

PUBLIC DISCLOSURE

February 6, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**F&M Bank
RSSD #496171**

**25 North Mullan Road
Spokane Valley, Washington 99206**

**Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105**

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 this 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 RATING

INSTITUTION'S CRA RATING: F&M Bank is rated "**SATISFACTORY**"

The following table shows the performance ratings for the lending and community development tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	LENDING TEST	COMMUNITY DEVELOPMENT TEST
OUTSTANDING		
SATISFACTORY	X	X
NEEDS TO IMPROVE		
SUBSTANTIAL NONCOMPLIANCE		

The major factors supporting the institution's rating include:

- A substantial majority of loans were originated within the bank's assessment area.
- A good penetration of loans to businesses with gross annual revenues of \$1 million or less and borrowers with different income levels.
- A reasonable geographic dispersion of small business loans and mortgage loans, with no conspicuous gaps in lending patterns.
- A reasonable responsiveness to the community development needs of the bank's communities through the provision of community development loans, investments and services.

INSTITUTION

DESCRIPTION OF INSTITUTION

F&M Bank (F&M), an independently-owned, Spokane, Washington-based community bank, reported total assets of \$354 million as of September 30, 2005. F&M commenced operations in 1906 and was admitted to Federal Reserve membership on April 15, 1920. The bank operates 16 branch offices and 19 ATM's throughout Spokane County.

F&M offers a full range of banking services to businesses and individuals. Products offered include commercial loans to fund the development, operation or expansion of businesses; consumer loans to finance motor vehicles, household goods, and personal uses; and real estate mortgage loans for residential housing. The bank's primary focus is lending to small businesses¹ in the community, with a secondary focus on residential real estate lending. The residential real estate loans are not reflected in the table below as the bank sells the majority of these loans to the secondary market.

F&M's total asset size has increased 18.6 percent from \$298 million at the previous CRA exam, conducted as of February 2, 2004 to \$354 million as of September 30, 2005.² Based upon Call Report data,³ the table below reflects the bank's business focus as commercial loans comprise 67.6 percent of the loan portfolio:

Loan Type	Dollar Amount (000s)	Percent of Total Loans
Commercial/Industrial & Non-farm Non-Residential Real Estate	202,562	67.6%
Secured by 1-4 Family Residential Real Estate	27,184	9.1%
Construction & Land Development	21,537	7.2%
Consumer Loans & Credit Cards	20,155	6.7%
Multifamily Housing	20,020	6.7%
Loans for Agricultural Production	\$4,551	1.5%
All Other Loans	\$3,764	1.3%
Total Loans (Gross)	\$299,773	100.0%

There are no legal or financial impediments preventing F&M from meeting the credit needs of its assessment area consistent with its size, business strategy, resources, and the local economic climate. The previous CRA examination, conducted by this Reserve Bank resulted in a satisfactory rating.

¹ Community Reinvestment Act (CRA) defines small businesses as businesses with gross annual revenues of less than \$1 million.

² Consolidated Report of Condition and Income, September 30, 2005.

³ Ibid.

DESCRIPTION OF ASSESSMENT AREA

F&M's assessment area of Spokane County remains unchanged from the previous CRA examination. The county is one of four eastern Washington counties situated along the Washington-Idaho border and ranks 19th in the state by size.⁴ As of April 1, 2005, the population in the county was the fourth largest in Washington at 436,300.⁵ The City of Spokane is the second largest city in the state and is the major population and business center in the county.

The bank's branch and ATM network is well distributed across the assessment area which is composed of 106 census tracts and is also known as the Spokane MSA. The bank currently operates 12 branches in Spokane as well as individual branches in the municipalities of Cheney, Liberty Lake, Rockford, and Spokane Valley. The table below depicts the distribution of the bank's branches and deposits in low-, moderate-, middle- and upper-income census tracts.

Census Tract Type	Number of Census Tracts	Percent of Census Tracts	Number of Branches	Percent of Branches	Percent of Bank Deposits
Low-Income	2	1.9%	0	0.0%	0.0%
Moderate-Income	32	30.2%	5	31.3%	25.3%
Middle-Income	45	42.5%	8	50.0%	69.5%
Upper-Income	27	25.5%	3	18.7%	5.2%
Total	106	100.0%	16	100.0%	100.0%

The assessment area is a competitive market for financial services. Deposits are concentrated at five large financial institutions that collectively hold 77 percent of the market share. As of June 30, 2005, F&M maintained \$291 million in deposits, holding five percent of the deposit market share and ranking sixth out of 17 banks and thrifts operating 122 offices.⁶ In 2004, 374 banks reported 14,453 home purchase loans and 13,475 home refinance loans. F&M garnered less than one half of one percent of the total market and ranked 300th in terms of total loans originated.

The following exhibit presents key demographic and business information based upon the 2000 U.S. Census and 2005 Dun & Bradstreet data that were used to develop the performance context for the assessment area.

⁴ Spokane County Profile, *Labor Market and Economic Analysis* (accessed January 27, 2006); available from <http://www.workforceexplorer.com>.

⁵ Spokane County Profile, *2005 Data Book* (accessed January 27, 2006); available from <http://www.ofm.wa.gov>.

⁶ Federal Deposit Insurance Corporation, *Deposit Market Share Report, Summary of Deposits, June 2005* (accessed January 24, 2006); available from <http://www3fdic.gov/sod>.

EXHIBIT 1								
ASSESSMENT AREA DEMOGRAPHICS								
SPOKANE AA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	1.9	923	0.9	276	29.9	20,223	18.8
Moderate-income	32	30.2	28,716	26.7	4,655	16.2	20,328	18.9
Middle-income	45	42.5	44,814	41.7	3,122	7.0	24,634	22.9
Upper-income	27	25.5	32,910	30.7	836	2.5	42,178	39.3
<i>Total Assessment Area</i>	<i>106</i>	<i>100.0</i>	<i>107,363</i>	<i>100.0</i>	<i>8,889</i>	<i>8.3</i>	<i>107,363</i>	<i>100.0</i>
Income Categories	Housing Units by Tract	Housing Types by Tract Income						
		Owner-occupied			Renter-occupied		Vacant	
		#	%-units	%-tract	#	%	#	%
Low-income	3,893	298	7.7	0.3	3,038	78.0	557	14.3
Moderate-income	57,130	23,263	40.7	21.7	28,698	50.2	5,169	9.0
Middle-income	70,258	48,030	68.4	44.8	18,412	26.2	3,816	5.4
Upper-income	43,724	35,575	81.4	33.2	6,297	14.4	1,852	4.2
<i>Total Assessment Area</i>	<i>175,005</i>	<i>107,166</i>	<i>61.2</i>	<i>100.0</i>	<i>56,445</i>	<i>32.3</i>	<i>11,394</i>	<i>6.5</i>
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	714	4.1	581	3.8	101	6.6	32	7.2
Moderate-income	6,324	36.3	5,371	34.7	791	51.6	162	36.3
Middle-income	6,356	36.4	5,697	36.8	492	32.1	167	37.4
Upper-income	4,049	23.2	3,816	24.7	148	9.7	85	19.1
<i>Total Assessment Area</i>	<i>17,443</i>	<i>100.0</i>	<i>15,465</i>	<i>100.0</i>	<i>1,532</i>	<i>100.0</i>	<i>446</i>	<i>100.0</i>
<i>Percentage of Total Businesses:</i>			<i>88.7</i>		<i>8.8</i>		<i>2.6</i>	
Median Family Income 2000			\$46,386	April 2005 Median Housing Value ⁷			\$158,600	
2004 HUD Adjusted Median Family Income			\$52,950	2005 Unemployment Rate ⁸			5.4%	

Industry and Employment

Spokane County serves as the business, educational, entertainment, media, medical, and transportation hub of the Inland Northwest. Leading industries include education, medical and surgical hospitals, and the U. S. Air Force. The economy is the most diverse in Eastern Washington and has benefited from the emergence of new industries such as biotechnology

⁷ Bankrate.com, 2005 Real Estate Guide (accessed January 27, 2006); available from <http://www.bankrate.com>.

⁸ Workforce Explorer Washington, Spokane MSA Labor Area Summary December 2005 (accessed March 6, 2006); available from <http://www.workforceexplorer.com>.

and high technology.⁹ Relatively affordable real estate, a skilled workforce, low operation costs, a world-class telecommunication infrastructure, and a progressive business climate have helped Spokane County achieve this diversity.

Since the 2002 recession, when unemployment rates peaked at 7.2 percent, the county has enjoyed strong expansion and employment growth along with the rest of Washington State. According to Washington State Labor Market information, the unemployment rate has fallen steadily, since 2003, to 5.4 percent in December 2005.¹⁰ The economy has also benefited from higher defense spending and an increasing population. Despite the economic growth, community contacts indicated that small business financing, technical services, and financial training are local area credit needs.

Housing

According to the Washington Center for Real Estate Research, the median home price in Spokane County increased 21.5 percent in the fourth quarter of 2005 surpassing the statewide increase of 19 percent. The median home price of \$168,700, however, remains substantially below the state median home price of \$275,700. Similarly, the area's median family income of \$46,386 also fell below the state's median family income of \$53,760. While housing is relatively affordable in the area, many first time home buyers still find that buying a home is financially challenging.¹¹ Community contacts also indicated that there continues to be a need for affordable housing in the assessment area.

SCOPE OF EXAMINATION

The CRA performance was evaluated using the Intermediate Small Bank Examination Procedures. Two separate tests are conducted; the lending test and the community development test for intermediate small banks. The lending test evaluation was based upon the following performance criteria:

- Loan volume in comparison to deposits (Loan-to-Deposit Ratio);
- Lending inside and outside the assessment area (Lending in Assessment Area);
- Distribution of lending to businesses with different revenue sizes and borrowers of different income levels (Lending by Business Revenue and Borrower Income); and
- Dispersion of lending throughout the assessment area (Lending Distribution by Geography).

⁹ Spokane Economic Development Council, *Community Overview*, (accessed March 6, 2006); available from <http://www.spokaneedc.org>.

¹⁰ Workforce Explorer Washington, *Spokane County Profile Employment and Wages*, (accessed March 6, 2006); available from <http://www.workforceexplorer.com>.

¹¹ Washington Center for Real Estate Research, *Median Home Prices, State of Washington and Counties* (accessed March 7, 2006); available from <http://www.cbe.wsu.edu/~wcrer>.

Responsiveness to consumer complaints was not evaluated, as the bank received no CRA-related complaints.

A total of 379 small business loans and 235 home mortgage loans originated between January 1, 2004 and September 30, 2005 were used to evaluate Lending in Assessment Area. A statistical sample of 62 small business, 59 home mortgage and 52 home purchase loans were used to evaluate Lending by Business Revenue and Borrower Income and Lending Distribution by Geography.

The Community Development Test evaluated the bank's community development loans, investments and services in relation to local needs and opportunities as well as the bank's capacity to participate in such activities. The review period for these activities was January 1, 2004, through December 31, 2005.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Overall performance under the lending test is satisfactory. The loan-to-deposit ratio and level of lending within the assessment area indicates that the bank was effectively engaging in lending activities within its defined market. The strength of the bank's lending performance was the high level of lending to small businesses throughout its assessment area. Although the geographic distribution of lending varied throughout the assessment area, performance was adequate overall.

Loan-to-Deposit Ratio

The loan-to-deposit ratio meets standards for satisfactory performance. The seven-quarter average loan-to-deposit ratio at 96 percent is higher than local and national peers. This ratio is more than reasonable given the bank's size, financial condition, area credit needs, and the bank's goal to continually increase asset size while also serving the needs of small business and individuals in the assessment area.

Lending in Assessment Area

The concentration of loans inside the assessment area exceeds standards for satisfactory performance. As shown in the table below, a substantial majority of small business and home mortgage loans were extended within the bank's assessment area.

EXHIBIT 2								
LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS								
JANUARY 1, 2004 - SEPTEMBER 30, 2005								
LOAN TYPE	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Small Business	347	91.6	54,400	89.5	32	8.4	6,401	10.5
Total Business-Related	347	91.6	54,400	89.5	32	8.4	6,401	10.5
HMDA Home Purchase	103	76.3	10,626	79.3	32	23.7	2,767	20.7
HMDA Refinance	132	88.6	12,645	87.4	17	11.4	1,815	12.6
Total HMDA-Related	235	82.8	23,271	83.6	49	17.3	4,582	16.5
TOTAL LOANS	582	87.8	77,671	87.6	81	12.2	10,983	12.4

Lending Distribution by Business Revenue and Borrower Income

On an overall basis, the bank has a good record of serving businesses of different revenue sizes and borrowers of different income levels. The strengths of this performance are the high percentage of small business loans extended to small businesses and the percentage of home mortgage loans extended to low- and moderate-income borrowers.

Small Business Loans

Lending patterns reflect good penetration among businesses of different sizes. A substantial majority (77 percent) of loans extended were to small businesses. This level compares favorably to Dun & Bradstreet business concentration data which indicates 88.7 percent of assessment area businesses are small businesses. Lending levels also significantly exceeded the aggregate lending levels of 39 percent. Additionally, 65 percent of the bank's business loans are in dollar amounts of less than \$100,000. Interviews with community contacts, economic data, and the high percentage of small businesses indicate a need for business loans in smaller dollar amounts.

Home Mortgage Loans

The bank extended an excellent level of home purchase and refinance loans to borrowers of different income levels. The percentage of home purchase loans extended to moderate-income borrowers significantly exceeded the percentage of moderate-income families in the assessment area and aggregate lending to moderate-income borrowers. The strong performance in the bank's lending to low- and moderate-income borrowers is due, in part, to its participation in various first-time homeowner programs. The strengths of the home purchase and refinance lending to low- and moderate income borrowers is shown in the table below:

Income Level	Families	Bank Home Purchase Lending	Aggregate Home Purchase Lending	Bank Refinance Lending	Aggregate Refinance Lending
Low-Income	18.8%	13.5%	10.6%	11.9%	9.0%
Moderate-Income	18.9%	46.2%	25.9%	28.8%	22.1%
Middle-Income	22.9%	23.1%	26.9%	20.3%	27.7%
Upper-Income	39.3%	17.3%	36.7%	39.0%	41.1%

Lending Distribution by Geography

The geographic distribution of loans is generally adequate and meets standards for satisfactory performance. While some differences in performance were noted, lending patterns overall are reasonable.

Small Business Loans

Geographic distribution of small business loans is reasonable with adequate dispersion throughout the assessment area. A significant portion of the loans were extended in middle-income tracts. This distribution is reasonable as middle-income tracts comprise the largest portion of the assessment area and that 50 percent of the bank's branches are located in middle-income census tracts. The distribution of lending in low-income census tracts is consistent with the concentration of businesses as well as the aggregate markets performance. Although, the bank's lending in moderate-income census tracts fell below the concentration of businesses and aggregate lending rates, it is reasonable in light of the competitive banking environment.

Census Tract Type	Bank Lending	Business Concentration ¹²	Aggregate Lending ¹³
Low-Income	4.8%	4.1%	4.2%
Moderate-Income	22.6%	36.3%	37.8%
Middle-Income	45.2%	36.4%	33.6%
Upper-Income	27.4%	23.2%	24.4%

Home Mortgage Loans

The geographic distribution of home purchase and refinance loans throughout the assessment area is reasonable. As seen in the following tables, when compared to the aggregate lending levels, the bank was more successful in reaching low-, moderate- and middle-income borrowers with home purchase loans than it was in reaching upper-income borrowers. The bank's performance in reaching low-, moderate- and middle-income borrowers with refinance loans was generally consistent with the aggregate levels while lending to upper-income borrowers was slightly more favorable.

¹² Data based upon 2005 Dun & Bradstreet information according to 2000 U.S. Census boundaries.

¹³ Aggregate lending based upon 2004 small business lending activity.

Income Level	Owner Occupied Units	Bank Home Purchase Lending	Aggregate Home Purchase Lending	Bank Refinance Lending	Aggregate Refinance Lending
Low-Income	0.3%	1.0%	0.5%	0%	0.4%
Moderate-Income	21.7%	25.24%	24.9%	21.2%	23.5%
Middle-Income	44.8%	62.14%	44.1%	39.4%	42.4%
Upper-Income	33.2%	11.65%	30.6%	39.4%	33.7%

Response to Complaints

F&M has not received any complaints related to its CRA performance since the previous examination. Accordingly, the bank's performance in responding to complaints was not considered in evaluating its overall CRA performance.

COMMUNITY DEVELOPMENT TEST

F&M's overall record under the community development test is satisfactory based on the level and responsiveness of its various community development activities. The performance was strongest in community development lending, while more limited levels of activity were noted for community development investments and services. Although performance is not as strong in these latter two areas, the performance is reasonable given the bank's recent entry into the community development arena and the strong competition for community development investments.

Lending

During this review period, the bank extended five community development loans in the assessment area totaling \$1.3 million. These include a \$775,000 loan to finance the construction of 120 units of affordable housing which community contacts have identified as a need in the assessment area. Three loans were extended to renovate 55 units of affordable rental housing in downtown Spokane which directly addressed a need for revitalization in the downtown area. Additionally, F&M provided a \$125,000 line of credit to a community development organization that provides health care to low- and moderate-income individuals and families.

Investments

The bank made a reasonable level of community development investments. Two prior-period investments totaling \$807,000 continued to benefit an alternative school district in a moderate-income census tract. This investment vehicle has a multi-year impact on a significant community development need. Current period investments, although lower given competition for limited opportunities, include a \$75,000 investment in a business development organization that promotes economic development activities for small businesses. Community contacts

indicated that this type of activity directly addresses community development needs. F&M also donated \$10,000 in grants; thereby, funding a matched savings program for low- income families. Lastly, the bank donated \$3,000 to organizations that sponsor affordable housing and economic development activities throughout the assessment area.

Services

Retail banking services support the bank's community development activities. The branch network demonstrates responsiveness to meeting the needs of the community given that five of the sixteen branches are located in moderate-income areas. Seven branches are located in supermarkets or convenience stores and offer extended banking hours, Monday through Saturday, with ATM accessibility seven days a week, 24-hours a day. Moreover, branch hours do not vary in a way that would inconvenience certain portions of the assessment area. F&M also offers delivery mechanisms that enhance accessibility including drive-up window banking at seven branch locations, three additional stand-alone ATMs, telephone banking, and Internet banking services.

Bank employees also provided over 500 hours in services to numerous organizations in its assessment area that promote community development. Service activities include participating on boards and providing technical assistance to initiatives that promote affordable housing, economic revitalization, and service to low- and moderate income individuals.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

F&M is in compliance with the substantive provisions of the anti-discrimination and other fair lending laws and regulations. The compliance examination conducted concurrently with this CRA evaluation did not reveal any type of discriminatory or other illegal credit practices. Established policies and procedures and other controls are designed to ensure ongoing compliance with applicable laws and regulations.

GLOSSARY OF TERMS

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 development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

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

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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.

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 and community development 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, 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 refinancings 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.

Limited-scope review: Performance under the lending and community development 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.

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

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.

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 loan(s) to business(es): A loan 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 either secured 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): A loan 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.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.