

PUBLIC DISCLOSURE

February 8, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First State Bank
Certificate Number: 11175

402 Ninth Street
Abernathy, Texas 79311

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Regional Office

1601 Bryan Street, Suite 1410
Dallas, Texas 75201

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The First State Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the overall rating. The following points summarize the bank's performance under the applicable test, discussed in detail elsewhere.

- The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the institution's assessment area.
- The geographic distribution of loans reflects poor dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among businesses and farms of different sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test conclusion.

DESCRIPTION OF INSTITUTION

The First State Bank, headquartered in Abernathy, Texas, was established in 1909. Turner Bancshares, Inc., a one-bank holding company, also of Abernathy, Texas, wholly owns the bank. No other affiliates or subsidiaries exist. The bank received a "Satisfactory" rating at its previous Federal Deposit Insurance Corporation Performance Evaluation, dated March 16, 2015, based on the Federal Financial Institutions Examination Council's (FFIEC) Small Institution Examination Procedures.

The First State Bank operates as a rural, two branch institution. The main office operates in Abernathy, Texas, while the additional branch operates in Haskell, Texas. Since the last evaluation, the bank opened the Haskell Branch on May 23, 2018. The bank operates branch hours consistent with other financial institutions in the area and commensurate with the needs of

the community. The bank did not close any branches nor did they participate in any merger or acquisition activities since the previous evaluation.

The bank maintains a primary business focus on commercial and agricultural lending; however, offers a variety of loan products including commercial, agricultural, and consumer loans. Additionally, the bank offers a full line of deposit products including checking accounts, money market savings accounts, certificates of deposit, and individual retirement accounts. Further, the bank offers debit cards, two automated teller machines, and mobile banking, while also providing customers internet banking account access 24 hours per day, 7 days a week, through its website (<https://fsbabernathy.com>).

As of the December 31, 2020 Report of Condition and Income (Call Report), the bank maintained total assets of \$37.5 million and reported total loans of \$21.2 million. Total deposits equaled \$32.2 million as of the same date. The bank's total assets consist primarily of net loans and leases at 63.5 percent, and cash and due from depository institutions at 25.7 percent. Since the previous evaluation, on average per year, total assets decreased 4.1 percent, net loans increased 7.9 percent, and total deposits decreased 4.8 percent. The bank reported a Return on Average Assets of 1.1 percent and a Tier 1 Leverage Capital Ratio of 16.3 percent as of December 31, 2020.

The mix of outstanding loans as of December 31, 2020, reflects a loan distribution generally consistent with the loan origination mix discussed under the Scope of Evaluation. As shown in the table below, the bank's primary products consist of agricultural lending (Secured by Farmland and Agricultural Production) at 44.2 percent by dollar volume and commercial lending (Secured by Nonfarm Nonresidential Properties and Commercial and Industrial) at 30.4 percent.

Loan Portfolio Distribution as of 12/31/2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	351	1.7
Secured by Farmland	963	4.5
Secured by 1-4 Family Residential Properties	99	0.5
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	3,761	17.7
Total Real Estate Loans	5,174	24.4
Commercial and Industrial Loans	2,689	12.7
Agricultural Production and Other Loans to Farmers	8,419	39.7
Consumer Loans	3,497	16.5
Obligations of State and Political Subdivisions in the U.S.	1,438	6.8
Other Loans	9	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	21,226	100.0
<i>Source: Call Report (12/31/20)</i>		

Based on the information discussed in this section, as well as other regulatory data, the institution’s financial condition, size, product offerings, prior performance, and status of any legal impediments did not affect its ability to meet the assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The First State Bank geographically operates in two separate assessment areas (AA) in the State of Texas. However, the bank’s two office locations both operate within the Texas Non-Metropolitan Statistical Area (Non-MSA).

The first area designated by the bank operates in West Texas and consists of two contiguous partial counties. The bank designated three census tracts in non-metropolitan Hale County and five census tracts in metropolitan Lubbock County, one of three counties that make up the Lubbock, TX MSA. Examiners concluded that the assessment area did not extend substantially across the boundaries of the Non-MSA. Additionally, the City of Abernathy lies on the boundary separating the two counties. Therefore, despite including tracts from Lubbock County, the area remains rural in nature.

The second area designated by the bank operates in Central Texas and consists of three contiguous full counties, non-metropolitan Haskell and Knox Counties, and metropolitan Jones County, part of the Abilene, TX MSA. Examiners determined Jones County did not extend substantially beyond the Non-MSA boundary and remains rural in nature.

Given the similar economic and demographic characteristics of the two areas, examiners combined them for analysis and presentation purposes. Consequently, the bank reasonably defined its Non-MSA AA.

The following table provides additional detail on the bank’s branch network within the Non-MSA AA.

Office Locations				
County/Address	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation
<i>Hale County:</i> 402 Ninth Street, Abernathy TX	Main	9509	Middle	No
<i>Haskell County:</i> 518 South 2 nd Street, Haskell TX	Branch	9503	Middle	Yes
<i>Source: Bank Records and ACS Data (2015)</i>				

Economic and Demographic Data

According to the 2015 American Community Survey (ACS) data, the Non-MSA AA contains no low-income census tracts, one moderate-income census tract, thirteen middle-income census

tracts, and three upper-income census tracts. Additionally, the area contains one census tract with no reported income. The FFIEC designated two middle-income census tracts in Haskell County (9503.00 and 9504.00) and two middle-income census tracts in Knox County (9501.00 and 9502.00) as distressed and underserved. The following table reflects additional economic and demographic data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	18	0.0	5.6	72.2	16.7	5.6
Population by Geography	56,492	0.0	5.8	71.9	9.6	12.8
Housing Units by Geography	22,793	0.0	6.0	83.5	10.5	0.0
Owner-Occupied Units by Geography	13,077	0.0	6.2	81.7	12.1	0.0
Occupied Rental Units by Geography	4,628	0.0	7.8	82.6	9.6	0.0
Vacant Units by Geography	5,088	0.0	4.1	89.0	6.9	0.0
Businesses by Geography	3,113	0.0	3.1	82.8	14.0	0.1
Farms by Geography	570	0.0	6.8	79.1	14.0	0.0
Family Distribution by Income Level	12,856	22.2	18.0	20.0	39.8	0.0
Household Distribution by Income Level	17,705	23.1	14.6	19.0	43.3	0.0
Median Family Income MSA - Abilene, TX MSA		\$56,448	Median Housing Value			\$70,223
Median Family Income MSA - Lubbock, TX MSA		\$57,914	Median Gross Rent			\$646
Median Family Income Non-MSAs - TX		\$52,198	Families Below Poverty Level			14.5%
<i>Source: 2015 ACS and 2020 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to the Bureau of Labor Statistics, the average annual unemployment rate, as of December 2020, in Hale County stood at 7.3 percent, Haskell County 6.0 percent, Lubbock County 5.6 percent, Knox County 6.3 percent, and Jones County 7.6 percent. The State of Texas reported a 7.2 percent unemployment rate for the same time period, while the national unemployment rate reflected 6.7 percent.

D&B business demographic data reflects the largest employment sectors in the Non-MSA AA include services at 39.0 percent, followed by non-classifiable establishments at 12.3 percent and retail trade also at 12.3 percent. Major employers in the Non-MSA AA include Covenant Hospital, Haskell Memorial Hospital, Wayland Baptist University, Plainview Independent School District, Texas Department of Criminal Justice, Rolling Plains Jail and Detention Center, and Wal-Mart Distribution Center.

Competition

The bank faces moderate competition in the Non-MSA AA. As of the June 30, 2020 FDIC Summary of Deposits, 11 financial institutions operate 16 offices in the bank's AA. The First

State Bank ranked eighth out of the eleven institutions, with a deposit market share of 3.1 percent. In addition, the bank faces competition from numerous credit unions, mortgage companies, and other providers of financial services that operate throughout the area.

Community Contact

Examiners contacted a community member knowledgeable of the area's economic and housing environments to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement in the area.

Examiners conducted a telephone interview with a community contact from the local chamber of commerce. Overall, the contact described the local economy as stable. The contact stated that renewable energy, such as windmills, represents a growing industry within the county, while farming and agriculture remain the traditional industry within Hale and Haskell Counties. The contact noted the area provides adequate housing and did not specify any particular credit need. The contact further indicated local institutions provide adequate services to the area that meet business and individual credit needs.

Credit Needs

The Non-MSA AA credit needs remain somewhat consistent with other nonmetropolitan areas, with a loan demand that includes the need for a variety of loan products. Information obtained from the community contact, bank personnel, and demographic and economic data indicated to a need for small business and agricultural lending.

SCOPE OF EVALUATION

General Information

The current evaluation covers the period from March 16, 2015, to February 8, 2021, the date of the previous evaluation to this evaluation's date. To assess performance, examiners applied the FFIEC Small Institution CRA Examination Procedures, which include the Lending Test. See the Appendices for a description of the Lending Test performance factors.

Examiners applied full-scope procedures to the bank's sole assessment area, the Non-MSA AA.

Activities Reviewed

For the Lending Test, CRA Small Institution Procedures require examiners to determine the bank's major product lines from which to sample, and as an initial matter, examiners may select from among the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans.

Examiners determined the bank's major product lines consists of small farm (Agriculture and Secured by Farmland) loans at 54.1 percent by dollar volume and 18.5 by number and small

business (Commercial Real Estate and Commercial and Industrial) loans at 25.1 percent by dollar volume of lending and 13.1 by number and of lending in 2020.

Although consumer lending represents 18.1 percent by dollar and 67.9 percent by number, the bank does not consider this a primary product line. Additionally, residential lending reflects a minimal volume at 2.7 percent by dollar and 0.4 percent by number. As a result, these loan products would not affect conclusions or ratings; therefore, this evaluation does not include a discussion of them.

The following table illustrates the bank’s originations and purchases for the 2020 calendar year.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
1-4 Family Residential	645	2.7	3	0.4
Multi-Family Residential	0	0.0	0	0.0
Construction and Development	32	0.1	1	0.1
Commercial and Industrial	5,956	25.0	88	13.0
Commercial Real Estate	0	0.0	0	0.0
Agriculture	12,367	52.0	119	17.6
Secured by Farmland	494	2.1	6	0.9
Consumer	4,301	18.1	459	68.0
Other Loans	0	0.0	0	0.0
Total Loans	23,795	100.0	676	100.0
<i>Source: Bank records (01/01/20 through 12/31/20)</i>				
<i>Due to rounding, totals may not equal 100.0%</i>				

Due to the concentration in the bank’s portfolio, this evaluation will focus on small farm and small business lending. From the 2020 universe of 125 agricultural loans totaling \$12.8 million, examiners selected a random sample of 51 small farm loans totaling \$5.5 million for analysis. In addition, from the 2020 universe of 89 commercial loans totaling \$5.9 million, examiners used a random sample of 46 small business loans totaling \$1.9 million for analysis. Examiners also noted of the 2020 commercial lending totals, the bank originated 48 loans totaling \$2.3 million under the Small Business Administration’s Payroll Protection Program. D&B data for 2020 provided a standard of comparison for the small business and small farm loans.

Examiners considered the universes of the loan products reviewed by number and dollar volume in 2020 as well as management’s stated business strategy to determine the weighting applied when arriving at applicable conclusions. Consequently, examiners placed equal weight on small farm and small business lending when arriving at conclusions.

The performance evaluation presents information regarding the number and dollar volume of small business and small farm loans; however, for the geographic distribution and borrower profile performance factors, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and farms served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The First State Bank demonstrated satisfactory performance under the Lending Test. The excellent borrower profile performance hampered by the poor geographic distribution performance primarily supports this conclusion. In addition, the bank achieved a reasonable LTD ratio and originated a majority of their lending within the Non-MSA AA to further support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution’s size, financial condition, and AA credit needs. The average, net LTD ratio, calculated from Call Report data, averaged 80.3 percent over the past 24 calendar quarters from March 31, 2015, to December 31, 2020. The ratio ranged from a low of 38.3 percent as of June 30, 2017, to a high of 116.5 percent as of September 30, 2015.

Examiners identified and listed in the following table three similarly-situated institutions operating in the bank’s general area and reflecting similar asset sizes and lending emphases. As shown, The First State Bank’s ratio lands highest of the four banks, given the overall levels. The bank’s ratio sits above the closest similarly-situated ratio by 24.9 percentage points; while landing higher than the lowest similarly-situated ratio by 40.8 percentage points.

Loan-to-Deposit Ratio Comparison			
Bank	City, State	Total Assets as of 12/31/2020 \$(000s)	Average, Net LTD Ratio* (%)
The First State Bank	Abernathy, Texas	37,547	80.3
Comparable Banks			
Citizens State Bank	Anton, Texas	38,128	55.4
First State Bank	Paint Rock, Texas	129,279	51.3
Citizens National Bank	Crosbyton, Texas	57,498	39.5
<i>Source: Call Reports 3/31/2015 through 12/31/2020.*</i>			

Assessment Area Concentration

The First State Bank originated a majority of loans and other lending-related activities inside the AA. Majorities of small farm and small business loans originated in the bank’s Non-MSA AA primarily support this conclusion. Examiners considered the bank’s asset size, branch network, and loan products reviewed relative to the size of the AA when arriving at this conclusion.

As illustrated in the table below, the bank originated majorities of small farm and small business loans, by number and dollar volume, inside the Non-MSA AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	36	70.6	15	29.4	51	4,477	81.4	1,022	18.6	5,499
Small Business	29	63.0	17	37.0	46	1,005	51.6	943	48.4	1,948

Source: Bank Records.

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the Non-MSA AA. The poor small farm and small business lending performances support this conclusion. Examiners focused primarily on lending performance in the sole moderate-income census tract compared to D&B data when arriving at conclusions. This criterion only considered loans granted inside the Non-MSA AA.

Small Farm Loans

The geographic distribution of small farm loans reflects poor performance. The poor record of lending within the sole moderate-income census tract supports this conclusion.

The following table shows the bank did not originate any of its small farm lending in the moderate-income census tract. This lack of lending within the moderate-income census tract trails the D&B figure by 6.8 percentage points, reflective of poor performance.

Geographic Distribution of Small Farm Loans Non-MSA AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	6.8	0	0.0	0	0.0
Middle	79.1	36	100.0	4,477	100.0
Upper	14.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	36	100.0	4,477	100.0

*Source: 2020 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The First State Bank demonstrated a poor distribution of small business loans among the various tract income categories. Poor distribution of small business lending in moderate-income census tracts primarily supports this conclusion.

As seen in the following table, the bank did not originate any loans in the sole moderate-income census tract. The bank’s level of lending in the moderate-income census tract trails the percentage of businesses by 3.1 percentage points, indicative of poor performance.

Geographic Distribution of Small Business Loans Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	3.1	0	0.0	0	0.0
Middle	82.8	29	100.0	1,005	100.0
Upper	14.0	0	0.0	0	0.0
Not Available	0.1	0	0.0	0	0.0
Totals	100.0	29	100.0	1,005	100.0
<i>Source: 2020 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects excellent penetration among farms and businesses of different sizes in the Non-MSA AA. Excellent performances for small farm and small business lending support this conclusion. Examiners focused on the percentage by number of loans to farms and businesses with gross annual revenues of \$1 million or less. This criterion only considered loans granted inside the Non-MSA AA.

Small Farm Loans

The distribution of small farm loans, based on the borrowers’ profiles, reflects excellent performance. Excellent performance to farms with gross annual revenues of \$1 million or less supports this conclusion. The farms’ gross annual revenues define the borrowers’ profiles for this analysis.

The following table shows that the bank originated a substantial majority of its loans to farms reporting gross annual revenues of \$1 million or less. Although the bank’s figure trails D&B data by 1.6 percentage points, the bank originated over nine out of every ten loans to farms reporting gross annual revenues of \$1 million or less, reflecting excellent performance.

Detailed Distribution of Small Farm Loans by Gross Annual Revenues Non-MSA AA					
Gross Revenue Level	% of farms	#	%	\$(000s)	%
< \$100,000	39.3	12	33.3	247	5.5
\$100,000 - \$249,999	38.8	7	19.4	379	8.5
\$250,000 - \$499,999	12.3	5	13.9	510	11.3
\$500,000 - \$1,000,000	5.6	10	27.8	3,042	67.9
Subtotal <= \$1,000,000	96.0	34	94.4	4,177	93.3
>\$1,000,000	2.3	2	5.6	300	6.7
Revenue Not Available	1.8	0	0.0	0	0.0
Total	100.0	36	100.0	4,477	100.0
<i>Source: 2019 D&B Data, Bank Data Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of small business loans reflects excellent performance among businesses of different sizes. An excellent record of lending to businesses with gross annual revenues of \$1 million or less supports this conclusion. The businesses' gross annual revenues define the borrowers' profiles for this analysis.

The following table shows that the bank granted nearly nine out of every ten of its small business loans to businesses with gross annual revenues of \$1 million or less, thereby reflecting excellent performance. In addition, the bank's level climbs 6.8 percentage points above the reported D&B demographic data.

Detailed Distribution of Small Business Loans by Gross Annual Revenues Non-MSA AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
< \$100,000	47.6	13	44.8	464	46.2
\$100,000 - \$249,999	26.3	4	13.8	150	14.9
\$250,000 - \$499,999	6.2	6	20.7	158	15.7
\$500,000 - \$1,000,000	2.8	3	10.3	50	5.0
Subtotal <= \$1,000,000	82.8	26	89.6	822	81.8
>\$1,000,000	4.0	3	10.3	183	18.2
Revenue Not Available	13.2	0	0.0	0	0.0
Total	100.0	29	100.0	1,005	100.0
<i>Source: 2020 D&B Data, Bank Data Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this criterion did not affect the Lending Test conclusion.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices. Therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Testw

The Lending Test for CRA Small Banks evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes;
- 4) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

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.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties 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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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.

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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: 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 are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: 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, including farm residential and other improvements, 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.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.