

PUBLIC DISCLOSURE

April 24, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Camp Grove State Bank
RSSD# 302133

26 Main Street
Camp Grove, Illinois 61424

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Camp Grove State Bank is rated Satisfactory.

A majority of the bank's loans, by number, are originated in its assessment area. The loan-to-deposit ratio is reasonable considering the bank's size, financial condition, and the assessment area's credit needs. The borrower's profile reflects reasonable penetration among business and farms of different sizes. The bank's assessment area is comprised solely of middle-income census tracts, therefore; the geographic distribution of loans was not weighed in determining the bank's rating. Finally, there were no CRA-related complaints made to either the bank or the Federal Reserve during the evaluation period.

SCOPE OF EXAMINATION

A full scope evaluation of small business and small farm lending in the bank's single assessment area was conducted using the Interagency Small Institution CRA Examination Procedures. The CRA performance was evaluated within the context of information about the institution and its assessment area including asset size, financial condition, local competition, and economic and demographic characteristics. The evaluation was based on the universe of small business and small farm loans the bank originated from July 30, 2020, through December 31, 2022, using the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16 quarter average loan-to-deposit ratio was calculated for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's small business and small farm loans were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's small business and small farm loans originated from July 30, 2020, through December 31, 2022, in the assessment area were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate- income.
- ***Lending to Borrowers of Businesses and Farms of Different Sizes*** – The bank's small business and small farm loans originated from July 30, 2020, through December 31, 2022, in the assessment area were reviewed to determine the distribution among businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank's record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, two community representatives were contacted to provide information about local economic and socio-economic conditions in the assessment area. An organization focused on agriculture and an organization that provides broad community support, including to agriculture, small businesses, and consumers were contacted.

DESCRIPTION OF INSTITUTION

The bank's main office is located in unincorporated Camp Grove, Illinois in Marshall County, Illinois. There are no additional bank branches and no automated teller machines (ATMs). Since the previous evaluation, the bank is now a subsidiary of Katz Bancorp, LLC (Katz) as of April 9, 2021. Since the acquisition, the bank began offering additional banking services, such as internet and mobile banking. The bank's total assets increased to \$43.3 million on December 31, 2022, from \$17.2 million on March 31, 2021, the quarter end period immediately prior to the acquisition by Katz. The bank is primarily a commercial and agricultural lender. Camp Grove State Bank's loan portfolio mix, as of December 31, 2022, is presented in the table below.

Loan Portfolio Mix		
As of December 31, 2022		
Loan Type	\$	% of Portfolio
Agriculture	4,509	34.8
Commercial	8,121	62.6
Consumer	207	1.6
Residential Real Estate	135	1.0
Gross Loans	12,972	100.0

Note: Percentages may not total to 100.0 percent due to rounding.

Based on June 30, 2022, Federal Deposit Insurance Corporation (FDIC) data, the bank had a deposit market share of 4.6 percent, which ranked seventh out of 10 FDIC-insured institutions within the assessment area. Morton Community Bank and State Bank of Toulon ranked first and second for deposit share in the assessment area, holding 25.1 and 23.7 percent, respectively. Deposit products include those routinely available in the industry including checking, savings, money-market accounts, and certificates of deposit.

There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on March 25, 2019.

DESCRIPTION OF ASSESSMENT AREA

Camp Grove State Bank's assessment area is located in the Peoria, Illinois metropolitan statistical area (MSA) #37900 (Peoria MSA) and consists of three middle-income census tracts. The assessment area census tracts are located in the more rural portions of the six-county Peoria MSA. This includes two tracts, representing the entirety of Stark County, Illinois, and one additional contiguous tract in Marshall County, Illinois. The assessment area delineation is unchanged since the previous evaluation. Additionally, the income composition of the census tracts did not change as a result of the updated American Community Survey (ACS) data¹, as they were also previously middle-income census tracts.

The table on the following page provides additional demographic information about the bank's assessment area.

¹ Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 ACS data. For years 2021 and before, the designations are based on 2011-2015 ACS data. For examinations that include performance before and after 2021, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

2022 Peoria, IL MSA 37900 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	497	23.5
Moderate	0	0.0	0	0.0	0	0.0	392	18.6
Middle	3	100.0	2,111	100.0	187	8.9	523	24.8
Upper	0	0.0	0	0.0	0	0.0	699	33.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3	100.0	2,111	100.0	187	8.9	2,111	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	3,649	2,621	100.0	71.8	612	16.8	416	11.4
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	3,649	2,621	100.0	71.8	612	16.8	416	11.4
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	252	100.0	204	100.0	26	100.0	22	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	252	100.0	204	100.0	26	100.0	22	100.0
Percentage of Total Businesses:				81.0		10.3		8.7
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	66	100.0	65	100.0	0	0.0	1	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	66	100.0	65	100.0	0	0.0	1	100.0
Percentage of Total Farms:				98.5		0.0		1.5
<i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>								
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

Population Change

The bank’s assessment area is located in the rural part of the Peoria MSA, with a population of 7,492 at the 2020 U.S. Census. Like many rural areas, the assessment area’s population declined by 7.3 percent relative to its 2015 population. This decline can be attributed to the substantial decline in population of Stark County, which comprises the majority of the assessment area population. Stark County’s population declined by 7.8 percent compared to 3.3 percent for the Peoria MSA. Community representatives indicated that the population decline occurred as the younger population goes away to college and does not return to the area. The lack of convenient access to health care was also cited as a contributor to the assessment area’s population loss.

Population Change			
Area	2015 Population	2020 Population	Percent Change (%)
Assessment Area	8,082	7,492	-7.3
Marshall County, IL	12,173	11,742	-3.5
Stark County, IL	5,859	5,400	-7.8
Peoria, IL MSA	416,270	402,391	-3.3
Illinois	12,873,761	12,812,508	-0.5
<i>Source: 2011-2015 U.S. Census Bureau American Community Survey and 2020 U.S. Census Bureau Decennial Census</i>			

Income Characteristics

Median family income in the assessment area has increased at a slower rate than elsewhere in the Peoria MSA, with Marshall and Stark Counties showing growth rates of 2.7 and 1.7 percent, respectively. The growth rates for the Peoria MSA and the state of Illinois were 5.9 and 10.3 percent, respectively. The actual median family income level of \$71,612 for the assessment area is 92.0 percent of the full MSA income level, community representatives indicated that in addition to employment opportunities in the assessment area, residents can commute to the City of Peoria for a broad range of employment opportunities.

Median Family Income Change			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percent Change (%)
Assessment Area	NA	71,612	NA
Marshall County, IL	71,000	72,945	2.7
Stark County, IL	67,262	68,438	1.7
Peoria, IL MSA	73,539	77,873	5.9
Illinois	78,169	86,251	10.3
<i>Source: 2011 - 2015 and 2016 – 2020 U.S. Census Bureau American Community Survey</i>			
<i>Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

Housing Characteristics

According to the 2015 U.S. Census Bureau, there are a total of 3,649 housing units in the assessment area. The majority of housing units are owner-occupied at 71.8 percent, with 16.8 percent considered rental units, and 11.4 percent of housing units are vacant. Housing in the assessment area is more affordable than in the Peoria MSA. The median housing value of \$95,764 based on the 2020 U.S. Census, is substantially lower than the Peoria MSA median housing value of \$133,556.

A method in understanding poverty and housing outcomes is calculating housing cost burden, which is outlined in the table below. The housing cost burden is the ratio of a household’s gross monthly housing costs to the household’s gross monthly income. Housing cost burden, as defined by the Department of Housing and Urban Development (HUD), takes these quantitative ratios, and assigns qualitative values to them. If a household’s housing cost is above 30.0 percent of its income, then that household is considered housing cost burdened.

Based on the utilization of these housing cost burden measures, assessment area rental housing in particular is more affordable than in the full Peoria MSA, with only 6.1 percent of Marshall County moderate-income renters considered cost burdened and none of Stark County’s moderate income rental households considered housing burdened. Owners have a higher cost burden, with 19.2 percent and 17.4 percent of Marshall and Stark County moderate-income borrowers, respectively, having a housing cost burden of 30 percent or more of household income, although it is still slightly lower than the rate for moderate-income owners in the full MSA. Due to their much lower income levels, high levels of both low-income renters and owners are housing cost burdened.

Community representatives indicated that despite a good level of affordable housing, the assessment area’s housing is aging and that owners stay in their homes as long as they can. This results in other residents’ struggling to find housing in the assessment area, regardless of income. In addition, the quality of housing for low-income individuals is less than desired because the homes are in need of rehabilitation due to their age.

Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Marshall County, IL	58.6	6.1	33.4	44.9	19.2	14.0
Stark County, IL	47.6	0.0	24.0	34.1	17.4	12.0
Peoria, IL MSA	66.2	15.9	37.3	54.4	22.1	14.8
Illinois	73.2	29.2	42.7	66.2	33.2	21.7

Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy. Cost Burden is housing cost that equals 30 percent or more of household income.

Employment Conditions

The Bureau of Labor Statistics data indicate that manufacturing and the public sector are the largest categories of assessment area employers. Unemployment levels have returned to those seen prior to the global COVID-19 pandemic. In 2021, unemployment levels in Marshall and Stark Counties were 5.6 and 5.5 percent, respectively, and were slightly lower than the levels in the Peoria MSA at 6.0 percent. Community representatives indicated that there are several manufacturers located in the assessment area, and that area residents can also commute into Peoria for employment. The community representatives also indicated that junior college partnerships have been effective in assisting residents in obtaining skilled trades employment.

Unemployment Rates (%)					
Area	2017	2018	2019	2020	2021
Marshall County, IL	5.4	5.2	4.6	7.5	5.6
Stark County, IL	6.3	6.2	5.5	7.4	5.5
Peoria, IL MSA	5.6	5.2	4.6	9.1	6.0
Illinois	4.9	4.4	4.0	9.2	6.1

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Community Representatives

Two community representatives were contacted to provide information about local economic and demographic conditions. The representatives indicated that financial institutions are effectively meeting assessment area credit needs, although low- and moderate-income individuals could benefit from additional financial literacy training. Additionally, micro lending programs for low- and moderate-income individuals would be helpful, especially for home improvement purposes, as the quality of the housing stock is not optimal due to its age and/or condition.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

Camp Grove State Bank’s performance for the lending test is rated Satisfactory based on a reasonable loan-to-deposit ratio, a majority of loans by number originated in the bank’s assessment area, and a reasonable penetration of loans to small businesses and small farms of different sizes.

Loan-to-Deposit Ratio

Camp Grove State Bank’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. As of December 31, 2022, the bank’s LTD ratio averaged 40.4 percent over the 16-quarter period. Although the ratio is significantly below some competitors, it aligns with its peer banks, as reflected in the average of its national peer group at 49.3 percent. This peer group accounts for banks that have assets of less than \$50 million and a single banking office located in a metropolitan statistical area.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16- Quarter Average
Camp Grove State Bank	40.4
National Peer Group 16	49.3
Competitors	
First National Bank of Lacon	74.5
MidAmerica National Bank	73.6
Peoples National Bank of Kewanee	38.1
State Bank of Toulon	71.3

Assessment Area Concentration

A majority of the bank’s loans are originated in its assessment area. During the evaluation period, Camp Grove State Bank originated 51.9 percent of its total loans inside the assessment area. The bank’s ownership transition has resulted in a shift in small business lending outside of the assessment area. However, the bank’s small farm loans, which are historically its primary lending product, continue to be originated substantially within the assessment area, with 90.0 percent of loans by number made in the assessment area.

Assessment Area Concentration								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Small Business	10	29.4	1,554	18.4	24	70.6	6,875	81.6
Small Farm	18	90.0	3,646	93.2	2	10.0	265	6.8
Total Loans	28	51.9	5,200	42.1	26	48.1	7,140	57.9

Geographic Distribution of Loans

The assessment area is comprised only of middle-income census tracts and, therefore, a meaningful analysis could not be performed. The dispersion of loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included in the assessment area. Examiners determined that the bank extended loans in each of its three census tracts. The following tables provide information on the bank's loan volume in middle-income census tracts to small businesses and small farms.

2020 – 2022 Distribution of Lending by Income Level of Geography					
Geography Income Level	#	#%	\$(000)	%	Total Farms
Small Business Loans					
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	10	100.0	1,554	100.0	100.0
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Total	10	100.0	1,554	100.0	100.0
Small Farm Loans					
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	18	100.0	3,646	100.0	100.0
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Total	18	100.0	3,646	100.0	100.0

Source: 2022 FFIEC Census Data, 2022 Dun & Bradstreet Data, 2016 – 2020 U.S. Census Bureau American Community Survey

Lending to Businesses and Farms of Different Sizes

The bank’s lending to small businesses and small farms reflects a reasonable penetration among businesses and farms of different sizes.

Small Business Lending

Small business lending reflects reasonable penetration among business of different revenue sizes. Forty percent of the bank’s small business lending was to borrowers with revenues of \$1 million or less, while 81.0 percent of businesses in the bank’s assessment area have revenues of \$1 million or less. Small business loans by loan size were primarily made in amounts of \$100,000 or less, as this loan size comprised 80.0 percent of total small business lending. Seventy-five percent of borrowers with revenues of \$1 million or less received loans of \$100,000 or less, which is considered most beneficial to small business borrowers.

Distribution of 2020 – 2022 Lending by Revenue Size					
Small Business Loans					
	#	#%	\$(000)	%	Total Businesses %
By Revenue					
\$1 Million or Less	4	40.0	287	18.5	81.0
Over \$1 Million	6	60.0	1,267	81.5	10.3
Revenue Unknown	0	0.0	0	0.0	8.7
Total	10	100.0	1,554	100.0	100.00
By Loan Size					
\$100,000 or Less	8	80.0	384	24.7	
\$100,001 - \$250,000	1	10.0	170	10.9	
\$250,001 - \$1,000,000	1	10.0	1,000	64.4	
Total	10	100.0	1,554	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or Less	3	75.0	117	40.8	
\$100,001 - \$250,000	1	25.0	170	59.2	
\$250,001 - \$1,000,000	0	0.0	0	0.0	
Total	4	100.0	287	100.0	
Source: 2022 FFIEC Census Data and Dun & Bradstreet Data, 2016 - 2020 U.S. Census Bureau American Community Survey. Percentages may not total 100.0 percent due to rounding.					

Small Farm Lending

Small farm lending reflects reasonable penetration among farms of different revenue sizes. The bank originated a majority, or 55.6 percent, of its small farm loans to borrowers with revenues of \$1 million or less during the evaluation period, compared to the demographic of 98.5 percent of small farms in the assessment area having revenues of \$1 million or less. Forty percent of loans made to those borrowers were in amounts of \$100,000 or less, which are considered to be most beneficial to small farm borrowers.

Distribution of 2020 – 2022 Lending by Revenue Size					
Small Farm Loans					
	#	#%	\$(000)	\$%	Total Farms %
By Revenue					
\$1 Million or Less	10	55.6	2,009	55.1	98.5
Over \$1 Million	8	44.4	1,637	44.9	0.0
Revenue Unknown	0	0.0	0	0.0	1.5
Total	18	100.0	3,646	100.0	100.0
By Loan Size					
\$100,000 or Less	5	27.8	281	7.7	
\$100,001 - \$250,000	7	38.9	1,060	29.1	
\$250,001 - \$500,000	6	33.3	2,305	63.2	
Total	18	100.0	3,646	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or Less	4	40.0	234	11.6	
\$100,001 - \$250,000	3	30.0	575	28.6	
\$250,001 - \$500,000	3	30.0	1,200	59.7	
Total	10	100.0	2,009	100.0	
Source: 2022 FFIEC Census Data and Dun & Bradstreet Data, 2016 - 2020 U.S. Census Bureau American Community Survey. Percentages may not total 100.0 percent due to rounding.					

Response to Complaints

Neither Camp Grove State Bank nor this Reserve Bank have received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		All loans were originated from July 30, 2020 – December 31, 2022	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
Camp Grove State Bank		Small Business Loans Small Farm Loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
None	N/A	N/A	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Partial Peoria, IL MSA #37900, consisting of all of Stark County and one tract in Marshall County	Full Scope	NA	NA

APPENDIX C – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.²

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41.

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in

² Source: FFIEC press release dated October 19, 2011.

conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide nonmetropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:
 - a. Rates of poverty, unemployment, or population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and

dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes not secured.

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 non-relatives 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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units

occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 census tract;
- 3) Middle-income – an 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 census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan production office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A 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. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or

more bordering states is called a multistate metropolitan statistical area.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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.

Qualified Investment: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm: This term refers to a loan that is included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).