

# **PUBLIC DISCLOSURE**

May 2, 2011

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Leitchfield Deposit Bank & Trust Company  
RSSD# 643546**

**76 Public Square  
Leitchfield, Kentucky 42754**

**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.**

Leitchfield Deposit Bank & Trust Company 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 businesses/farms of different sizes. The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's loans and other lending-related activities are in the bank's assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area. Lastly, no CRA-related complaints were filed against the bank for this review period.

**SCOPE OF EXAMINATION<sup>1</sup>**

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 April 30, 2007 to May 2, 2011. Lending performance was based on loan activity from the years 2007, 2008, 2009, and 2010—including small business loans, small farm loans, and consumer purpose loans secured by a motor vehicle. These three 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. Therefore, loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, as the bank has a particular emphasis on consumer and small business loan products, performance based on these loan categories carried the most significance towards the bank's overall performance conclusions.

As part of this review, the bank's performance was evaluated in relation to that of comparable financial institutions operating within the same general region. Four other banks were identified as similarly situated peers, with asset sizes ranging from \$44.7 million to \$477.9 million.

To augment this evaluation, one interview was conducted with a member of the local community (community contact interview) in order to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. This interview took place with an economic development specialist serving Grayson County.<sup>2</sup>

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<sup>1</sup> 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.

<sup>2</sup> Key details from these community contact interviews are included in the *Description of Assessment Area* section.

## DESCRIPTION OF INSTITUTION

Leitchfield Deposit Bank & Trust Company is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is owned by Farmers Bancshares, Inc., a multi-bank<sup>3</sup> holding company headquartered in Hardinsburg, Kentucky. The bank's branch network consists of four branches (including the main office). Three branches are located in Leitchfield, and the fourth branch is located in the town of Falls of Rough, Kentucky, approximately 20 miles northwest of Leitchfield. Each branch offers regular lobby hours and drive-up accessibility. In addition, two bank offices have a full-service automated teller machine (ATM) on-site, and the bank also operates two cash-dispensing only ATMs. The bank did not open or close any branches during this review period. Based on this branch network and other service delivery systems, the bank is capable of delivering financial services to substantially all of its assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of March 31, 2011, the bank reported total assets of \$108.4 million. As of the same date, loans and leases outstanding were \$76.8 million (70.8 percent of total assets), and deposits totaled \$81.3 million. The bank's loan portfolio composition by credit category is displayed in the following table.

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<sup>3</sup> The other bank under the holding company, Farmers Bank, is a state member bank headquartered in Hardinsburg, Kentucky.

| <b>Distribution of Total Loans (as of March 31, 2011)</b> |                         |                                  |
|---|-------------------------|----------------------------------|
| <b>Credit Product Type</b>                                | <b>Amount in \$000s</b> | <b>Percentage of Total Loans</b> |
| Construction and Development                              | \$ 1,005                | 1.3%                             |
| Commercial Real Estate                                    | \$ 36,620               | 47.7%                            |
| Multifamily Residential                                   | \$ 3,939                | 5.1%                             |
| 1-4 Family Residential                                    | \$ 16,456               | 21.4%                            |
| Secure by First Liens                                     | \$ 14,553               | 19.0%                            |
| Secured by Junior Liens                                   | \$ 1,012                | 1.3%                             |
| Home Equity Loans   | \$ 891                  | 1.2%                             |
| Farmland  | \$ 5,278                | 6.9%                             |
| Farm Loans  | \$ 1,177                | 1.5%                             |
| Commercial and Industrial                                 | \$ 8,703                | 11.3%                            |
| Loans to Individuals                                      | \$ 3,540                | 4.6%                             |
| Credit Cards  | \$ 340                  | 0.4%                             |
| Related Plans   | \$ -                    | 0.0%                             |
| Other Loans to Individuals                                | \$ 3,200                | 4.2%                             |
| Total Other Loans   | \$ 37                   | 0.0%                             |
| <b>TOTAL</b>  | <b>\$ 76,755</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 and 1-4 family residential real estate loans.<sup>4</sup> In addition, by number of loans originated, loans to individuals (such as consumer motor vehicle loans) are a significant loan product category.<sup>5</sup>

The bank received a satisfactory rating at its previous CRA evaluation conducted on April 30, 2007, by this Reserve Bank.

<sup>4</sup> While the 1-4 family residential real estate loan category has historically been a primary lending focus of the bank, this type of loan activity decreased significantly beginning in 2008; consequently, the dollar amount indicated here is not necessarily reflective of recent activity or the bank's current lending emphasis.

<sup>5</sup> 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.

## **DESCRIPTION OF ASSESSMENT AREA<sup>6</sup>**

### **General Demographics**

The bank's assessment area consists of Grayson County, Kentucky, in its entirety, which is not located in a metropolitan statistical area (MSA). Grayson County is comprised of seven middle-income census tracts, and it is located in central Kentucky, approximately 75 miles southwest of Louisville, Kentucky. There are five cities in Grayson County including Leitchfield, which is the county seat, and the county population was 24,053 as of the 2000 census. Grayson County is also home to two large lakes, which serve as the major source for the county's tourism economy.

As Grayson County is not in an MSA and a significant portion of the community is rural in nature, 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. Other particular credit needs in the assessment area (as noted primarily from a community contact) include increased use of innovative/flexible lending opportunities, such as U.S. Small Business Administration facilitated loan programs, to spur business expansion and increase local employment opportunities.

### **Income and Wealth Demographics**

As previously noted, the bank's assessment area consists of Grayson County, which includes seven middle-income census tracts. While this assessment area does not include any LMI geographies, all seven census tracts are classified as "distressed" due to high levels of unemployment.

Based upon 2000 census data, the median family income for the assessment area was \$33,060. At the same time, the nonMSA Kentucky median family income was substantially similar at \$32,884. More recently, the U.S. Department of Housing and Urban Development (HUD) estimated the 2010 nonMSA Kentucky median family income to be \$42,500. The following table displays population percentages of assessment area families by income level, compared to the nonMSA Kentucky family population as a whole.

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<sup>6</sup> Statistical/demographic 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.

| <b>Family Population by Income Level</b> |                  |                  |                 |                  |                |                               |
|--|------------------|------------------|-----------------|------------------|----------------|-------------------------------|
| <b>Dataset</b>                           | <b>Low-</b>      | <b>Moderate-</b> | <b>Middle-</b>  | <b>Upper-</b>    | <b>Unknown</b> | <b>TOTAL</b>                  |
| Assessment Area                          | 1,296<br>18.5%   | 1,261<br>18.0%   | 1,592<br>22.8%  | 2,840<br>40.6%   | 0<br>0.0%      | <b>6,989</b><br><b>100%</b>   |
| NonMSA Kentucky                          | 115,044<br>22.9% | 83,239<br>16.6%  | 96,796<br>19.3% | 206,886<br>41.2% | 0<br>0.0%      | <b>501,965</b><br><b>100%</b> |

While the assessment area does not include any census tracts designated as LMI, data in the previous table indicate that the assessment area includes a significant LMI population (36.5 percent). Furthermore, the stratification of assessment area families by income level is more concentrated in the moderate-income and middle-income categories, as compared to nonMSA Kentucky overall, which has higher percentages of low-income families and upper-income families. Likewise, the level of assessment area families living below the poverty level (13.9 percent) is significantly less than that of nonMSA Kentucky (17.3 percent).

**Housing Demographics**

Based upon housing values, income levels, and rental costs, housing affordability in the assessment area appears to be generally consistent with other areas in nonMSA Kentucky. While the median housing value for the assessment area of \$62,971 is above the figure for the nonMSA Kentucky, \$58,494, the assessment area housing affordability ratio of 43.0 percent is slightly above the nonMSA Kentucky figure of 42.0 percent, indicating greater affordability in light of higher assessment area income levels. Lastly, the median gross rent for the assessment area of \$353 per month is just below that of nonMSA Kentucky, \$367.

**Industry and Employment Demographics**

The assessment area economy is diverse and is supported by a mixture of manufacturing and service-oriented sectors. By number of paid employees in the assessment area, manufacturing plays the lead role with 31.7 percent of the workforce (1,991), followed by retail trade, 19.1 percent (1,200), and health care and social assistance, 14.8 percent (991).<sup>7</sup> Further, 2010 business geodemographic estimates indicate that 93.9 percent of the 1,221 businesses in the assessment area have gross annual revenues of \$1 million or less; also, these estimates reflect that all 141 farms in the assessment area have gross annual revenues of \$1 million or less.

The unemployment rate for Grayson County is chronically higher than the state of Kentucky overall. The 2010 average unemployment rate in Grayson County was 14.5 percent, which is significantly higher than the average for the state of Kentucky, 10.5 percent.<sup>8</sup> More recently, the Grayson County unemployment rate climbed to 15.0 percent as of February 2011, compared to the Kentucky state unemployment rate of 11.2 percent.

<sup>7</sup> Source: U.S. Census Bureau 2008 County Business Patterns

<sup>8</sup> Source: U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted)

### **Community Contact Information**

As a part of this CRA evaluation, one community contact interview was conducted in order to obtain additional assessment area background, including information relating to credit needs, community development opportunities, and the local economy. This interview was with a local economic development specialist. The community contact interviewee categorized the local economy as weak and depressed primarily due to the area's high levels of underemployment and unemployment. Major contributing factors to the employment problems include an under-skilled workforce and increased illegal drug use. However, the contact was hopeful that a recent expansion by a local community college would help improve this situation, as the expansion will increase much needed vocational and technical training opportunities. Finally, the contact communicated plans by several local companies to expand their operations in Grayson County, adding both temporary and permanent jobs to the economy.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Leitchfield Deposit Bank & Trust Company 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 bank’s average LTD ratio
- The concentration of lending within the assessment area
- The geographic distribution of loans
- A review of the bank’s response to written CRA complaints

**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 (\$42,500 for nonMSA Kentucky as of 2010). The following table shows the distribution of consumer motor vehicle loans by income level of the borrower compared to household population income characteristics.

| <b>Distribution of Loans Inside Assessment Area by Income Level of Borrower</b> |                              |                  |                |               |                |                          |
|---|------------------------------|------------------|----------------|---------------|----------------|--------------------------|
| <b>Dataset</b>  | <b>Borrower Income Level</b> |                  |                |               |                | <b>TOTAL</b>             |
|   | <b>Low-</b>                  | <b>Moderate-</b> | <b>Middle-</b> | <b>Upper-</b> | <b>Unknown</b> |                          |
| Consumer Motor Vehicle Loans  | 12<br>27.3%                  | 11<br>25.0%      | 5<br>11.4%     | 16<br>36.4%   | 0<br>0.0%      | <b>44</b><br><b>100%</b> |
| Household Population  | 23.1%                        | 14.4%            | 20.7%          | 41.8%         | 0.0%           | <b>100%</b>              |

This analysis revealed excellent penetration to LMI borrowers. The bank’s level of lending to LMI borrowers, 52.3 percent, significantly exceeds the LMI household population of 37.5 percent. Reviewed separately, the bank’s lending levels to low-income borrowers, 27.3 percent, and moderate-income borrowers, 25.0 percent, each significantly exceed the household population comparisons, 23.1 and 14.4 percent, respectively. Based on this data, the distribution of the bank’s consumer motor vehicle loans reflects excellent penetration among individuals of different income levels.

Like the borrower’s profile analysis conducted for the consumer motor vehicle loans, the bank’s distribution of small business loans to businesses of various sizes was also reviewed. The following table reflects the bank’s distribution of small business loans by gross annual business revenue and loan amount.

| <b>Lending Distribution by Business Revenue Level</b> |                                |                         |                          |                          |
|---|--------------------------------|-------------------------|--------------------------|--------------------------|
| <b>Gross Revenue</b>                                  | <b>Loan Amount (in \$000s)</b> |                         |                          | <b>TOTAL</b>             |
|   | <b>≤\$100</b>                  | <b>&lt;\$100≤\$250</b>  | <b>&gt;\$250≤\$1,000</b> |                          |
| \$1 Million or Less                                   | 40                             | 3                       | 1                        | <b>44</b>                |
|   | 88.9%                          | 6.7%                    | 2.2%                     | <b>97.8%</b>             |
| Greater Than \$1 Million                              | 1                              | 0                       | 0                        | <b>1</b>                 |
|   | 2.2%                           | 0.0%                    | 0.0%                     | <b>2.2%</b>              |
| <b>TOTAL</b>  | <b>41</b><br><b>91.1%</b>      | <b>3</b><br><b>6.7%</b> | <b>1</b><br><b>2.2%</b>  | <b>45</b><br><b>100%</b> |

Based on this analysis of small business loans, the bank is doing an excellent job of meeting the credit needs of small businesses. The table above demonstrates that 44 of 45 loans reviewed (97.8 percent) were made to businesses with gross annual revenues of \$1 million or less; this small business lending level exceeds small business demographic estimates and the performance of other lenders. Business geodemographic data indicate that 93.9 percent of businesses inside the assessment area are small businesses (2010 estimates), and 2009 CRA aggregate data for the assessment area reflect that only 19.2 percent of reported small business loans were made to small businesses. Furthermore, the fact that a high majority of the bank’s loans to small businesses were in amounts of \$100,000 or less indicates the bank’s willingness to meet the credit needs of small businesses. Consequently, the bank’s borrower’s profile performance for the small business loan category is excellent.

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

| <b>Lending Distribution by Farm Revenue Level</b> |                                |                        |                        |                          |
|---|--------------------------------|------------------------|------------------------|--------------------------|
| <b>Gross Revenue</b>                              | <b>Loan Amount (in \$000s)</b> |                        |                        | <b>TOTAL</b>             |
|   | <b>≤\$100</b>                  | <b>&lt;\$100≤\$250</b> | <b>&gt;\$250≤\$500</b> |                          |
| \$1 Million or Less                               | 43<br>89.6%                    | 2<br>4.2%              | 3<br>6.3%              | <b>48</b><br><b>100%</b> |
| Greater Than \$1 Million                          | 0<br>0.0%                      | 0<br>0.0%              | 0<br>0.0%              | <b>0</b><br><b>0.0%</b>  |
| <b>TOTAL</b>                                      | 43<br>89.6%                    | 2<br>4.2%              | 3<br>6.3%              | <b>48</b><br><b>100%</b> |

Based on this analysis of small farm loans, the bank is doing an excellent job of meeting the credit needs of small farms. The table above demonstrates that 100 percent of the loans reviewed were made to farms with gross annual revenues of \$1 million or less. While this very high level of lending to small farms would be expected based on business geodemographic data, which estimate that all farms in the assessment area are small farms, the bank's performance is still above that of other lenders as reflected by 2009 CRA aggregate data. Of small farm loans reported to be made in this assessment area by other lenders, 85.7 percent were made to small farms. Furthermore, the fact that 89.6 percent of loans to small farms were in amounts of \$100,000 or less indicates the bank's willingness to meet the credit needs of small farms. Consequently, the bank's borrower's profile performance for the small farm loan category is excellent.

Therefore, the bank's overall borrower's profile performance, based on analyses of all three loan categories, is excellent.

**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<sup>10</sup> in comparison to that of regional peers.

| <b>Loan-to-Deposit Ratio Analysis</b>    |                                |                       |                          |
|--|--------------------------------|-----------------------|--------------------------|
| <b>Name</b>                              | <b>Asset Size<sup>11</sup></b> | <b>Headquarters</b>   | <b>Average LTD Ratio</b> |
| Leitchfield Deposit Bank & Trust Company | \$ 108,373                     | Leitchfield, Kentucky | 103.1%                   |
| Regional Banks                           | \$ 477,883                     | Cecilia, Kentucky     | 87.4%                    |
|  | \$ 397,868                     | Bardstown, Kentucky   | 85.7%                    |
|  | \$ 119,815                     | Clarkson, Kentucky    | 60.8%                    |
|  | \$ 44,706                      | Caneyville, Kentucky  | 39.2%                    |

Based on data from the previous table, the bank’s level of lending is above that of other banks in the region. During the review period, the bank’s LTD ratio ranged from a low of 93.4 percent to a high of 112.0 percent. In comparison, the average LTD ratios for the regional peers ranged from 39.2 to 87.4 percent. Therefore, in comparison to data from regional banks as displayed in the table above, the bank’s average LTD ratio appears to be more than reasonable given the bank’s size, financial condition, and assessment area credit needs.

<sup>10</sup> The average LTD ratio represents a 16-quarter average, dating back to the bank’s last CRA evaluation.

<sup>11</sup> Asset size figures in this table represent total assets as of March 31, 2011 (in \$000s).

**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.

| <b>Lending Inside and Outside of Assessment Area (\$000s)</b> |                               |                                |                 |
|---|-------------------------------|--------------------------------|-----------------|
| <b>Loan Type</b>  | <b>Inside Assessment Area</b> | <b>Outside Assessment Area</b> | <b>TOTAL</b>    |
| Consumer Loans  | 44                            | 10                             | <b>54</b>       |
|   | 81.5%                         | 18.5%                          | <b>100%</b>     |
|   | \$ 348                        | \$ 70                          | <b>\$ 418</b>   |
| Small Business Loans  | 83.3%                         | 16.7%                          | <b>100%</b>     |
|   | 45                            | 21                             | <b>66</b>       |
|   | 68.2%                         | 31.8%                          | <b>100%</b>     |
| Small Farm Loans  | \$ 1,875                      | \$ 2,945                       | <b>\$ 4,820</b> |
|   | 38.9%                         | 61.1%                          | <b>100%</b>     |
|   | 48                            | 6                              | <b>54</b>       |
| <b>TOTAL</b>  | 88.9%                         | 11.1%                          | <b>100%</b>     |
|   | \$ 2,139                      | \$ 364                         | <b>\$ 2,503</b> |
|   | 85.5%                         | 14.5%                          | <b>100%</b>     |
| <b>TOTAL</b>  | <b>137</b>                    | <b>37</b>                      | <b>174</b>      |
|   | <b>78.7%</b>                  | <b>21.3%</b>                   | <b>100%</b>     |
|   | <b>\$ 4,362</b>               | <b>\$ 3,379</b>                | <b>\$ 7,741</b> |
|   | <b>56.3%</b>                  | <b>43.7%</b>                   | <b>100%</b>     |

By number of total loans reviewed, 78.7 percent were made to borrowers within the bank’s assessment area. Further, data in the previous table demonstrate that a majority of loans (by both number and dollar amount of loans) were extended to borrowers residing/operating inside the bank’s assessment area for all three loan categories (the only exception being the dollar amount of small business loans, which is not significant enough to drag down the bank’s overall performance under this criterion).<sup>12</sup>

<sup>12</sup> The lower percentage of small business loans made in the assessment area by dollar amount is primarily related to a few large loans tied to projects outside of the assessment area that were nevertheless made to borrowers headquartered in the assessment area.

### **Geographic Distribution of Loans**

Under the geographic distribution of loans analysis, emphasis is normally placed on the bank's loan penetration among LMI geographies. However, as noted in the *Description of the Assessment Area* section, the bank's assessment area is comprised of all middle-income census tracts. Consequently, a detailed geographic distribution analysis would not be meaningful, and; therefore, such an analysis was not performed. Nevertheless, the loan dispersion within the assessment area census tracts was reviewed, the results of which indicate that loan activity is adequately dispersed throughout the assessment area consistent with demographics and bank structure.

### **Review of Complaints**

No CRA-related complaints were filed against the bank during this review period.

### **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.

**Appendix A**

| <b>Leitchfield Deposit Bank &amp; Trust Company Assessment Area</b> |                         |                                  |            |                             |
|---|-------------------------|----------------------------------|------------|-----------------------------|
| <b>County</b>   | <b>Geography Number</b> | <b>Geography Income Category</b> | <b>MSA</b> | <b>Contains Bank Office</b> |
| Grayson   | 9501.00                 | Middle                           | N/A        | No                          |
| Grayson   | 9502.00                 | Middle                           | N/A        | No                          |
| Grayson   | 9503.00                 | Middle                           | N/A        | Yes                         |
| Grayson   | 9504.00                 | Middle                           | N/A        | Yes                         |
| Grayson   | 9505.00                 | Middle                           | N/A        | No                          |
| Grayson   | 9506.00                 | Middle                           | N/A        | No                          |
| Grayson   | 9507.00                 | Middle                           | N/A        | Yes                         |

## 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.

**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
- (ii) Distressed or underserved non-metropolitan 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, 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.

**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.

**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 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 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 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):** 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 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.