

# **PUBLIC DISCLOSURE**

**March 21, 2022**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Peoples Bank  
RSSD #446149**

**116 Main Street  
Marion, Kentucky 42064**

**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 OUTSTANDING.**

The Peoples Bank meets the criteria for an Outstanding rating based on the evaluation of the bank's lending activity. The factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- A majority of loans and other lending-related activities are in the assessment areas.
- Distribution of loans to borrowers reflects excellent penetration among farms and businesses of different revenue sizes and individuals of different income levels (including low- and moderate-income (LMI)).
- Geographic distribution of loans reflects an excellent dispersion throughout the assessment areas.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

**SCOPE OF EXAMINATION**

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC's) small bank procedures. The bank operates within two delineated assessment areas within the state of Kentucky. One assessment area includes the entirety of Barren County located east of the Bowling Green metropolitan statistical area (MSA). The other assessment area includes the entirety of Crittenden County and borders the state of Illinois. Both assessment areas are located in the nonMSA portion of Kentucky.

The following table details the number of branch offices and deposit dollars by assessment area. Deposit information in the following table, as well as deposit information throughout this evaluation, is taken from the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2021.

Assessment Area	Offices		Deposits	
	#	%	\$ (000S)	%
Barren County	1	33.3%	42,960	49.6%
Crittenden County	2	66.7%	43,735	50.4%
<b>TOTAL</b>	<b>3</b>	<b>100%</b>	<b>86,695</b>	<b>100%</b>

Both assessment areas were analyzed using full-scope review procedures. However, in light of loan activity, branch structure, and overall bank growth, CRA performance in the Barren County assessment area was given primary consideration, as it contains the majority of the bank's loan activity.

Furthermore, small farm, small business, and consumer motor vehicle loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. Small business lending represented the majority of the bank's lending volume during the review period. However, the bank has significantly increased and has a particular emphasis on small farm lending; therefore, performance based on these two categories carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	March 31, 2018 – December 31, 2021
Assessment Area Concentration	January 1, 2018 – December 31, 2020
Geographic Distribution of Loans	January 1, 2018 – December 31, 2020
Loan Distribution by Borrower's Profile	January 1, 2018 – December 31, 2020
Response to Written CRA Complaints	January 29, 2018 – March 20, 2022

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 U.S. Census American Community Survey (ACS) data; certain business and farm demographics are based on Dun & Bradstreet data for the year(s) applicable to the analyses. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from \$194.9 million to \$497.4 million as of December 31, 2021.

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

## DESCRIPTION OF INSTITUTION

The Peoples Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Peoples Marion Bancorp, a single bank holding company; the bank and its holding company are both headquartered in Marion, Kentucky. The bank's branch network consists of three offices (including the main office), two of which have

cash-dispensing only automated teller machines (ATMs on site) and drive-up accessibility. In addition, the bank operates four stand-alone, cash-dispensing only ATMs. The bank relocated its Glasgow branch office within the same census tract; otherwise, there were no branch openings or closures during this review period. Based on this branch network and other service delivery systems, such as extended banking hours of operation and full-service online banking capabilities, the bank is well positioned to deliver financial services to the entirety of its assessment areas.

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 the credit needs of its assessment areas based on its available resources and financial products. As of December 31, 2021, the bank reported total assets of \$108.5 million. As of the same date, loans and leases outstanding were \$81.0 million (74.6 percent of total assets), and deposits totaled \$97.8 million. The bank's loan portfolio composition by credit category is displayed in the following table.

<b>Distribution of Total Loans as of December 31, 2021</b>		
<b>Credit Category</b>	<b>Amount (\$000s)</b>	<b>Percentage of Total Loans</b>
Construction and Development	\$1,354	1.7%
Commercial Real Estate	\$25,447	31.4%
1-4 Family Residential	\$13,147	16.2%
Farmland	\$12,322	15.2%
Farm Loans	\$8,810	10.9%
Commercial and Industrial	\$15,410	19.0%
Loans to Individuals	\$3,471	4.3%
Total Other Loans	\$996	1.2%
<b>TOTAL</b>	<b>\$80,957</b>	<b>100%</b>

As indicated by the table above, a significant portion of the bank's lending resources is directed to commercial real estate loans, farmland/farm loans, and commercial/industrial products. While not reflected in the previous table, it is also worth noting that by number of loans originated, consumer motor vehicle loans represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on January 29, 2018.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

The Peoples Bank meets the standards for an Outstanding rating under the small bank procedures that evaluate bank performance under the following five criteria as applicable.

**Loan-to-Deposit (LTD) Ratio**

One indication of the bank's overall level of lending activity is its LTD ratio. The table 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.

<b>LTD Ratio Analysis</b>			
<b>Name</b>	<b>Headquarters</b>	<b>Asset Size (\$000s) as of December 31, 2021</b>	<b>Average LTD Ratio</b>
The Peoples Bank	Marion, Kentucky	\$108,509	90.5%
Regional Banks	Marion, Kentucky	\$497,372	92.1%
	Morganfield, Kentucky	\$386,830	78.8%
	Princeton, Kentucky	\$194,936	84.4%

Based on data from the previous table, the bank's level of lending is in line those of other banks in the region. During the review period, the bank's quarterly LTD ratio experienced a generally decreasing trend with a 16-quarter average of 90.5 percent. In comparison, the bank's performance was within the range of average LTD ratios for the regional peers, which spanned from a high of 92.1 percent to a low of 78.8 percent. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and credit needs of its assessment areas.

**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 areas.

<b>Lending Inside and Outside of Assessment Areas</b>						
<b>January 1, 2018 through December 31, 2020</b>						
<b>Loan Type</b>	<b>Inside Assessment Areas</b>		<b>Outside Assessment Areas</b>		<b>TOTAL</b>	
Small Farm	45	65.2%	24	34.8%	<b>69</b>	<b>100%</b>
	\$2,051	46.4%	\$2,373	53.6%	<b>\$4,424</b>	<b>100%</b>
Small Business	57	60.6%	37	39.4%	<b>94</b>	<b>100%</b>
	\$4,473	34.2%	\$8,599	65.8%	<b>\$13,072</b>	<b>100%</b>
Consumer Motor Vehicle	47	68.1%	22	31.9%	<b>69</b>	<b>100%</b>
	\$619	65.0%	\$334	34.0%	<b>\$953</b>	<b>100%</b>
<b>TOTAL LOANS</b>	<b>149</b>	<b>64.2%</b>	<b>83</b>	<b>35.8%</b>	<b>232</b>	<b>100%</b>
	<b>\$7,143</b>	<b>38.7%</b>	<b>\$11,306</b>	<b>61.3%</b>	<b>\$18,449</b>	<b>100%</b>

A majority of loans and other lending-related activities were made in the bank's assessment areas, accounting for 64.2 percent of the total loans during the review period. However, this volume comprised only 38.7 percent of the dollar volume of total loans. Nonetheless, this analysis places greater emphasis on the number of loans made within the assessment area versus the dollar amount, resulting in the overall conclusion of majority in for this performance test.

### **Borrower and Geographic Distribution**

Overall, performance by borrower's income/revenue profile is excellent, based on the analyses of lending in the bank's assessment areas as is displayed in the following table.

<b>Assessment Area</b>	<b>Loan Distribution by Borrower's Profile</b>
Barren County, Kentucky	Excellent
Crittenden County, Kentucky	Excellent
<b>OVERALL</b>	<b>EXCELLENT</b>

As displayed in the following table, the bank's overall distribution of lending by income level of census tract reflects excellent penetration throughout the bank's assessment areas subject to review. Since there were no LMI census tracts in Crittenden County, the greatest emphasis was placed on Barren County.

<b>Assessment Area</b>	<b>Geographic Distribution of Loans</b>
Barren County, Kentucky	Excellent
Crittenden County, Kentucky	Reasonable
<b>OVERALL</b>	<b>Excellent</b>

**Responses to Complaints**

No CRA-related complaints were filed against the bank during this review period (January 29, 2018 through March 20, 2022).

**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.



# BARREN COUNTY KENTUCKY NONMETROPOLITAN STATISTICAL AREA

*(Full-Scope Review)*

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BARREN COUNTY ASSESSMENT AREA

### **Bank Structure**

The Peoples Bank operates a full-service branch in Glasgow, Kentucky. Glasgow is located in Barren County, which is located in south-central Kentucky. In 2018, the bank relocated its Glasgow location within the same census tract. Otherwise, there were no branch openings or closures during the review period. Furthermore, there is one stand-alone, cash-dispensing only ATM in Cave City, and the bank offers Internet and mobile banking. Based on the branching structure and other service delivery systems, the bank is adequately positioned to deliver financial services to its entire assessment area.

### **General Demographics**

Barren County has a population of 42,925, as of the 2015 U.S. Census Bureau ACS. According to the FDIC Deposit Market Share Report as of June 30, 2021, there are 9 FDIC-insured depository institutions in the assessment area, operating 18 offices. Competition for local deposit dollars is strong, and the bank ranked seventh in total deposit market share in the Barren County assessment area, with 4.4 percent of the total deposit dollars.

The assessment area contains one moderate-income census tract and six middle-income census tracts that were distressed due to poverty during two of the three years in the review period. The assessment area also contains three upper-income census tracts. According to the community contact completed as a part of this evaluation, credit needs in the assessment area include small business lending and financial education, as low credit scores are significant barriers to qualifying for credit.

### **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	1	6	3	0	<b>10</b>
	0.0%	10.0%	60.0%	30.0%	0.0%	<b>100%</b>
Family Population	0	1,455	6,465	3,835	0	<b>11,755</b>
	0.0%	12.4%	55.0%	32.6%	0.0%	<b>100%</b>

As shown above, 10.0 percent of the census tracts in the assessment area are LMI geographies; this moderate-income census tract is in the center of the county, within the southern portion of the city of Glasgow. The majority of the assessment area's family population (55.0 percent) lives in the six distressed middle-income census tracts.

Based on 2015 U.S. Census ACS data, the median family income for the assessment area was \$47,480. At the same time, median family income for nonMSA Kentucky was \$45,986. More recently, the FFIEC estimates the 2018, 2019, and 2020 statewide, nonMSA Kentucky, median family income figures to be \$49,400, \$49,800, and \$51,500, respectively. The following table displays population percentages of assessment area families by income level compared to nonMSA Kentucky family population.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	2,606	1,793	2,259	5,097	<b>11,755</b>
	22.2%	15.2%	19.2%	43.4%	<b>100%</b>
NonMSA Kentucky	115,103	77,548	89,036	200,284	<b>481,971</b>
	23.9%	16.1%	18.5%	41.5%	<b>100%</b>

As shown in the table above, 37.4 percent of families within the assessment area were considered LMI, which is slightly lower than LMI family percentages of 40.0 percent in nonMSA Kentucky. The percentage of families living below the poverty level in the assessment area, 16.3 percent, falls below the 18.2 percent level in the statewide nonMSA portion of Kentucky. Considering these factors, the assessment area appears slightly more affluent than nonMSA Kentucky.

### **Housing Demographics**

Assessment area housing values and rental costs indicate that the cost of housing is more expensive than nonMSA Kentucky as a whole. As displayed in the following table, the median housing value for the assessment area is \$105,795, which is significantly higher than the nonMSA Kentucky figure of \$90,748. Similarly, the affordability ratio and median gross rent figures indicate that Barren County homeownership and rental costs are less affordable than nonMSA Kentucky.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (Monthly)
Assessment Area	\$105,795	36.1%	\$593
NonMSA Kentucky	\$90,748	39.0%	\$578

### **Industry and Employment Demographics**

The assessment area supports a diverse business community with a large manufacturing and retail presence. County business patterns indicate that there are 15,033 paid employees in the assessment area. By percentage of employees, the largest job categories in the assessment area are retail trade (17.5 percent), followed by healthcare and social assistance (16.7 percent), government industries

(15.2 percent), and manufacturing (13.4 percent). This data aligns with information obtained from a community contact interview, who also noted that small farms are also a significant part of the local economy. The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area and nonMSA Kentucky.

<b>Unemployment Levels for the Assessment Area</b>		
<b>Time Period (Annual Average)</b>	<b>Assessment Area</b>	<b>NonMSA Kentucky</b>
2018	4.3%	5.0%
2019	4.3%	4.8%
2020	7.5%	7.2%

As shown in the table above, the Barren County assessment area had a slightly lower unemployment rate than nonMSA Kentucky for 2018 and 2019. However, in 2020, unemployment levels rose significantly, as Kentucky and the vast majority of the entire country felt the impact from COVID-19, and Barren County unemployment surpassed nonMSA Kentucky.

### **Community Contact Information**

One community contact interview was performed for this assessment area as part of the evaluation. Information obtained from the community contact was used to help understand the performance context in which the bank's activities in this assessment area were evaluated. The interview was with an individual who specializes in economic development. This individual categorized the local economy as stable with very slow small business growth, noting that agriculture and small farms are a significant part of the local economy. During the 2020 global pandemic, the community contact noted that the banks in the area were very responsive and utilized the Paycheck Protection Program to support local small businesses. There is still a desire for additional small business support to garner growth in the industry. Furthermore, the contact noted that small business owners often lack access to sufficient developed space for their enterprises and that mixed-use property, combining commercial and residential structures, would benefit the area. Lastly, the community contact expressed that poor or no credit has been a major barrier for people in the region. The community contact suggested that a credit education and/or repair program was needed to benefit those individuals and communities.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE BARREN COUNTY ASSESSMENT AREA****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. While primary emphasis was placed on small farm and small business lending, excellent performance levels were similar for all three loan products reviewed. First, small farm loans were reviewed to determine the bank's lending levels to farms of different sizes. The following table shows the distribution of small farm loans by loan amount and farm revenue size from 2018–2020. The bank's lending was then compared to Dun & Bradstreet and small farm aggregate lending data.

Small Farm Loans by Revenue and Loan Size								
Assessment Area: Barren County								
Farm Revenue and Loan Size		2018–2020						
		Count			Dollars			Total Farms
		Bank		Aggregate (2020)	Bank		Aggregate (2020)	
#	%	%	\$ (000s)	\$ %	\$ %	%		
Farm Revenue	\$1 Million or Less	28	96.6%	45.3%	\$1,376	98.3%	44.5%	98.9%
	Over \$1 Million/Unknown	1	3.4%	54.7%	\$24	1.7%	55.5%	1.1%
	<b>TOTAL</b>	<b>29</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$1,400</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Loan Size	\$100,000 or Less	25	86.2%	79.2%	\$511	36.5%	17.7%	
	\$100,001–\$250,000	2	6.9%	11.3%	\$330	23.6%	28.2%	
	\$250,001–\$1 Million	2	6.9%	9.4%	\$559	39.9%	54.1%	
	Over \$1 Million	0	0.0%	0.0%	0	0.0%	0.0%	
	<b>TOTAL</b>	<b>29</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$1,400</b>	<b>100.0%</b>	<b>100.0%</b>	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	24	85.7%		\$487	35.4%		
	\$100,001–\$250,000	2	7.1%		\$330	24.0%		
	\$250,001–\$1 Million	2	7.1%		\$559	40.6%		
	Over \$1 Million	0	0.0%		0	0.0%		
	<b>TOTAL</b>	<b>28</b>	<b>100.0%</b>		<b>\$1,376</b>	<b>100.0%</b>		

As displayed in the preceding table, the bank's level of lending to small farms is excellent. The bank originated the substantial majority of its small farm loans (96.6 percent) to farms with revenues of \$1 million or less. This performance is similar to assessment area demographics, which estimate that over the three-year period, 98.9 percent, 98.9 percent, and 98.8 percent of farms in the assessment area had annual revenues of \$1 million or less, respectively. Furthermore, the bank's lending level to small farms is well above aggregate lending levels for 2018, 2019, and 2020, which were 29.2 percent, 36.1 percent, and 45.3 percent, respectively.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2018–2020 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Small Business Loans by Revenue and Loan Size								
Assessment Area: Barren County								
Business Revenue and Loan Size		2018–2020						
		Count			Dollars			Total Businesses
		Bank		Aggregate (2020)	Bank		Aggregate (2020)	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Business Revenue	\$1 Million or Less	36	90.0%	35.6%	\$2,999	85.3%	25.9%	91.7%
	Over \$1 Million/Unknown	4	10.0%	64.4%	\$515	14.7%	74.1%	8.3%
	<b>TOTAL</b>	<b>40</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$3,514</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Loan Size	\$100,000 or Less	32	80.0%	89.3%	\$900	25.6%	32.7%	
	\$100,001–\$250,000	3	7.5%	6.5%	\$605	17.2%	18.4%	
	\$250,001–\$1 Million	5	12.5%	4.2%	\$2,009	57.2%	48.9%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	<b>TOTAL</b>	<b>40</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$3,514</b>	<b>100.0%</b>	<b>100.0%</b>	
Loan Size	Revenue \$1 Million or Less	\$100,000 or Less	30	83.3%		\$773	25.8%	
		\$100,001–\$250,000	1	2.8%		\$217	7.2%	
		\$250,001–\$1 Million	5	13.9%		\$2,009	67.0%	
		Over \$1 Million	0	0.0%		\$0	0.0%	
		<b>TOTAL</b>	<b>36</b>	<b>100.0%</b>		<b>\$2,999</b>	<b>100.0%</b>	

The bank's level of lending to small businesses is excellent. The bank originated the substantial majority of its small business loans (90.0 percent) to businesses with revenues of \$1 million or less. This is in line with assessment area demographics, which estimate that over the three-year period, businesses in the assessment area with annual revenues of \$1 million or less ranged from 91.6 to 91.9 percent. Furthermore, the bank's lending level to small businesses is well above aggregate lending levels, which were 47.1 percent, 47.5 percent, and 35.6 percent for 2018, 2019, and 2020, respectively.

The bank's distribution of consumer motor vehicle loans was also analyzed by borrower's income profile. The following table reflects the bank's distribution of consumer motor vehicle loans by income level of the borrower compared to household population income characteristics.

<b>Distribution of 2018–2020 Motor Vehicle Lending By Borrower Income Level</b>					
<b>Borrower Income Levels</b>	<b>2018–2020</b>				<b>Households</b>
	<b>Count</b>		<b>Dollar</b>		
	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>\$ %</b>	<b>%</b>
Low	5	27.8%	\$48	20.0%	24.4%
Moderate	4	22.2%	\$29	12.1%	14.8%
Middle	5	27.8%	\$74	30.8%	16.5%
Upper	4	22.2%	\$89	37.1%	44.3%
Unknown	0	0.0%	\$0	0.0%	0.0%
<b>TOTAL</b>	<b>18</b>	<b>100.0%</b>	<b>\$240</b>	<b>100.0%</b>	<b>100.0%</b>

As shown in the previous table, consumer motor vehicle loans to low-income borrowers was in line with the demographic data, reflecting reasonable performance. The bank's level of lending was 27.8 percent, while 24.4 percent of assessment area households are low-income. Secondly, the bank's level of lending to moderate-income borrowers (22.2 percent) far exceeded the demographic figure of 14.8 percent, indicating excellent performance. In total, 50.0 percent of the bank's consumer motor vehicle loans were to LMI borrowers, indicating excellent performance overall.

### **Geographic Distribution of Loans**

As noted previously, the Barren County assessment area includes no low-income and only one moderate-income census tract, representing 10.0 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects excellent penetration in the moderate-income geography, based on the small farm, small business, and consumer motor vehicle loan categories, with primary emphasis on the bank's small farm and small business lending. The following table displays the geographic distribution of sampled 2018–2020 small farm loan activity by geography income level compared to the location of farms throughout the bank's assessment area and small farm aggregate data.

Geographic Distribution of Small Farm Loans							
Assessment Area: Barren County							
Tract Income Levels	2018–2020						
	Count			Dollar			Farms
	Bank		Aggregate (2020)	Bank		Aggregate (2020)	
	#	%	%	\$ 000s	\$ %	\$ %	%
Low	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Moderate	4	13.8%	1.9%	\$112	8.0%	0.8%	3.7%
Middle	24	82.8%	54.7%	\$1,284	91.7%	38.4%	62.4%
Upper	1	3.4%	43.4%	\$4	0.3%	60.8%	33.9%
Unknown	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>29</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$1,400</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The analysis of small farm loans revealed excellent lending performance to borrowers operating in the moderate-income geography. The bank's level of lending in the moderate-income geography by number of loans, 13.8 percent, is significantly above the percentage of farms in the moderate-income census tract for 2018 through 2020 (3.2 percent, 3.2 percent, 4.7 percent, respectively). The bank's performance is similarly well above that of other lenders in the assessment area; aggregate lending to small farms in the moderate income census tract ranged from 1.2 percent to 1.9 percent over the three-year period.

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays 2018–2020 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and small business aggregate data.

Geographic Distribution of Small Business Loans							
Assessment Area: Barren County							
Tract Income Levels	2018–2020						
	Count			Dollar			Businesses
	Bank		Aggregate (2020)	Bank		Aggregate (2020)	
	#	%	%	\$ 000s	\$ %	\$ %	%
Low	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Moderate	6	15.0%	18.2%	\$406	11.6%	18.8%	18.6%
Middle	21	52.5%	53.2%	\$2,286	65.1%	66.2%	54.7%
Upper	13	32.5%	27.9%	\$822	23.4%	14.9%	26.7%
Unknown	0	0.0%	0.7%	\$0	0.0%	0.1%	0.0%
<b>TOTAL</b>	<b>40</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$3,514</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The bank's level of lending in the moderate-income census tract during the review period, 15.0 percent, is similar to the estimated percentage of businesses operating inside this geography, which ranged from 18.2 percent to 18.9 percent. The bank's small business lending level in the moderate-income census tract is also in line with aggregate lending levels in 2018 through 2020 (19.4 percent, 13.0 percent, 18.2 percent, respectively). Therefore, the bank's geographic distribution of small business loans is reasonable.

Finally, the bank's geographic distribution of consumer motor vehicle loans was reviewed. The following table displays 2018–2020 consumer motor vehicle loan activity by geography income level compared to household population demographics in the assessment area.

<b>Distribution of 2018–2020 Motor Vehicle Lending By Income Level of Geography</b>					
<b>Tract Income Levels</b>	<b>Bank Loans</b>				<b>% of Households</b>
	<b>#</b>	<b>#%</b>	<b>\$ (000s)</b>	<b>\$ %</b>	
Low	0	0.0%	\$0	0.0%	0.0%
Moderate	4	22.2%	\$47	19.6%	15.3%
Middle	9	50.0%	\$96	40.0%	54.4%
Upper	5	27.8%	\$97	40.4%	30.3%
Unknown	0	0.0%	\$0	0.0%	0.0%
<b>TOTAL</b>	<b>18</b>	<b>100.0%</b>	<b>\$240</b>	<b>100.0%</b>	<b>100.0%</b>

The bank originated 22.2 percent of its consumer motor vehicle loans in the assessment area's only moderate-income geography. This reflects excellent performance compared to the household population level of 15.3 percent within the moderate-income census tract. Therefore, with no low-income census tracts in the assessment area, overall performance for the geographic distribution of consumer motor vehicle loans in Barren County is considered excellent.

Based on an analysis of 2018–2020 lending data, the bank made loans in all assessment area census tracts. No conspicuous lending gaps were noted.



# CRITTENDEN COUNTY KENTUCKY NONMETROPOLITAN STATISTICAL AREA

*(Full-Scope Review)*

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE CRITTENDEN COUNTY ASSESSMENT AREA

### Bank Structure

As stated previously, the bank is headquartered in Marion, Kentucky, which is located in Crittenden County. There is one full-service branch and one limited-service branch in Marion. The limited-service facility includes drive-thru service and a cash-dispensing only ATM. Furthermore, there is one additional stand-alone, cash-dispensing only ATM in Marion. The bank did not open or close any branches during this review period in Crittenden County. The bank also offers Internet and mobile banking. The branching structure and service delivery systems enable the bank to deliver financial services to its entire assessment area.

### General Demographics

Crittenden County is rural in nature and has a population of 9,222 as of the 2015 U.S. Census ACS. According to the FDIC Deposit Market Share Report as of June 30, 2021, there are three FDIC-insured depository institutions in the assessment area, operating five offices. The bank ranked second in total deposit market share (21.9 percent). There are three middle-income census tracts and one upper-income census tract in the assessment area. Credit needs in the area vary but include a standard blend of agriculture and business credit products. Other credit needs in the assessment area, as noted primarily by community contacts, include small business and start-up business lending products, particularly those offered through the Small Business Administration (SBA), as well as affordable/flexible term home mortgage loan products aimed at attracting borrowers to constructing new homes or rehabilitating existing housing.

### 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	0	3	1	0	<b>4</b>
	0.0%	0.0%	75.0%	25.0%	0.0%	<b>100%</b>
Family Population	0	0	1,924	582	0	<b>2,506</b>
	0.0%	0.0%	76.8%	23.2%	0.0%	<b>100%</b>

As shown above, there are no LMI census tracts in the assessment area. The majority of the assessment area's family population (76.8 percent) lives in the three middle-income census tracts.

Based on information from the 2015 U.S. Census ACS, the median family income for the assessment area was \$51,583. At the same time, the median family income for nonMSA Kentucky was \$45,986. More recently, the FFIEC estimates the 2018, 2019, and 2020 statewide, nonMSA Kentucky, median family income figures to be \$49,400, \$49,800, and \$51,500, respectively. The following table displays population percentages of assessment area families by income level compared to the nonMSA Kentucky family population.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Crittenden County Assessment Area	580	418	325	1,183	<b>2,506</b>
	23.1%	16.7%	13.0%	47.2%	<b>100%</b>
NonMSA Kentucky	115,103	77,548	89,036	200,284	<b>481,971</b>
	23.9%	16.1%	18.5%	41.6%	<b>100%</b>

As shown in the table above, while the assessment area contains no LMI census tracts, 39.8 percent of families in the assessment area were considered LMI. This figure falls just below the nonMSA Kentucky LMI family percentage of 40.0 percent. Similarly, the percentage of families living below the poverty level in the assessment area (17.0 percent) is slightly below the nonMSA Kentucky figure of 18.2 percent. The assessment area and nonMSA Kentucky have roughly equal percentages of LMI families. However the key difference in family population income levels lies in the middle- and upper-income categories. As noted by one community contact in the area, the farm owners tend to have higher income levels than the rest of the community. This assessment area income dichotomy appears to be supported by information in previous table, as the percentage of upper-income families, 47.2 percent, is higher the nonMSA Kentucky figure, 41.6 percent, while the percentage of assessment area middle-income families, 13.0 percent, is below the nonMSA Kentucky figure, 18.5 percent. Thus, most assessment area families are either LMI or upper-income as compared to the rest of nonMSA Kentucky.

### **Housing Demographics**

The following table displays demographics used to assess the level of affordability of housing in the assessment area.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (Monthly)
Assessment Area	\$75,985	46.5%	\$492
NonMSA Kentucky	\$90,748	39.0%	\$578

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than nonMSA Kentucky. The median housing value for the assessment area is \$75,985, which is well below the nonMSA Kentucky figure. In addition, the assessment area's

housing affordability ratio (46.6 percent) is greater than the ratio for nonMSA Kentucky (39.0 percent). Furthermore, the median gross rent for the assessment area of \$492 per month is affordable, compared to \$578 per month for nonMSA Kentucky.

### **Industry and Employment Demographics**

The assessment area supports a diverse business community with a focus on manufacturing, retail, and health care. County business patterns indicate that there are 1,861 paid employees in the assessment area. By percentage of employees, government jobs account for 24.1 percent of all jobs within the assessment area. The three largest non-government job categories in the assessment area are manufacturing (20.4 percent), followed by healthcare and social assistance (17.3 percent), and retail trade (12.0 percent). The community contacts identified two or three manufacturing companies, a hospital, and the school district as the major employers in the assessment area. The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area as a whole and nonMSA Kentucky.

<b>Unemployment Levels for the Assessment Area</b>		
<b>Time Period (Annual Average)</b>	<b>Assessment Area</b>	<b>NonMSA Kentucky</b>
2018	5.0%	5.0%
2019	4.7%	4.8%
2020	5.5%	7.2%

As shown in the table above, the Crittenden County assessment area and nonMSA Kentucky area had substantially similar unemployment levels in 2018 and 2019. In 2020, unemployment rose significantly in nonMSA Kentucky, yet Crittenden County unemployment rose by less than 1 percent. This signals that Crittenden County employment was not impacted as greatly during the 2020 pandemic as the rest of nonMSA Kentucky.

### **Community Contact Information**

Two community contacts were interviewed for this assessment area as part of the evaluation. Information gained from the 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 focusing on small business development and the other focusing on community services.

Both contacts described the local economy as fairly stagnant with little to no development or activity. The community service contact indicated that the lack of growth stems from an older population and the community being small. Similarly, small business and economic development were said to be declining due to a declining workforce, caused by both an older-age population and a young population leaving after high school. Additionally, both contacts identified agriculture as the driving point of the Crittenden County economy, and those in farming tend to be higher income, while the population that does not own farms is typically characterized by generational poverty. Contacts also noted that there is a mix of small and large farms, and farm costs are high yet farm profits are not growing at the same rate. Contacts noted that significant credit and

community needs in Crittenden County include affordable housing/multi-family housing units to replace aged housing stock and SBA lending options. Despite these circumstances that reflect a community in need of vital economic development assistance, both contacts stated that most banks are active in the community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE CRITTENDEN COUNTY ASSESSMENT AREA****Loan Distribution by Borrower's Profile**

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from the small farm, small business, and consumer motor vehicle loan categories. The following table shows the distribution of small farm loans by loan amount and farm revenue size from 2018–2020. The bank's lending was then compared to Dun & Bradstreet and small farm aggregate lending data.

Small Farm Loans by Revenue and Loan Size Assessment Area: Crittenden County								
Farm Revenue and Loan Size		2018–2020						
		Count			Dollars			Total Farms
		Bank		Aggregate (2020)	Bank		Aggregate (2020)	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Farm Revenue	\$1 Million or Less	16	100.0%	30.8%	\$651	100.0%	89.7%	99.0%
	Over \$1 Million/ Unknown	0	0.0%	69.2%	\$0	0.0%	10.3%	1.0%
	<b>TOTAL</b>	<b>16</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$651</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Loan Size	\$100,000 or Less	15	93.8%	84.6%	\$392	60.2%	22.2%	
	\$100,001–\$250,000	0	0.0%	15.4%	\$0	0.0%	77.8%	
	\$250,001–\$1 Million	1	6.3%	0.0%	\$259	39.8%	0.0%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	<b>TOTAL</b>	<b>16</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$651</b>	<b>100.0%</b>	<b>100.0%</b>	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	15	93.8%		\$392	60.2%		
	\$100,001–\$250,000	0	0.0%		\$0	0.0%		
	\$250,001–\$1 Million	1	6.3%		\$259	39.8%		
	Over \$1 Million	0	0.0%		\$0	0.0%		
	<b>TOTAL</b>	<b>16</b>	<b>100.0%</b>		<b>\$651</b>	<b>100.0%</b>		

As displayed in the preceding table, the bank's level of lending to small farms is excellent. The bank originated 100 percent of its small farm loans to farms with revenues of \$1 million or less, which is similar to assessment area demographics that estimate over the three year period, the number of small farms ranged from 97.2 percent to 100 percent. Furthermore, the bank's lending level to small farms is well above aggregate lending levels, which also supports an excellent performance conclusion. For the three-year review period, aggregate lending level to small farms by number of loans is 20.0 percent, 54.5 percent, and 30.8 percent, respectively.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2018–2020 small business loans by loan amount and business revenue size compared to Dun & Bradstreet demographic estimates and aggregate lending data.

Small Business Loans by Revenue and Loan Size								
Assessment Area: Crittenden County								
Business Revenue and Loan Size		2018–2020						
		Count			Dollars			Total Businesses
		Bank		Aggregate (2020)	Bank		Aggregate (2020)	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Business Revenue	\$1 Million or Less	17	100.0%	34.8%	\$959	100.0%	10.6%	90.9%
	Over \$1 Million/ Unknown	0	0.0%	65.2%	\$0	0.0%	89.4%	9.1%
	<b>TOTAL</b>	<b>17</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$959</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Loan Size	\$100,000 or Less	13	76.5%	95.7%	\$339	35.3%	40.9%	
	\$100,001– \$250,000	4	23.5%	0.0%	\$620	64.7%	0.0%	
	\$250,001–\$1 Million	0	0.0%	4.3%	\$0	0.0%	59.1%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	<b>TOTAL</b>	<b>17</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$959</b>	<b>100.0%</b>	<b>100.0%</b>	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	13	76.5%		\$339	35.3%		
	\$100,001– \$250,000	4	23.5%		\$620	64.7%		
	\$250,001–\$1 Million	0	0.0%		\$0	0.0%		
	Over \$1 Million	0	0.0%		\$0	0.0%		
	<b>TOTAL</b>	<b>17</b>	<b>100.0%</b>		<b>\$959</b>	<b>100.0%</b>		

The bank's level of lending to small businesses is excellent. The bank originated 100 percent of its small business loans to businesses with revenues of \$1 million or less, which exceeded the assessment area demographics estimate of businesses in the assessment area with annual revenues of \$1 million or less, which ranged from 90.7 percent to 91.2 percent over the three-year period. Furthermore, the bank's lending level to small businesses is well above aggregate lending levels, which also supports an excellent performance conclusion. For the three-year review period, aggregate lending to small businesses is 42.9 percent, 39.0 percent, and 34.8 percent, respectively.

The bank's distribution of consumer motor vehicle loans was also analyzed by borrower's income profile. The following table reflects the bank's distribution of consumer motor vehicle loans by income level of the borrower compared to household population income characteristics.

<b>Distribution of 2018–2020 Motor Vehicle Lending By Borrower Income Level</b>					
<b>Borrower Income Levels</b>	<b>2018–2020</b>				
	<b>Count</b>		<b>Dollar</b>		<b>Households</b>
	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>\$ %</b>	<b>%</b>
Low	8	27.6%	\$67	17.7%	24.8%
Moderate	11	37.9%	\$113	29.8%	16.2%
Middle	7	24.1%	\$120	31.7%	15.7%
Upper	3	10.3%	\$79	20.8%	43.4%
Unknown	0	0.0%	\$0	0.0%	0.0%
<b>TOTAL</b>	<b>29</b>	<b>100.0%</b>	<b>\$379</b>	<b>100.0%</b>	<b>100.0%</b>

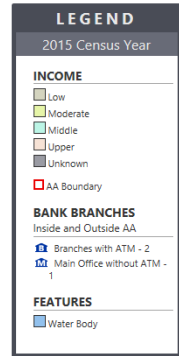
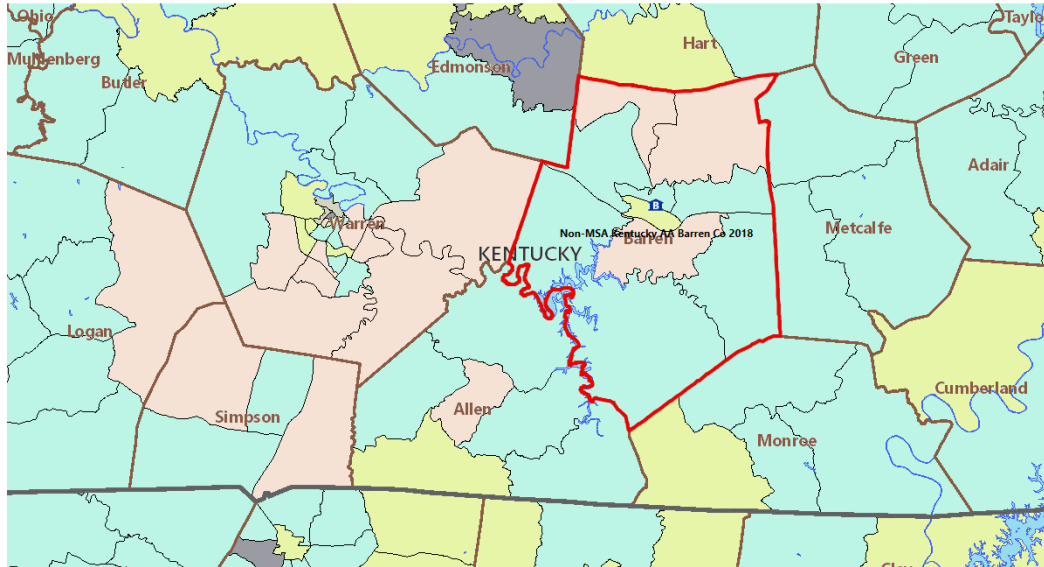
As shown in the previous table, consumer motor vehicle loans to low-income borrowers was in line with the demographic data, reflecting reasonable performance. The bank's level of lending was 27.6 percent, while 24.8 percent of assessment area households are low income. Conversely, the bank's level of lending to moderate-income borrowers (37.9 percent) far exceeded the demographic figure of 16.2 percent, indicating excellent performance. In total, 65.6 percent of the bank's consumer motor vehicle loans were to LMI borrowers, indicating excellent performance overall.

### **Geographic Distribution of Loans**

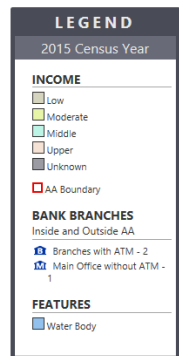
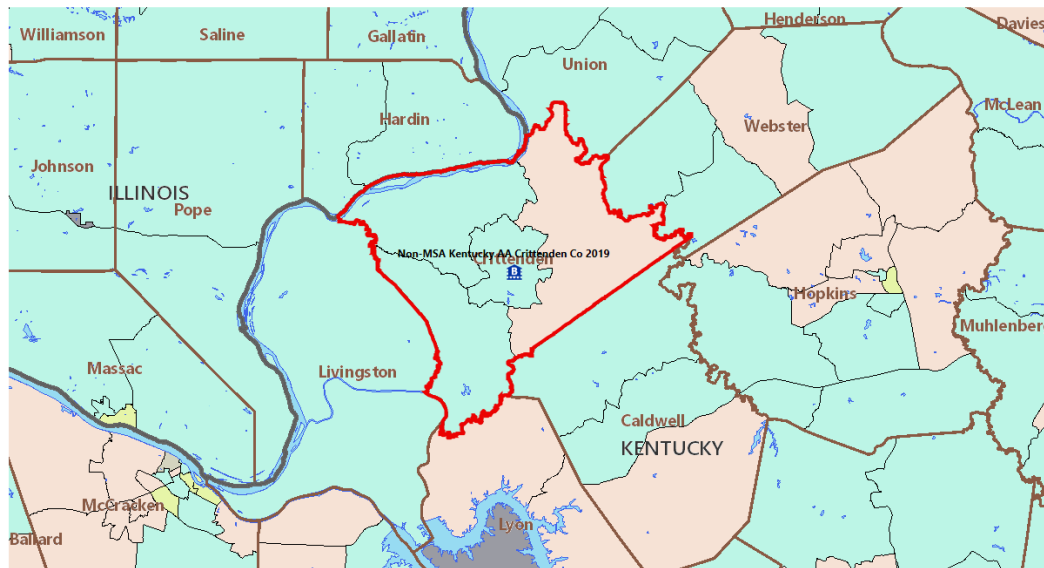
For the geographic distribution of loans analysis, emphasis is typically placed on a bank's performance in LMI geographies; however, there are no LMI census tracts in the Crittenden County assessment area. The assessment area consists of three middle-income and one upper-income census tract. Therefore, the traditional analysis of geographic distribution in Crittenden County was not performed. Loan dispersion throughout the assessment area was reviewed, and the analysis demonstrated that loans are dispersed throughout the county. The bank made loans in all four census tracts throughout the review period, and no conspicuous lending gaps were present. Considering these facts, the bank's geographic distribution of loans in the Crittenden County assessment area is reasonable.

ASSESSMENT AREAS DETAIL

BARREN COUNTY



CRITTENDEN COUNTY





## GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Assessment area:** One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

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

**Community contact:** Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

**Community development:** An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; (4) activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Demographics:** The statistical characteristics of human populations (e.g., age, race, sex, and income) used especially to identify markets.

**Appendix B (continued)**

**Distressed nonmetropolitan middle-income geography:** A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders who do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

**Household:** One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

**Housing affordability ratio:** Calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Appendix B (continued)**

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median family income:** The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

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

**Nonmetropolitan statistical area (nonMSA):** Not part of a metropolitan area. (See metropolitan area.)

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Performance context:** The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

**Appendix B (continued)**

**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 either by 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.