

PUBLIC DISCLOSURE

January 7, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ridgedale State Bank
1730 Plymouth Road
Minnetonka, Minnesota 55305
RSSD 697455

**Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P.O. Box 291
Minneapolis, MN 55480-0291**

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 the 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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Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

The bank's performance under the CRA is satisfactory. Based on the bank's asset size, the bank effectively meets the credit needs of the residents and businesses in its assessment area. Several factors support the bank's satisfactory CRA rating.

- The bank's lending to businesses of different sizes and to borrowers of different income levels is satisfactory,
- The bank's geographic distribution of loans throughout census tracts of different income levels within the assessment area is satisfactory,
- The majority of the bank's loans are made to businesses and residents in the assessment area, and
- The bank's net loan-to-deposit ratio is satisfactory.

SCOPE OF EVALUATION

This evaluation is based on the bank's small business and consumer lending activity. Table 1 illustrates the bank's loans originated during 2006 as provided by the bank. Based on the total number and total dollar amount of loans, small business and consumer loans constitute a substantial portion of the bank's loan portfolio.

<i>Loan Type</i>	<i>Total Number of Loans</i>	<i>%</i>	<i>Total Amount of Loans</i>	<i>%</i>
Consumer	78	27.7	\$ 1,986,242	4.7
Residential Real Estate	23	8.2	\$ 6,267,619	14.9
Small Business	153	54.3	\$30,768,322	73.2
Home Equity Line of Credit	21	7.4	\$ 1,514,056	3.6
Raw Land	3	1.1	\$ 755,616	1.8
Construction	4	1.4	\$ 714,342	1.7
Total	282	100.0	\$42,006,196	100.0

Much of the following analysis is based on a statistical sample of 55 small business and 55 consumer loans originated within the sample period of April 1, 2007, through September 30, 2007.

The bank does report home purchase, refinance, and home improvement loans as required by the Home Mortgage Disclosure Act because of the bank's asset size and location within in a metropolitan statistical area (MSA). However, the bank reported 19 loan applications in 2006, which is less than 1.0% of the aggregate lending activity in the bank's market. As illustrated in Table 1, residential real estate loans do not represent a significant portion of the bank's loan portfolio. The following analysis does not consider residential real estate lending.

DESCRIPTION OF INSTITUTION

At the bank's previous CRA performance evaluation dated November 17, 2003, the bank received a satisfactory rating. The previous evaluation did not reveal any financial constraints on the bank's ability to lend within the assessment area.

Office. The bank operates two full-service offices. The bank's main office is located in Minnetonka, Minnesota, a suburban community located approximately eight miles west of downtown Minneapolis in Hennepin County. The bank's full-service Loring branch is located in downtown Minneapolis. Main office lobby hours are 9:00 a.m. to 4:00 p.m. Monday through Thursday and 9:00 a.m. to 6:00 p.m. Friday. Drive-up hours are 7:30 a.m. to 7:00 p.m. Monday through Friday and 9:00 a.m. to 1:00 p.m. Saturday. The Loring branch lobby hours are 9:00 a.m. to 4:00 p.m. Monday through Wednesday and Friday and 9:00 a.m. to 6:00 p.m. Thursday. The Loring branch walk-up window hours are 8:00 a.m. to 6:00 p.m. Monday through Friday and 9:30 a.m. to 12:30 p.m. Saturday.

Alternative delivery methods. The bank operates three deposit-taking automated teller machines (ATM) within the assessment area. ATMs are located at each of the bank's offices and the third is located at the Hyatt Hotel in Minneapolis. The bank also offers telephone banking, which allows 24-hour access to account information. Customers are able to make balance inquires, confirm recent deposits, make loan payments, and transfer between accounts. In addition, the bank operates a web site with electronic banking. Electronic banking includes account inquiries, fund transfers between deposit accounts, loan payments, loan advances, and calculators.

Loan portfolio. According to the September 30, 2007, Report of Condition (ROC), the bank's total assets are \$102 million. The bank is primarily a commercial lender offering standard and relatively noncomplex credit products. According to the ROC, the bank's \$78 million loan portfolio consists of 51.5% commercial, 40.0% residential real estate, 5.1% consumer, 0.2% agricultural, and 3.2% other loans. Since the previous evaluation, the bank's loan portfolio grew by 30.8%, largely due to the increase in construction and commercial real estate loans.

Credit products. The bank continues to offer standard and relatively noncomplex credit products that meet the credit needs of the assessment area's businesses and residents. The bank's credit products include commercial, consumer, and residential real estate loan products. The bank continues to offer loans through the U.S. Small Business Administration. The bank also continues to offer small business loans through the Minneapolis Community Development Agency and Loring Business Association; however, activity in these programs has been very limited since the last evaluation. Finally, applicants seeking adjustable rate mortgages, mortgages requiring private mortgage insurance, or other mortgage credit products not offered by the bank are referred to a large commercial bank.

Deposit market share. According to the Federal Deposit Insurance Corporation (FDIC), on June 30, 2007, deposits held at the bank's main location represent 66.4% of the bank's total deposits and the remaining 33.6% are located at the Loring branch. The bank holds less than 0.1% of the deposits in its market and ranks 87th out of the 185 FDIC-insured institutions in the Minneapolis-Saint Paul-Bloomington, MN-WI MSA. In the MSA, the top three ranked institutions are large regional commercial banks that hold 62.7% of the market's deposits. In addition, of the 86 financial institutions that rank higher than the bank, 79 of the institutions each hold less than 1.0% of the deposits in the MSA.

According to bank management and community contacts, the bank operates in a highly competitive financial services environment. In addition to numerous financial institutions located in the metropolitan area, Internet creditors are another source of competition for deposits and credit products.

DESCRIPTION OF ASSESSMENT AREA

In addition to discussions with bank management, examiners contacted community members familiar with development and business characteristics of the assessment area in order to identify community credit needs. Information from these contacts and bank management was used in the evaluation of the bank's CRA performance.

Assessment area. The bank's defined assessment area for CRA purposes consists of all of Hennepin County, the southern portion of Anoka County, the western portion of Ramsey County, the northwestern portion of Dakota County, and a small section of northeastern Carver County.

The bank's assessment area consists of 406 census tracts. As illustrated in Table 2, the majority of the bank's assessment area consists of middle- and upper-income census tracts (68.2%). In addition, 9.4% and 22.2% of the census tracts in the assessment area are low- and moderate-income census tracts, respectively. All of the assessment area's low-income census tracts and the majority of the moderate-income census tracts are concentrated around downtown Minneapolis with a few moderate-income census tracts in Anoka and Ramsey counties.

The bank's assessment area has not changed since the previous evaluation; however, some of the census tract income level designations changed in 2004 when the Office of Management and Budget revised the census tracts in the Minneapolis-Saint Paul-Bloomington, MN-WI MSA.

Population. Table 2 illustrates the demographic characteristics of the bank's assessment area based on the 2000 U.S. Census data. The business and farm information is based on the Dun & Bradstreet data for 2007.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	38	9.4	17,420	4.7	5,140	29.5	65,000	17.5
Moderate Income	90	22.2	64,573	17.4	5,665	8.8	68,340	18.4
Middle Income	167	41.1	166,831	44.9	4,671	2.8	91,699	24.7
Upper Income	110	27.1	123,072	33.1	1,846	1.5	146,857	39.5
Unknown	1	0.2	0	0.0	0	0.0	0	0.0
Total Assessment Area	406	100.0	371,896	100.0	17,322	4.7	371,896	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	40,522	9,099	2.2	22.5	29,308	72.3	2,115	5.2
Moderate Income	132,536	65,396	15.8	49.3	63,363	47.8	3,777	2.8
Middle Income	278,196	197,223	47.6	70.9	75,037	27.0	5,936	2.1
Upper Income	179,420	142,684	34.4	79.5	32,599	18.2	4,137	2.3
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	630,674	414,402	100.0	65.7	200,307	31.8	15,965	2.5

TABLE 2
Assessment Area Demographics

<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	3,702	5.6	3,156	5.6	429	4.9	117	9.3
Moderate Income	11,116	16.7	9,322	16.5	1,521	17.3	273	21.7
Middle Income	30,745	46.2	25,625	45.3	4,559	51.7	561	44.6
Upper Income	20,956	31.5	18,363	32.5	2,294	26.0	299	23.8
Unknown	78	0.1	62	0.1	9	0.1	7	0.6
Total Assessment Area	66,597	100.0	56,528	100.0	8,812	100.0	1,257	100.0
Percentage of Total Businesses:				84.9		13.2		1.9
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	6	1.4	6	1.5	0	0.0	0	0.0
Moderate Income	36	8.7	33	8.3	2	12.5	1	100.0
Middle Income	157	37.9	149	37.5	8	50.0	0	0.0
Upper Income	214	51.7	208	52.4	6	37.5	0	0.0
Unknown	1	0.2	1	0.3	0	0.0	0	0.0
Total Assessment Area	414	100.0	397	100.0	16	100.0	1	100.0
Percentage of Total Farms:				95.9		3.9		0.2

According to the 2000 U.S. Census data, the population of the assessment area is 1,521,789 and the number of households that are families is 371,896. The majority of the families in the assessment area is middle and upper income (64.2%) and resides in middle- and upper-income census tracts (78.0%). Conversely, 17.5% and 18.4% of the families in the assessment area are low- and moderate-income families, respectively, and 4.7% and 17.4% of the families in the assessment area reside in low- and moderate-income census tracts, respectively. In addition, 4.7% of the families in the assessment area have incomes below the poverty level.

Income. The Department of Housing and Urban Development's 2007 estimated median family income for the relevant area was used for classifying borrower income in this evaluation. The estimated median family income for residents of the Minneapolis-Saint Paul-Bloomington, MN-WI MSA is \$77,600. For classifying the census tract income level, this evaluation relies on the 2000 median family income for the MSA, which is \$65,885.

Housing characteristics. According to the 2000 U.S. Census data, 65.7% of the housing units in the assessment area are owner-occupied units, 31.8% are rental units, and 2.5% of the units are vacant. The median housing value is \$138,720 and the median gross rent is \$651. The median age of the housing stock is 35 years and 26.6% of the housing units were built prior to 1950. In addition, 41.6% of the owner-occupied units in the assessment area cost more than \$150,000 and 40.8% of the rental units cost more than \$700 in monthly rent.

Economy. According to bank management and community contacts, economic conditions are generally stable. The health of the Minnetonka economy, where the bank's main office is located, is largely dependent on the strength of the entire Twin Cities metropolitan area economy. There is a diverse economic base, including manufacturing, services, retail trade, government, and education. Retail and

service-oriented jobs are typically lower-paying jobs. Bank management indicated there are a number of large companies with their operations headquartered in the assessment area, which benefits the overall tax base.

According to the U.S. Department of Labor, the unemployment rate for November 2007 is 3.9% for the Minneapolis-St. Paul-Bloomington, MN-WI MSA, which is slightly lower than the unemployment rate of 4.4% for Minnesota. The current unemployment rate for the MSA is slightly lower than it was during the last evaluation, 4.6%. The average unemployment rate for Hennepin County for 2006 is 3.5%.

Even though overall economic conditions are generally stable, the housing market has been somewhat distressed. A community contact indicated there are several homes on the market that are not moving, even with lower prices. A large majority of suburban residents in the work force commute to downtown Minneapolis and St. Paul because of their generally strong labor markets. In addition, the level of small business and commercial real estate expansion over the last 12 months has slowed, partially due to limited available land to build on or expand.

Minnetonka is a good location with access to several interstates and other highways and attracts a diverse range of businesses. The main types of industry in the assessment area are manufacturing, services, and retail trade. The Interstates 494 and 394 and Highways 169 and 62 corridors house several business parks and facilities. Many large companies have located their headquarters in the Minneapolis-St. Paul-Bloomington, MN-WI MSA, mostly in suburban cities. Minneapolis is home to Target Corporation; General Mills, Inc.; U.S. Bancorp; and Xcel Energy, Inc. Minnetonka is home to such large companies as Cargill, Inc.; UnitedHealth Group; and Carlson Companies, Inc.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's CRA rating is satisfactory. Based on the bank's asset size, the bank effectively meets the credit needs of the residents and businesses in its assessment area.

To determine the bank's CRA rating, examiners analyzed the following criteria, in order of importance:

- Lending to businesses of different sizes and to borrowers of different income levels,
- Geographic distribution of loans,
- Lending inside the assessment area,
- Net loan-to-deposit ratio, and
- Record of responding to complaints about the bank's CRA performance.

In assigning the rating, examiners placed most weight on the bank's level of lending to businesses of different sizes and borrowers of different income levels.

LENDING TO BUSINESSES OF DIFFERENT SIZES AND TO BORROWERS OF DIFFERENT INCOME LEVELS

In establishing the CRA, Congress sought to ensure banks extend credit to low- and moderate-income individuals and to small businesses consistent with safe and sound banking practices. As such, the extent to which banks extend credit to businesses of different sizes and to low- and moderate-income individuals is evaluated.

Small business lending. The bank's level of lending to small businesses is satisfactory. The bank made 60.4% of the total number of commercial loans and 44.1% of the total dollar amount of commercial loans to small businesses. According to the Dun & Bradstreet data for 2007, 84.9% of the businesses in the assessment area are small businesses. Even though the bank's level of lending to small businesses is lower than demographics, the bank's level of lending is nonetheless satisfactory. The bank actively markets to businesses within the assessment area; however, bank management indicated that small businesses do not often meet the bank's conservative underwriting criteria.

In addition to making 60.4% of the total number of commercial loans to small businesses, the majority of the loans accommodate small businesses due to the small dollar amount of the loans. As illustrated in Table 3, the bank is willing to make small dollar amount loans. The bank extended 82.8% of loans to small business in amounts less than or equal to \$100,000.

<i>Small Business Originations</i>	<i>Less Than \$100,000</i>	<i>\$100,000 to \$250,000</i>	<i>\$250,000 to \$1,000,000</i>	<i>Total Originations</i>
Percentage of Small Business Loans	64.6%	20.8%	14.6%	100.0%
Percentage of Loans to Businesses with Revenues Less Than \$1 Million	82.8%	10.3%	6.9%	60.4%

Consumer lending. The bank's level of lending to low- and moderate-income individuals is good and is consistent with demographic information. The bank made 35.0% of the total number of consumer loans to low- and moderate-income individuals. According to the 2000 U.S. Census data, 35.9% of the families located in the assessment area are low and moderate income.

<i>Income Category</i>	<i>Families by Family Income</i>	<i>%</i>	<i>Total Number of Loans</i>	<i>%</i>	<i>Total Amount of Loans (in thousands)</i>	<i>%</i>
Low Income	65,000	17.5	6	15.0	\$ 34	1.9
Moderate Income	68,340	18.4	8	20.0	\$ 157	9.1
<i>Low/Moderate Total</i>	<i>133,340</i>	<i>35.9</i>	<i>14</i>	<i>35.0</i>	<i>\$ 191</i>	<i>11.0</i>
Middle Income	91,699	24.7	3	7.5	\$ 29	1.6
Upper Income	146,857	39.5	18	45.0	\$1,151	66.3
Unknown	0	0.0	5	12.5	\$ 367	21.1
Total	371,896	100.0	40	100.0	\$1,738	100.0

Overall, the bank's number of loans and total dollar amount of loans to small businesses and low- and moderate-income individuals are reasonable and are consistent with the demographics of the assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank extends loans throughout its assessment area and the distribution reflects satisfactory dispersion. For this criterion, emphasis is placed on the bank's lending performance in low- and moderate-income census tracts. There are 38 low-income and 90 moderate-income census tracts in the assessment area. There are no unexplained gaps in lending patterns.

TABLE 5
Distribution of Loans by Census Tract Income

<i>Loan Type</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
	#	\$	#	\$	#	\$	#	\$
Small Business	4.2%	2.2%	18.8%	24.3%	41.7%	32.7%	35.4%	40.9%
Consumer	2.5%	0.3%	15.0%	22.2%	25.0%	35.1%	57.5%	42.5%
Demographic Data*								
Number of Census Tracts	38		90		167		110	
Percentage of Census Tracts	9.4%		22.2%		41.1%		27.1%	
Percentage of Families	4.7%		17.4%		44.9%		33.1%	
Percentage of Households	6.2%		21.0%		44.3%		28.5%	
Percentage of Small Business Entities	5.6%		16.7%		46.2%		31.5%	

*According to 2000 census data and Dun & Bradstreet information.

Small business lending. The bank's distribution of small business loans throughout the census tracts in the assessment area is satisfactory. The total number of small business loans and total dollar amount of small business loans is consistent with the demographics. According to Dun & Bradstreet data, 5.6% and 16.7% of the businesses are located in low- and moderate-income census tracts, respectively. The bank originated 4.2% and 18.8% of small business loans in low- and moderate-income census tracts. Bank offices are in middle-income census tracts. Additionally, the bank operates in a very competitive market.

Consumer lending. The bank's level of extending consumer loans in low- and moderate-income census tracts is satisfactory. The percentage of loans in these tracts is slightly lower than family and household demographics but is nonetheless reasonable. The bank extended 2.5% and 15.0% of its consumer loans in low- and moderate-income tracts, respectively. According to census data, 4.7% and 17.4% of families reside in low- and moderate-income tracts, respectively. For households, these numbers are 6.2% and 21.0%. The bank does not actively market consumer loans. Rather, many loans are originated to long-time customers or people who have been referred by existing customers. Additionally, both bank offices are located in middle-income census tracts where many other larger financial institutions are also located.

Overall, the bank's geographic distribution of loans within the assessment area is satisfactory. The bank's assessment area is fairly large for a small financial institution; however, the bank indicated that the size of its assessment area is to accommodate long-time customers and customers referred to the bank by existing customers. The bank's loans are distributed reasonably throughout the bank's assessment area. The number and percentage of loans made in low- and moderate-income census tracts are consistent with the demographics of the assessment area.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

The bank's concentration of loans made within the assessment area is satisfactory. The majority of small business and consumer loans is made within the bank's assessment area. Of the total number of loans originated, 87.3% of small business loans and 72.7% of consumer loans were made within the assessment area. By total dollar amount, 96.0% of small business loans and 82.9% of consumer loans were made within the bank's assessment area.

TABLE 6
Percentages of Loans Originated in the Assessment Area

<i>Loan Type</i>	<i>Total Number of Loans</i>	<i>Total Dollar Amount of Loans</i>
Small Business	87.3%	72.7%
Consumer	96.0%	82.9%

The bank actively markets small business loans to businesses in the assessment area, which is reflected in the number of small business loans originated in the assessment area. Consumer lending in the assessment area is not as strong as small business lending but is satisfactory. The bank does not actively market its consumer loan products. In addition, many of the loans made outside of the bank's assessment area were to accommodate long-time customers or were loans made to customers that were referred to the bank by existing customers.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The general purpose of the CRA is to encourage banks to meet the credit needs in their assessment area while operating in a safe and sound manner. To gain an understanding of the bank's lending activity, the bank's net loan-to-deposit ratio is reviewed to approximate the credit demand of the area and to assess the willingness of the bank to meet the area's demand for credit.

The bank's net loan-to-deposit ratio is satisfactory. According to the September 30, 2007, Uniform Bank Performance Report, the bank's net loan-to-deposit ratio, 86.0%, is higher than the national peer group's net loan-to-deposit ratio, 80.0%. The bank's national peer group consists of all insured commercial banks having assets between \$50 million and \$100 million in a metropolitan area with two or fewer full-service offices.

Since the last evaluation, the bank's net loan-to-deposit ratio ranged from 63.0% to 91.0%, with an average of 77.4% over the previous 17 quarters. This average is significantly greater than the average noted at the previous evaluation, 57.4%. The bank explains the growth with its active efforts to increase its deposit and loan portfolio.

The following table illustrates the bank's quarterly average net loan-to-deposit ratio since the previous evaluation compared to banks of similar asset size, location, and number of bank offices. There are few financial institutions in the assessment area that are comparable to the bank with regard to asset size and number of bank locations.

TABLE 7		
Quarterly Average Net Loan-to-Deposit Ratio		
<i>Name and Location</i>	<i>Assets as of September 30, 2007 (in thousands)</i>	<i>17-Quarter Average Net Loan-to-Deposit Ratio</i>
Ridgedale State Bank Minnetonka, Minnesota	\$102,239	77.4%
Business Bank Minnetonka, Minnesota	\$ 97,156	79.8%
First Minnetonka City Bank Minnetonka, Minnesota	\$173,838	66.2%

The market is highly competitive with a large number of financial institutions. As mentioned previously, there are 185 FDIC-insured institutions in the MSA and the bank holds less than 0.2% of the deposits in its market. In addition to traditional banks, Internet creditors are also a source of competition for deposits and loans.

Given the high level of competition and the bank's small share of the market's deposits, the bank's net loan-to-deposit ratio is satisfactory.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

The bank has not received any CRA-related complaints since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of violations of antidiscrimination laws or regulations, including Regulation B--Equal Credit Opportunity Act, Regulation C--Home Mortgage Disclosure Act, and the Fair Housing Act, or other illegal credit practices inconsistent with the bank helping to meet community credit needs was revealed.

Appendix A

Glossary of Common CRA 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 statistical area/assessment area.

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

Community development: 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 C.F.R. 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 Federal Deposit Insurance Corporation (the Agencies) 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 Agencies 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 meet essential community needs, including the needs of low- and moderate-income individuals.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It 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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and 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 is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

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 statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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 to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

Small loan to farm: 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 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 geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)