



**PUBLIC DISCLOSURE**

**August 20, 2018**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**THE FARMERS AND MERCHANTS BANK OF CRIAG COUNTY**

**NEW CASTLE, VIRGINIA**

**Federal Reserve Bank of Richmond  
Richmond, Virginia**

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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The Farmers and Merchants Bank of Craig County

804422

189 Main Street

New Castle, Virginia 24127

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

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## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**INSTITUTION'S CRA RATING:** This institution is rated Outstanding.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to the bank's size, financial condition, and demand for credit in the bank's assessment area.
- A substantial majority of the institution's Home Mortgage Disclosure Act (HMDA) and consumer motor vehicle secured loans were originated within the bank's assessment area during the evaluation period.
- The bank's lending to borrowers of different income levels (borrower distribution performance) is considered excellent.
- The bank's assessment area is comprised of one middle-income census tract; therefore, the geographic distribution performance (lending in census tracts having different income levels) was not evaluated.
- The bank's record of taking action in response to written complaints about its CRA performance was also not evaluated as the bank has not received any such complaints since its previous evaluation.

### **SCOPE OF EXAMINATION**

The Farmers and Merchants Bank of Craig County (FMBCC) was evaluated using the interagency examination procedures for small banks developed by the Federal Financial Institutions Examination Council. Consistent with these procedures, this evaluation considers home mortgage originations reported on the bank's 2016 and 2017 HMDA Loan Application Registers. In addition, consumer motor vehicle secured lending was identified as a significant product line and was also considered in the evaluation. The analysis includes all consumer motor vehicle secured loans that were originated by the bank during calendar year 2017.

### **DESCRIPTION OF INSTITUTION**

FMBCC is headquartered in New Castle, Virginia, and operates one full-service branch office in Craig County. The bank is not a subsidiary of a holding company and does not have any affiliates or subsidiaries. The institution received an Outstanding rating at its previous CRA evaluation dated June 24, 2013. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment area.

As of June 30, 2018, FMBCC held assets totaling \$62.4 million, of which 51.5% were net loans and 34.7% were securities. As of the same date, deposits totaled \$50.8 million. Various deposit and loan products are available through the institution including loans for residential mortgage, business, and consumer purposes. The composition of the loan portfolio (reflecting gross loans) as of June 30, 2018, is represented in the following table.

**Composition of Loan Portfolio**

Loan Type	6/30/2018	
	\$(000s)	%
Secured by 1-4 Family dwellings	18,770	57.4
Multifamily	0	0.0
Construction and Development	1,771	5.4
Commercial & Industrial/ NonFarm NonResidential	1,703	5.2
Consumer Loans and Credit Cards	3,048	9.3
Agricultural Loans/ Farmland	7,397	22.6
All Other	0	0.0
<b>Total</b>	<b>32,689</b>	<b>100.0</b>

*Note: percentages in the table may not equal 100% due to rounding.*

As indicated in the preceding table, the bank’s existing loan portfolio is concentrated in loans secured by residential real estate. Although agricultural and farm loans comprise the second largest proportion of the loan portfolio by dollar volume, the actual number of such loans recently extended is relatively small in comparison to the number of recently originated consumer loans. Consequently, consumer loans, specifically motor vehicle secured loans, were also considered in the evaluation.

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN ROANOKE, VA ASSESSMENT AREA**

FMBC serves one assessment area which includes all of Craig County, Virginia, located within the Roanoke, VA Metropolitan Statistical Area (MSA). The assessment area does not include the entire MSA. The assessment area is located in the southwest portion of Virginia, and a majority of the assessment area is contained within the Jefferson National Forest. As of June 30, 2017, the bank ranked first out of two institutions in local deposit market share with 50.1% of deposits within the assessment area.

According to American Community Survey (ACS) data from 2010, the assessment area has a population of 5,190 and a median housing value of \$142,066. The owner-occupancy rate for the assessment area equals 70.2%, which exceeds the owner-occupancy rates for the Roanoke, VA MSA (64%) and the Commonwealth of Virginia (61.8%). Within the assessment area, 6.3% of families are considered below the poverty level, which is lower than both the percentage of such families in the entire MSA (8.7%) and the commonwealth (7.2%). The HUD estimated median family income for the Roanoke, VA MSA equaled \$62,600 in 2016. The following table provides pertinent demographic data for the assessment area based on 2010 ACS data.

**Assessment Area Demographics**

Roanoke, VA (Based on 2010 ACS Data and 2016 D&B Information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	280	19.2
Moderate	0	0.0	0	0.0	0	0.0	262	18.0
Middle	1	100.0	1,458	100.0	92	6.3	368	25.2
Upper	0	0.0	0	0.0	0	0.0	548	37.6
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>1,458</b>	<b>100.0</b>	<b>92</b>	<b>6.3</b>	<b>1,458</b>	<b>100.0</b>
	<b>Owner Occupied Units by Tract</b>		<b>Households</b>					
			<b>HHs by Tract</b>		<b>HHs &lt; Poverty by Tract</b>		<b>HHs by HH Income</b>	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	293	14.7
Moderate	0	0.0	0	0.0	0	0.0	318	16.0
Middle	1,704	100.0	1,989	100.0	179	9.0	462	23.2
Upper	0	0.0	0	0.0	0	0.0	916	46.1
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>1,704</b>	<b>100.0</b>	<b>1,989</b>	<b>100.0</b>	<b>179</b>	<b>9.0</b>	<b>1,989</b>	<b>100.0</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract and Revenue Size</b>					
			<b>Less than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue not Reported</b>	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	175	100.0	163	100.0	7	100.0	5	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>175</b>	<b>100.0</b>	<b>163</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			93.1		4.0		2.9

\*NA-Tracts without household or family income as applicable

ACS data was updated in 2015. Based on the updated ACS data, the assessment area has a population of 5,212 and a median housing value of \$153,011. The owner-occupancy rate for the assessment area equals 60.7%, which approximates the owner-occupancy rates for the Roanoke, VA MSA (61%) and the Commonwealth of Virginia (59.2%). Within the assessment area, 6.3% of families are considered below the poverty level, which is lower than both the percentage of such families in the entire MSA (10%) as well as the commonwealth (8.2%). The HUD estimated median family income for the Roanoke, VA MSA equaled \$65,600 in 2017. The following table provides pertinent demographic data for the assessment area based on 2015 ACS data.

**Assessment Area Demographics**

Roanoke, VA (Based on 2015 ACS Data and 2017 D&B Information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	283	21.0
Moderate	0	0.0	0	0.0	0	0.0	201	14.9
Middle	1	100.0	1,348	100.0	85	6.3	232	17.2
Upper	0	0.0	0	0.0	0	0.0	632	46.9
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>1,348</b>	<b>100.0</b>	<b>85</b>	<b>6.3</b>	<b>1,348</b>	<b>100.0</b>
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	642	29.0
Moderate	0	0.0	0	0.0	0	0.0	386	17.4
Middle	1,794	100.0	2,214	100.0	272	12.3	324	14.6
Upper	0	0.0	0	0.0	0	0.0	862	39.0
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>1,794</b>	<b>100.0</b>	<b>2,214</b>	<b>100.0</b>	<b>272</b>	<b>12.3</b>	<b>2,214</b>	<b>100.0</b>
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	159	100.0	146	100.0	8	100.0	5	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>159</b>	<b>100.0</b>	<b>146</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>91.8</b>		<b>5.1</b>		<b>3.1</b>

\*NA-Tracts without household or family income as applicable

Employment opportunities are limited in Craig County, and the majority of residents commute to neighboring areas, including Roanoke, Blacksburg, and Covington for jobs. Major area employers include local governments, public school systems, Innovative Community Solutions (healthcare services), Otsuka American Pharmaceuticals, Craig-Botetourt Electric Cooperative, and Paint Bank General Store.

Geographic Area	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018
Craig County	7.5%	6.4%	5.6%	4.6%	4.4%	3.6%
Roanoke, VA MSA	6.3%	5.4%	4.7%	4.2%	4%	3.4%
Commonwealth of Virginia	6%	5.4%	4.7%	4.3%	3.9%	3.3%

As indicated in the preceding table, unemployment rates in Craig County declined during the recent six-year period. Nonetheless, unemployment rates for Craig County remain slightly higher than the rates for the Roanoke MSA and the Commonwealth of Virginia.

An individual knowledgeable of the local market area was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that the local economy would benefit from additional access to small business financing and small dollar consumer lending. The contact suggested that weak credit profiles and limited lendable collateral inhibit small business startups. Despite these challenges, the contact indicated that area financial institutions are reasonably meeting the banking needs of the local community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

When evaluating the bank's performance, relevant area demographic data from the 2010 ACS is used as a proxy for demand when evaluating the bank's 2016 HMDA loan performance. While ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years. Because of the ACS data update schedule, ACS data from 2010 is used when considering the bank's activities through year-end 2016, and 2015 ACS data is used for activities during 2017. Consequently, the 2015 ACS data is used as a proxy for demand when evaluating the bank's HMDA and consumer motor vehicle secured loan performance during 2017.

While residential mortgage (HMDA) data from calendar years 2016 and 2017 were fully analyzed and considered in the evaluation, bank and aggregate data from 2017 is reflected in the assessment area analysis tables. In instances when the bank's performance during 2016 varies significantly from its performance during 2017, such variance and the corresponding impact on the overall performance is discussed. Unlike its residential mortgage data, the bank's consumer motor vehicle secured loan data is from a single calendar year (2017), so there are no references to how the bank performed in 2016. In addition, the CRA does not allow for the reporting of consumer loan data, so there is no aggregate consumer loan data to consider when evaluating the bank's consumer loan performance.

When evaluating the borrower and geographic distribution for a specific loan category within an assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated or purchased. To arrive at an overall assessment area level conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by the strength of performance and the dollar volume of each category in the assessment area.

Overall, the bank's performance is rated Outstanding. This rating considers the bank's loan-to-deposit ratio, level of lending in its assessment area, and borrower distribution performance. The geographic distribution of lending was not evaluated, as the entire assessment area is one middle-income census tract. The components of each test are discussed in the following sections. All conclusions also take into consideration relevant performance context factors.

**Loan-To-Deposit Ratio**

The bank's current (June 30, 2018) loan-to-deposit ratio equals 63.2% and averaged 70.9% for the 21-quarter period ending June 30, 2018. Since March 31, 2013, assets and deposits have increased by 14.9% and 14.1%, respectively, while net loans have decreased by 7.3%.



From a peer bank perspective, there are no other small banks operating branches in the FMBCC's assessment area. Seventeen banks operate branches located within the larger Roanoke, VA MSA; however, only one such bank is also a small bank and none of its branches are located in Craig County. The quarterly average loan-to-deposit ratio for the one other small bank operating within the Roanoke, VA MSA averaged 75% during the 21-quarter period ending June 30, 2018. FMBCC's average loan-to-deposit ratio is considered reasonable given the institution's size, financial condition, and local credit needs.

### Lending In Assessment Area

To determine the institution's volume of lending within its assessment areas, the geographic location of the bank's HMDA and consumer motor vehicle secured loans was considered. As previously noted, the evaluation includes two calendar years (2016 and 2017) of HMDA lending and consumer motor vehicle secured loans from one calendar year (2017). The lending distribution inside and outside of the bank's assessment area is represented in the following table.

#### Comparison of Credit Extended Inside and Outside of Assessment Area(s)

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	15	93.8	1,146	97.4	1	6.3	30	2.6
Home Improvement	12	100.0	754	100.0	0	0.0	0	0.0
Refinancing	40	85.1	3,078	82.3	7	14.9	664	17.7
Multi-Family Housing	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total HMDA related</b>	<b>67</b>	<b>89.3</b>	<b>4,978</b>	<b>87.8</b>	<b>8</b>	<b>10.7</b>	<b>694</b>	<b>12.2</b>
Consumer Motor Vehicle Secured*	179	92.3	1,545	90.9	15	7.7	154	9.1
<b>TOTAL LOANS</b>	<b>246</b>	<b>91.4</b>	<b>6,523</b>	<b>88.5</b>	<b>23</b>	<b>8.6</b>	<b>848</b>	<b>11.5</b>

\*The number and dollar amount reflects loans originated during 2017 calendar year and does not reflect loan data collected or reported by the institution.

As indicated in the preceding table, a substantial majority of the number and dollar amount of residential mortgage and consumer motor vehicle secured loans were originated within the bank's assessment area. Overall, the institution's level of lending within its assessment area is considered highly responsive to community credit needs.

### Lending to Borrowers of Different Incomes

Overall, the distribution of loans to borrowers of different income levels is considered excellent for the bank's residential mortgage and consumer motor vehicle secured lending.

#### Distribution of HMDA Loans by Income Level of Borrower

Roanoke, VA (2017)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
<b>HMDA Totals</b>								
Low	7	36.8	550	35.3	19	16.7	1,653	9.9
Moderate	6	31.6	349	22.4	28	24.6	3,203	19.1
Middle	4	21.1	247	15.9	30	26.3	4,450	26.6
Upper	2	10.5	410	26.4	37	32.4	7,423	44.4
<b>Total</b>	<b>19</b>	<b>100.0</b>	<b>1,556</b>	<b>100.0</b>	<b>114</b>	<b>100.0</b>	<b>16,729</b>	<b>100.0</b>
Unknown	0		0		23		3,138	

Percentages (%) are calculated on all loans where incomes are known

During 2017, the bank's HMDA lending to low-income borrowers (36.8%) significantly exceeded both the percentage of area low-income families (21%) and the aggregate level of lending (16.7%) to such borrowers. The bank's lending to moderate-income borrowers (31.6%) also exceeded the percentage of such area families (14.9%) and the aggregate lending level (24.6%). As a result, the bank's performance during 2017 is considered excellent, and its performance during 2016 is similar.

**Distribution of Consumer Motor Vehicle Secured by Income Level of Borrower**

Roanoke, VA (2017)				
Income Categories	#	Consumer Loans		
		%	\$(000s)	% \$
Low	92	51.4	595	38.5
Moderate	56	31.3	565	36.6
Middle	23	12.8	316	20.5
Upper	8	4.5	69	4.4
<b>Total</b>	<b>179</b>	<b>100.0</b>	<b>1,545</b>	<b>100.0</b>
Unknown	0		0	

*Percentage's (%) are calculated on all loans where incomes are known*

The bank's level of consumer motor vehicle secured lending to low-income borrowers (51.4%) substantially exceeded the percentage of low-income households (29%) in the assessment area. Similarly, lending to moderate-income borrowers (31.3%) also substantially exceeded the proportion of moderate-income households (17.4%) in the area. Given these factors, the bank's consumer motor vehicle secured lending performance is considered excellent.

**Geographic Distribution of Loans**

Because the bank's assessment area contains only the one middle-income geography, an assessment of the bank's geographic distribution performance was not performed.

**ASSESSMENT AREA DELINEATIONS**

A review of the bank's assessment area found that its delineation complied with the requirements of Regulation BB. FMBCC's delineated assessment area included its branch and deposit taking automated teller machine. While the bank's assessment area delineation includes less than an entire MSA, the delineated area contains whole geographies, does not reflect illegal discrimination (e.g. through the exclusion of majority-minority census tracts), and does not arbitrarily exclude low- or moderate-income census tracts.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

## 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
- (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 Test (and if applicable, consideration of investments and services) 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 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 Test (and if applicable, consideration of investments and services) 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.