic Distribution of Loans | February 26, 2013 through December 31, 2015 |
| Response to Written CRA Complaints | February 26, 2013 through March 5, 2017 |

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on the Home Mortgage Disclosure Act (HMDA). Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census 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. Because nearly three full years of loan originations are reviewed, comparisons are drawn to 2013, 2014, and 2015 HMDA aggregate lending data. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Two other banks were identified as similarly situated peers, with asset sizes of $44.4 million and $45.2 million as of December 31, 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 in the bank's assessment area. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

## DESCRIPTION OF INSTITUTION

Texico State Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Texico Bancshares Corporation, a one-bank holding company headquartered in Texico, Illinois. The bank operates from one office, which is located in the northern portion of Jefferson County. Texico is located approximately 12 miles north of Mount Vernon, Illinois, and 85 miles east of St. Louis, Missouri, and is largely rural. The bank does not have a website and does not offer automated teller machine services. Customers may access information about their accounts and the bank's product offerings by telephone or in person. The one facility does have a drive-through service. The bank did not open or close any branch offices during this review period.

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, 2016, the bank reported total assets of $7.9 million. As of the same date, total loans and leases outstanding were $4.1 million (51.5 percent of total assets), and deposits totaled $7.2 million. However, based on the bank's size, its sole location, and its limited service delivery systems, the bank is somewhat constrained in its ability to deliver financial services to its entire assessment area. The bank's loan portfolio composition by credit category is displayed in the following table.

| Distribution of Total Loans as of December 31, 2016 | | |
|---|---|---|
| **Credit Category** | **Amount ($000s)** | **Percentage of Total Loans** |
| Construction and Development | $405 | 9.9% |
| Commercial Real Estate | $33 | 0.8% |
| 1–4 Family Residential | $3,222 | 79.0% |
| Farmland | $152 | 3.7% |
| Farm Loans | $25 | 0.6% |
| Commercial and Industrial | $29 | 0.7% |
| Loans to Individuals | $214 | 5.2% |
| **TOTAL** | **$4,080** | **100%** |

As indicated by the preceding table, a very significant portion of the bank's lending resources is directed to 1–4 family residential properties. The bank makes other types of loans but, at 79.0 percent of all loans, for purpose of this evaluation, only 1–4 family residential loans have sufficient volume for analysis.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on February 25, 2013.

# DESCRIPTION OF ASSESSMENT AREA

## General Demographics

The bank's assessment area, which has a population of 43,008, is located in south central Illinois, outside of any Metropolitan Statistical Area. The assessment area consists of all 11 census tracts in Jefferson County, Illinois, and one census tract in Marion County, Illinois. The population of Jefferson County is 38,827. In the assessment area, Mount Vernon, the county seat of Jefferson County, has the largest population at 15,277. Texico, where the bank is located, is an unincorporated community approximately 12 miles from the city limits of Mount Vernon. The one tract in Marion County taken in the bank's assessment area has a total population of 4,181. This tract was designated as a distressed middle-income tract due to unemployment in 2014.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2016, there are 10 FDIC-insured depository institutions in Jefferson County that operate 18 offices.[1] Texico State Bank, with one banking location, ranks ninth in terms of deposit market share and has 1.2 percent of the total county deposit dollars.

## Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population in those tracts.

| Assessment Area Demographics by Geography Income Level | | | | | | |
|---|---|---|---|---|---|---|
| **Dataset** | **Low-** | **Moderate-** | **Middle-** | **Upper-** | **Unknown** | **TOTAL** |
| Census Tracts | 1<br>8.3% | 2<br>16.7% | 8<br>66.7% | 1<br>8.3% | 0<br>0.0% | **12**<br>**100%** |
| Family Population | 269<br>2.4% | 1,396<br>12.2% | 8,874<br>77.6% | 899<br>7.9% | 0<br>0.0% | **11,438**<br>**100%** |

As shown above, 25.0 percent of the census tracts in the assessment area are LMI geographies, but only 14.6 percent of the family population resides in these tracts. The low-income census tract is in the commercial center of Mount Vernon. The two moderate-income tracts are to the immediate west and south of downtown Mount Vernon.

Based on 2010 U.S. Census data, the median family income for the assessment area was $51,877. At the same time, the median family income for the nonmetropolitan statistical area (nonMSA) portion of Illinois was $54,499. More recently, the FFIEC estimates the 2013, 2014, and 2015 median family incomes for nonMSA Illinois to be $56,200; $58,600; and $60,100, respectively. The following table displays population percentages of assessment area families by income level compared to nonMSA Illinois family populations as a whole.

[1] Although the bank's assessment area includes only a portion of Marion County (Tract 9522), the number of depository institutions discussed here includes only Jefferson County, Illinois.

| Family Population by Income Level | | | | | |
|---|---|---|---|---|---|
| **Dataset** | **Low-** | **Moderate-** | **Middle-** | **Upper-** | **TOTAL** |
| Assessment Area | 2,393<br>20.9% | 2,247<br>19.6% | 2,597<br>22.7% | 4,201<br>36.7% | **11,438**<br>**100%** |
| NonMSA Illinois | 78,502<br>19.3% | 75,456<br>18.5% | 91,300<br>22.4% | 162,112<br>39.8% | **407,370**<br>**100%** |

As shown in the preceding table, 40.5 percent of families in the assessment area were considered LMI, which is slightly higher than LMI family percentage of 37.8 percent in nonMSA Illinois. The percentage of families living below the poverty threshold in the assessment area, 11.8 percent, is above the 9.7 percent level for nonMSA Illinois. Considering these factors, the assessment area appears less affluent than nonMSA Illinois.

## Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be about as affordable as nonMSA Illinois. The median housing value for the assessment area is $85,804, which is only slightly below the figure for nonMSA Illinois of $89,798. The median gross rent for the assessment area of $545 per month is also only slightly lower than the $561 per month for nonMSA Illinois. The assessment area housing affordability ratio of 48.5 percent is about the same as the nonMSA figure of 48.0 percent.

Other housing demographic data show that the assessment area is very similar to nonMSA Illinois, such as owner-occupied units, 68.1 percent compared to 67.2 percent, respectively; rental units, 21.4 percent to 21.9 percent, respectively; and vacant units, 10.5 percent to 11.0 percent, respectively. Only in the area of mobile homes is there a noteworthy dissimilarity in which 20.8 percent of all housing units in the assessment area are mobile homes compared to 8.7 percent in nonMSA Illinois.

## Industry and Employment Demographics

The assessment area supports a large and diverse business community, including a strong manufacturing sector. County business patterns indicate that there are 18,300 paid employees in Jefferson County.[2] By percentage of employees, the three largest job categories are manufacturing (22.2 percent), healthcare and social assistance (18.4 percent), and retail trade (12.8 percent). Accommodation and food services is the fourth largest job category at 8.4 percent. The following table details unemployment data from the U.S. Department of Labor,

[2] A single tract of Marion County, Illinois, is included within the assessment area (Tract 9522). However, the data used for employment and industry demographics is only available at the county level; therefore, data from that census tract is not included.

Bureau of Labor Statistics (not seasonally adjusted) for each county of the assessment area[3] compared to the entire state of Illinois.

| Unemployment Levels for the Assessment Area | | | | |
|---|---|---|---|---|
| **Time Period (Annual Average)** | **Illinois** | **Assessment Area** | **Jefferson County** | **Marion County** |
| 2013 | 9.1% | 9.8% | 9.6% | 10.1% |
| 2014 | 7.1% | 7.5% | 7.4% | 7.6% |
| 2015 | 5.9% | 6.8% | 6.8% | 6.9% |
| 2016 (7-month average) | 6.3% | 7.0% | 7.0% | 7.1% |

As shown in the preceding table, unemployment levels for the assessment area, as well as the individual counties, have shown a generally decreasing trend since the last performance evaluation. Historically, however, unemployment levels in the assessment area are above the state of Illinois.

## Community Contact Information

Information from two community contact interviews 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 economic and industrial development in Jefferson County, and one with an individual knowledgeable about the local residential real estate market.

The contact involved in economic development categorized the economy of Jefferson County as relatively strong, with good potential for growth. Regional employment, however, is centered in Mount Vernon. The contact highlighted the strong manufacturing base led by Continental Tire of America (located in Mount Vernon), which employs over 3,300 people, making it the largest single employer in the county.

The contact also noted the favorable location of Mount Vernon as a distribution hub, as it sits at the crossroads of two interstate highways. In fact, Walgreens has such a regional distribution center in Mount Vernon that employs around 1,500 people. The contact further indicated that many people who work in Mount Vernon live within a 30-minute commuting radius. This presents an opportunity for residential real estate growth in the small towns surrounding Mount Vernon. Currently, however, development is limited due to outdated electronic infrastructure. The contact cited the increased reliance of our society on technology and targeted a need for investment in broadband Wi-Fi to increase the desirability of living in rural areas. Better access to electronic technology would make living outside of Mount Vernon more appealing to many potential homeowners.

[3] The unemployment figures for the assessment area include all of Marion County, although only a single tract of Marion County is within the assessment area.The table, however, breaks out Marion County as a whole.

The second contact, a local real estate agent and broker familiar with the area, said that the greatest demand is for homes on the outer edge of the Mount Vernon area. The contact also mentioned that many of the people who desire to live in the rural areas make their living using technology that allows for remote working situations. For these people in particular, the lack of high-speed Internet service in the rural areas was a challenge. Furthermore, both contacts noted the large number of banks operating in Mount Vernon, noting strong competition between them for local loans. Both community contacts also acknowledged the difficulties faced by banks located outside of the larger cities in the area.

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

| LTD Ratio Analysis | | | |
|---|---|---|---|
| **Name** | **Headquarters** | **Asset Size ($000s) as of December 31, 2016** | **Average LTD Ratio** |
| Texico State Bank | Texico, Illinois | $7,930 | 58.3% |
| Regional Banks | Sandoval, Illinois | $44,524 | 50.3% |
| | Kinmundy, Illinois | $45,152 | 81.4% |

Based on data from the previous table, the bank's level of lending is between those of similar banks in the region. Although these banks may not be in direct competition, they were chosen for comparative purposes, as they are similar in branch structure and rural demographics.

During the review period, the LTD ratio experienced a generally increasing trend with a 16-quarter average of 58.3 percent and a generally upward trend from the average noted at the prior examination of 45.5 percent. In comparison, the average LTD ratio for the regional peer headquartered in Sandoval was lower and had a generally stable trend. The peer headquartered in Kinmundy has historically had a higher LTD ratio than Texico State Bank and has also shown a slightly upward trend over time. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

## Assessment Area Concentration

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside and outside the bank's assessment area.

| Lending Inside and Outside of Assessment Area ($000s)<br>February 26, 2013 through December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|
| Loan Type | Inside Assessment Area | | Outside Assessment Area | | TOTAL | |
| 1–4 Family Residential Real Estate | 38 | 53.5% | 33 | 46.5% | **71** | **100%** |
| | $2,172 | 48.3% | $2,321 | 51.7% | **$4,493** | **100%** |

A majority of loans and other lending-related activities were made in the bank's assessment area. However, as shown above, by number, 53.5 percent of the total loans were made inside the assessment area, accounting for only 48.3 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 in the loan category reviewed.

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 ($56,200 for nonMSA Illinois in 2013, $58,600 in 2014, and $60,100 in 2015). 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, 2013, 2014, and 2015 aggregate data for the assessment area is displayed.

| Distribution of Loans Inside Assessment Area by Borrower Income<br>February 26, 2013 through December 31, 2015 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Borrower Income Level | | | | | | | | | | TOTAL | |
| | Low- | | Moderate- | | Middle- | | Upper- | | Unknown | | | |
| 1–4 Family Residential Real Estate | 5 | 13.2% | 14 | 36.8% | 14 | 36.8% | 5 | 13.2% | 0 | 0.0% | **38** | **100%** |
| Family Population | 20.9% | | 19.6% | | 22.7% | | 36.7% | | 0.0% | | **100%** | |
| 2013 HMDA Aggregate | 6.6% | | 17.3% | | 25.0% | | 42.2% | | 8.9% | | **100%** | |
| 2014 HMDA Aggregate | 6.6% | | 21.1% | | 25.9% | | 30.6% | | 15.8% | | **100%** | |
| 2015 HMDA Aggregate | 7.8% | | 18.1% | | 24.2% | | 31.7% | | 18.1% | | **100%** | |

As displayed in the preceding table, by number, the bank's performance of 1–4 family residential real estate loans made to low-income borrowers, 13.2 percent, is below the family population comparison of 20.9 percent. Aggregate lending was 6.6 percent (2013), 6.6 percent (2014), and 7.8 percent (2015). Overall, lending to low-income borrowers is considered reasonable. The bank's performance of 1–4 family residential real estate loans made to moderate-income borrowers, 36.8 percent, compares favorably to the family population comparison of 19.6 percent Aggregate lending was 17.3 percent (2013), 21.1 percent (2014), and 18.1 percent (2015). This reflects excellent performance. Combined, 50.0 percent of the 1–4 family residential real estate loans reviewed were made to LMI borrowers, which compares favorably to the LMI family population of 40.5 percent. Therefore, considering performance to both income categories, as well as combined performance, the bank's overall distribution of loans by borrower's profile is excellent.

## Geographic Distribution of Loans

As noted previously, the assessment area includes one low-income and two moderate-income census tracts, representing 25.0 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects poor penetration throughout these LMI census tracts.

The following table displays the geographic distribution of three years of 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**
**February 26, 2013 through December 31, 2015**

| | **Geography Income Level** | | | | | | | | | | **TOTAL** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Low-** | | **Moderate-** | | **Middle-** | | **Upper-** | | **Unknown** | | | |
| 1–4 Family Residential Real Estate | 0 | 0.0% | 0 | 0.0% | 36 | 94.7% | 2 | 5.3% | 0 | 0.0% | **38** | **100%** |
| Owner-Occupied Housing | 1.4% | | 11.5% | | 78.1% | | 9.0% | | 0.0% | | **100%** | |
| 2013 HMDA Aggregate | 0.4% | | 3.4% | | 85.3% | | 10.9% | | 0.0% | | **100%** | |
| 2014 HMDA Aggregate | 0.5% | | 7.6% | | 77.6% | | 14.3% | | 0.0% | | **100%** | |
| 2015 HMDA Aggregate | 0.7% | | 4.8% | | 79.5% | | 15.1% | | 0.0% | | **100%** | |

As can be seen in the preceding table, the one low-income census tract has very little owner-occupied housing, and the aggregate data for 2013, 2014, and 2015 shows that few residential real estate loans were made there. This is consistent with the nature of the tract being largely commercial. Nonetheless, the bank's performance in the low-income census tract is poor.

The owner-occupied housing data in moderate-income census tracts (11.5 percent), however, show that there is a modest number of housing units in those two tracts. This is further exemplified by the aggregate data, which reveals that in 2013, 3.4 percent of all HMDA loans in the assessment area were made in these two tracts, and in 2014 and 2015, 7.6 percent and 4.8 percent, respectively. Thus, the bank's lending does not compare favorably to the demographic data, reflecting poor performance.

In assessing the weight given to this poor performance, however, certain issues must be considered. First, the bank's sole facility is approximately 12 miles from the three LMI tracts. The tracts themselves are in the center of Mount Vernon, and there are a number of community and national banks in the city limits of Mount Vernon. According to both community contacts, competition exists among the local banks for loans in Mount Vernon. Further review of the bank's lending patterns shows that it makes most of its loans in the rural areas outside the city limits of Mount Vernon and has very few loans in the city proper. Both contacts mentioned that the greatest demand is for real estate outside of the city of Mt. Vernon, which is where the majority of the bank's loans are made. Finally, given the bank's asset size, lending levels, and relatively low degree of technology use, it should not be expected that the bank be a major competitor in this part of the assessment area. These constraints limit the bank's ability to lend within the LMI tracts of the assessment area.

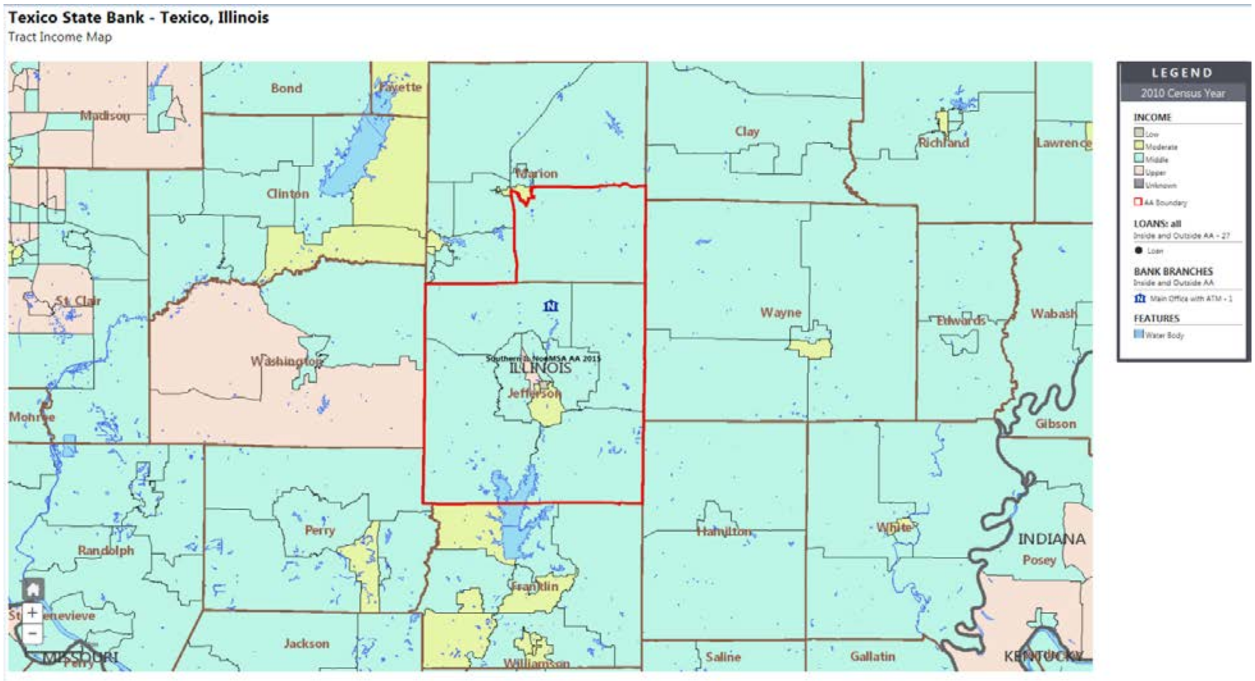
**Responses to Complaints**

No CRA-related complaints were filed against the bank during this review period (February 26, 2013 through March 5, 2017).

## 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 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.