PUBLIC DISCLOSURE

October 22, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Fayette County Bank
RSSD# 486248

320 North Main Street
St. Elmo, Illinois 62458

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.**

TABLE OF CONTENTS

INSTITUTION'S CRA RATING: This institution is rated OUTSTANDING.

Fayette County Bank meets the criteria for an outstanding rating based upon the performance evaluation of the bank's lending activity. The borrower's profile analysis reveals excellent penetration among individuals of different income levels, including low- and moderate-income (LMI) levels and farms of different sizes. A substantial majority of the bank's loans and other lending-related activities are in the bank's assessment area. The geographic distribution of loans analysis reflects reasonable dispersion throughout the bank's assessment area. The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. Lastly, no Community Reinvestment Act (CRA)-related complaints were filed against the bank for this review period.

SCOPE OF EXAMINATION[1]

The bank's CRA performance was evaluated using the small bank examination procedures, and the period of review spanned from the date of the bank's previous CRA evaluation on October 20, 2008 to October 22, 2012. Lending performance was primarily based on loans originated since the previous evaluation through December 31, 2011, including consumer motor vehicle loans and small farm loans. These two loan categories are considered the bank's primary lines of business, based upon lending volume by number and dollar amounts and in light of the bank's stated business strategy. Although commercial and industrial and 1-4 family residential real estate lending make up significant portions of the bank's lending by dollar amount, these two loan products did not have a sufficient amount of originations in this review period to produce a meaningful analysis. Therefore, loan activity represented by consumer motor vehicle and farm loan products is deemed indicative of a majority of the bank's overall lending performance and substantial enough to serve as the basis for this evaluation.

Under the small bank CRA performance criteria, analyses often entail comparisons of bank performance to assessment area demographics. Unless otherwise noted, assessment area demographics are based upon 2000 U.S. Census data (certain business and farm demographics are based upon Dun & Bradstreet data). 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 $31.8 million to $47.9 million.

To augment this evaluation, two interviews (community contacts) with members of the local community were referenced in order to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

[1] Information presented in this section (e.g., review period dates and loan sample details) pertains throughout the rest of this evaluation unless specifically noted otherwise.

DESCRIPTION OF INSTITUTION

Fayette County Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. Fayette County Bank is owned by Fayette County Bancshares, Inc., a one-bank holding company headquartered in St. Elmo, Illinois. The bank is operated out of one office in downtown St. Elmo. In addition to being a full-service facility, the office has drive-up accessibility and an outdoor automated teller machine (ATM). Furthermore, the bank operates one stand-alone cash-only ATM in each of the nearby cities of Vandalia and Effingham, Illinois. The bank did not open or close any branch offices during this review period. St. Elmo is at the historical center of a wider swath of eastern Fayette County comprising the bank's assessment area. With its downtown office, the bank is well-positioned to deliver financial services to the entire assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credits needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of September 30, 2012, the bank reported total assets of $26.2 million. As of the same date, total loans and leases outstanding were $10.8 million (41.2 percent of total assets) and deposits totaled $23.2 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2012		
Credit Product Type	**Amount in $000s**	**Percentage of Total Loans**
Construction and Development	$ 283	2.6%
Commercial Real Estate	$ 416	3.8%
Multifamily Residential	$ -	0.0%
1-4 Family Residential	$ 2,052	19.0%
Farmland	$ 1,651	15.3%
Farm Loans	$ 3,008	27.8%
Commercial and Industrial	$ 1,779	16.4 %
Loans to Individuals	$ 1,353	12.5 %
Total Other Loans	$ 284	2.6%
TOTAL	**$ 10,826**	**100.0%**

As indicated by the table above, a significant portion of the bank's lending resources is directed to loans related to farming (farmland and farm loans), 1-4 family residential real estate, and commercial and industrial. It is also worth noting that, by number of loans originated, loans to individuals (such as consumer motor vehicle secured loans) represent a significant product offering of the bank.[2]

[2] As consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products, consumer loans may often times represent a significant product line by number of loans made, even if not reflected as such by dollar amount outstanding.

The bank received a satisfactory rating at its previous CRA evaluation conducted on October 20, 2008, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA[3]

General Demographics

The bank's assessment area is located in central Illinois, just over 80 miles east of St. Louis, Missouri, and includes two of the seven census tracts that comprise Fayette County, Illinois. Fayette County is located in the nonmetropolitan statistical area (nonMSA) portion of the state of Illinois. The population has increased slightly from 5,560 in 2000 to 5,800 in 2010. The bank's assessment area is made up of tracts 9505 and 9511, the two eastern-most tracts in Fayette County covering the city of St. Elmo and the surrounding parts of the agricultural community between Vandalia and Effingham, Illinois. The majority of tract 9505 is north of Interstate 70 while the majority of tract 9511 is south of the highway. The bank and the city of St. Elmo are located in tract 9505.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, as of June 30, 2012, the banked is one of seven FDIC-insured depository institutions with a branch presence in Fayette County. The bank ranked seventh in terms of deposit market share, holding 6.3 percent of the county's deposit dollars. Fayette County Bank is the only bank in the city of St. Elmo and one of only three bank offices in its assessment area. Both of the other two offices are located in tract 9511, leaving Fayette County Bank as the only bank with a location in the northern half of its assessment area.

The community is rural in nature, and agricultural lending products represent a significant credit need in the assessment area, along with the need for a standard blend of consumer and business loan products. Community contacts noted that individuals, farmers, and businesses seem to have little trouble accessing credit from the community banks and larger regional banks in the area. However it was expressed that downtown St. Elmo has experienced disinvestment in the past several years and that many of the jobs available to workers in the area pay low wages or are only seasonal.

[3] Statistical/demographical information cited in this evaluation, unless otherwise stated, is taken from 2000 U.S. Census Bureau data; the exception to this general rule is certain business geodemographics, which are based upon Dun & Bradstreet data as of 2010.

Income and Wealth Demographics

Both of the tracts in the assessment area are categorized as middle-income based on 2000 Census demographic data. Additionally, in 2011 both were designated as "distressed" by the Federal Financial Institutions Examination Council due to the high poverty rates. The following table reflects the number and family population of the census tracts within the assessment area in each income category.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0 0.0%	0 0.0%	2 100.0%	0 0.0%	0 0%	**2** **100%**
Family Population	0 0.0%	0 0.0%	1,571 100.0%	0 0.0%	0 0%	**1,571** **100%**

Based on 2000 Census data, the median family income for the assessment area was $38,733. At the same time, the state of Illinois nonMSA median family income was $43,613. More recently, the U.S. Department of Housing and Urban Development (HUD) estimates the 2011 state of Illinois nonMSA median family income to be $56,600. The following table displays population percentages of assessment area families by income level, compared to families in nonMSA Illinois as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	344 21.9%	355 22.6%	362 23.0%	510 32.5%	0 0%	**1,571** **100%**
NonMSA Illinois	80,399 17.8%	86,935 19.2%	110,129 24.3%	174,867 38.7%	0 0%	**452,330** **100%**

The assessment area is slightly less affluent than the Illinois nonMSA as a whole. The table above shows that higher proportions of families in the assessment area are considered LMI. Additionally, a slightly higher proportion of families in the assessment area have incomes below the federal poverty line than in nonMSA Illinois with rates of 8.5 percent and 7.9 percent, respectively.

According to data available from the Illinois State Board of Education, over 50 percent of the St. Elmo School District's students are eligible for free or reduced lunch. St. Elmo High School's 43.8 percent eligibility rate appears low compared to St. Elmo Junior High School's rate of over 60 percent. A community contact familiar with the demographics of the district explained that this is because many poor students drop out of high school by age 17. The contact explained that this was related to the persistent cycle of “generational poverty” in the area. The St. Elmo School District’s boundaries align closely with those of the assessment area, so these statistics provide useful additional context.

Housing Demographics

Based upon housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than in nonMSA Illinois. The assessment area housing affordability ratio of 60.4 percent is higher than the nonMSA figure of 52.0 percent, the median housing value of the assessment area was $53,539, which is well below the figure for nonMSA Illinois, $67,278. Additionally, the median gross rent for the assessment area of $368 per month is again more affordable compared to $409 per month for the nonMSA. Therefore, even though the assessment area does not appear to be as affluent as nonMSA Illinois, housing still appears to be within reach of the population.

Industry and Employment Demographics

Fayette County’s economy is diverse and is supported by a mixture of service, agricultural, and manufacturing sectors. Based on U.S. Census Bureau 2010 County Business Patterns, the assessment area’s largest industry is health care and social assistance (999 employees), followed by retail trade (894 employees), manufacturing (609 employees) and accommodation and food services (542 employees). However, these numbers do not capture the self-employed, including the numerous family farms in the area. The 2006-2010 American Community Survey counts 644 workers employed in agriculture living in Fayette County.

Like many parts of the country, Fayette County’s unemployment rate has increased significantly over the past few years. According to the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) the monthly unemployment rate has been elevated since the previous evaluation in October 2008. It reached as high as 15.7 percent in January 2010, before settling into annual averages of 11.9 percent in 2010 and 10.6 percent in 2011. The rate has remained above 10.0 percent for most of 2012. These figures have been persistently higher than those for the entire state of Illinois, but not dissimilar to those of the surrounding counties.

Business demographic estimates from Dun & Bradstreet indicate that there are 165 businesses in the two-tract assessment area (89.1 percent with gross annual revenues of $1 million or less) and 45 farms (100 percent with gross annual revenues of $1 million or less). The majority of these businesses are north of Interstate 70 in census tract 9505, while the majority of farms are in tract 9511 to the south.

Community Contact Information

Information from community contacts was used to help shape the performance context in which the bank’s activities in the assessment area were evaluated. One interviewee was a local public official and the other was a high-ranking education administrator. Both contacts categorized the assessment area as in a stable economic period of slow growth. As mentioned in the previous sections, one contact described the decline of St. Elmo’s downtown business district but pointed to economic stability in the rest of the area. The other contact described a community with a large percentage of economically stressed households and families due to the lack of good-paying full-time work for unskilled and untrained workers. Neither contact felt that access to credit was lacking for any individuals, farms or businesses in the area. Both contacts expressed opinions that the Fayette County Bank specifically was doing a good job of meeting the credit needs of the community. The first contact also praised the recent addition of an ATM outside the branch in downtown St. Elmo, which has helped nearby small businesses that do not accept credit cards.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Fayette County Bank meets the standards for an outstanding rating under CRA small bank evaluation procedures, which evaluate bank performance under the following five criteria as applicable.

- Loan distribution by borrower's profile (applicant income or business/farm revenue profile)
- The concentration of lending within the assessment area
- The geographic distribution of loans
- The bank's average LTD ratio
- A review of the bank's response to written CRA complaints

The remaining sections of this evaluation are based upon analyses of the bank's lending performance under these five performance criteria.

Loan Distribution by Borrower's Profile

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by HUD ($56,600 for nonMSA Illinois as of 2011). The following table shows the distribution of consumer automobile-secured loans by income level of the borrower compared to the household population income characteristics.

Distribution of Loans by Number Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Motor Vehicle Loans	28 56.0%	14 28.0%	6 12.0%	2 4.0%	0 0%	**50** **100%**
Household Population	25.3%	17.6%	21.3%	35.7%	0%	**100%**

This analysis revealed an excellent distribution to LMI borrowers. By number, 84.0 percent of the consumer motor vehicle loans reviewed were made to LMI borrowers, which significantly exceeds the LMI household population of 42.9 percent. Reviewed separately, the bank's performance by number of consumer motor vehicle loans made to low- and moderate-income borrowers, 56.0 percent and 28.0 percent, respectively, each significantly exceed the household population comparisons (25.3 percent for low-income and 17.6 percent for moderate-income). Based on this data, the distribution of the bank's consumer motor vehicle loans reflects an excellent distribution among borrowers of different income levels.

Similar to the borrower's profile analysis conducted for the previous loan category, the bank's distribution of small farm loans to farms of various sizes was reviewed. The following table reflects Fayette County Bank's distribution of small farm loans by gross annual farm revenue and loan amount.

Lending Distribution by Farm Revenue Level				
Gross Revenue	**Loan Origination Amount (in $000s)**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$500**	
$1 Million or Less	30 76.9%	5 12.8%	4 10.3%	**39** **100%**
Greater Than $1 Million	0 0%	0 0%	0 0%	**0** **0%**
TOTAL	**30** **76.9%**	**5** **12.8%**	**4** **10.3%**	**39** **100%**

Based on this analysis of small farm loans, Fayette County Bank is doing an excellent job of meeting the credit needs of small farms. The table above demonstrates that all of the 39 loans reviewed were made to farms with gross annual revenues of $1 million or less. As a comparison, 100 percent of the farms counted by Dun & Bradstreet in 2010 are small farms with revenues under $1 million annually. The fact that 76.9 percent of loans to small farms reviewed were in amounts of $100,000 or less further indicates the bank's willingness to meet the credit needs of small farms.

The bank's overall borrower's profile performance is considered excellent. In reaching this determination, the analysis of consumer loans was given more weight than the small farm loan analysis. This is because the bank originates a larger number of these loans and the analysis suggests that the bank is responding to the needs of the community. As a community contact explained, many elementary, middle, and high school students in the assessment area come from poor families because a high percentage of adults must work part-time or seasonal jobs for low wages. This segment of the population naturally has the need for small loans and the bank has been successful in providing them.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Area ($000s)			
Loan Type	**Inside Assessment Area**	**Outside Assessment Area**	**TOTAL**
Consumer Motor Vehicle Loans	50 87.7%	7 12.3%	**57** **100%**
	$ 451 86.4%	$ 71 13.6%	**$ 522** **100%**
Small Farm Loans	39 100%	0 0%	**39** **100%**
	$ 3,235 100%	$ 0 0%	**$ 3,235** **100.0%**
TOTAL	**89** **92.7%**	**7** **7.3%**	**96** **100%**
	$ 3,686 **98.1%**	**$ 71** **1.9%**	**$ 3,757** **100%**

As shown in the table above, a substantial majority of the loans reviewed were made to borrowers inside the assessment area. Of the loans reviewed, 92.7 percent were made in the assessment area. Further, by number all of the small farm loans and 87.7 percent of consumer motor vehicle loans reviewed were to borrowers inside the assessment area.

<u>Geographic Distribution of Loans</u>

Under the geographic distribution of loans analysis, emphasis is normally placed on the bank's performance in LMI geographies. However, the bank's assessment area does not contain any LMI census tracts. As previously stated, the bank's assessment area is comprised of two middle-income census tracts. Therefore, a detailed geographic distribution of loans analysis would not prove meaningful and was not performed as part of this evaluation. Nevertheless, the loan dispersion within the assessment area census tracts was reviewed.

The vast majority of the reviewed consumer auto-secured and small farm loans were originated in census tract 9505, which as previously mentioned covers the portion of the assessment area north of Interstate 70 and is within which the bank operates the only banking office. Tract 9505 also has higher rates of unemployment and poverty than tract 9511. Therefore, the bank's geographic distribution of loans is considered reasonable.

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[4] in comparison to those of regional peers.

Loan-to-Deposit Ratio Analysis			
Name	**Asset Size[5]**	**Headquarters**	**Average LTD Ratio**
Fayette County Bank	$26,184	St. Elmo, IL	46.3%
Regional Banks	$31,769	St. Peter, IL	41.5%
	$34,512	Brownstown, IL	53.4%
	$47,865	Cowden, IL	48.5%

Based on the information in the table above, the bank's level of lending is similar to those of its peer banks in the region. Over the review period, the bank's LTD ratio ranged from a low of 39.8 percent to a high of 53.6 percent, increasing and decreasing in trends similar to the peer bank ratios. Fayette County Bank's somewhat lower LTD ratio results from the fact that the bank is smaller than its peers in terms of both total assets and the size of its assessment area. As discussed in a previous section, the bank ranks last in deposit market share in Fayette County. The fact that the average ratios for three of the four banks are below 50 percent speaks to the conservative nature of an older, established community that prefers to save more than borrow. Community contacts indicated that the credit needs of businesses, farms, and individuals in the assessment area are being met, so the bank is competing for a limited number of banking customers in the area. Additionally, the bank's ratio is higher when deposits requiring pledged securities, such as large local government deposits, are taken out of the calculation. With these large deposits removed, the bank's LTD ratio averaged 59.7 percent over the review period, representing a low of 47.3 percent and a high of 87.2 percent.

Therefore, in comparison to data from regional banks as displayed in the table above, the bank's average LTD ratio appears to be reasonable given the bank's size, financial condition, and assessment area credit needs.

Review of Complaints

No CRA-related complaints were filed against the bank during this review period (October 20, 2008 through October 22, 2012).

[4] The average LTD ratio represents a 16-quarter average, dating back to the bank's last CRA evaluation.
[5] Asset size figures in this table represent total assets as of September 30, 2012 (in $000s).

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based upon findings from the Consumer Affairs examination (including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements) conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

Assessment Area Detail

Fayette County Bank Assessment Area				
County	**Geography Number**	**Geography Income Category**	**MSA**	**Contains Bank Office**
Fayette, IL	9505	Middle	99999	Yes
Fayette, IL	9511	Middle	99999	No

GLOSSARY

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.

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.

Census tract: A small subdivision 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. Census tracts 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.

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) <u>affordable housing</u> (including multifamily rental housing) for low- or moderate-income individuals; (2) <u>community services</u> targeted to low- or moderate-income individuals; (3) activities that promote <u>economic development</u> 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 <u>revitalize or stabilize</u> low- or moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate- and middle-income individuals and geographies.

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

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed non-metropolitan 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 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).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, 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: 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) are measured. The criteria relate to lending, investment and service retail, 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 multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state 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 Report 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 non-mortgage, 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 Report 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.