

# Citizen State Bank

PO Box 500  
300 North Home  
Corrigan, Texas

## Branch

PO Box 500  
300 North Home  
Corrigan, Texas 75939

PO Box 830  
117 E First Street  
Groveton, Texas 75845

## Banking Hours

Lobby:	Monday thru Thursday	9 am to 3 pm
	Friday	9 am to 5 pm
Drive-In:	Monday thru Thursday	8 am to 5 pm
	Friday	8 am to 6 pm

## Deposit Accounts

Savings Accounts  
Checking Accounts  
NOW Accounts  
Money Market Accounts  
IRA Accounts  
Certificate of Deposits

**For Fees, Conditions and Rates see  
our New Account Desk for a  
booklet.**

## Customer Convenience

Money Orders  
Cashier's Checks  
Bank by Mail  
24 Hour ATM  
Night Depository  
Wire Transfers

Debit Cards  
Mobile Banking  
Safe Deposit Boxes  
Internet Banking  
Automated Clearing House  
Direct Deposits

## Loans

Automobile  
Business  
Personal  
Agricultural  
Equipment  
Boat & Motor  
Real Estate

*No new branches and no closed branches.*

# Loan to Deposit Ratio

Year: 2023

March 31<sup>st</sup> 63.52

June 30<sup>th</sup> 69.05

September 30<sup>th</sup> 68.51

December 31<sup>st</sup> 69.82

## Complaints

Date

Complaint

None

# **PUBLIC DISCLOSURE**

July 16, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Citizens State Bank  
Certificate Number: 11905

300 North Home Street  
Corrigan, Texas 75939

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 COMMUNITY REINVESTMENT ACT (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.

Satisfactory performance regarding the Lending Test supports the overall rating. The bank did not request consideration of its investments and services, nor did examiners identify any discriminatory or other illegal credit acts or practices; consequently, these considerations did not affect the overall rating. The following discussion summarizes the bank's performance under the applicable test, discussed in detail elsewhere.

### **Lending Test**

Citizens State Bank demonstrated an overall satisfactory record regarding the Lending Test. An excellent record regarding its borrower profile loan distribution hampered by a majority of loans granted inside the assessment area and a reasonable record regarding its loan-to-deposit ratio supports this conclusion. The following points summarize the bank's records regarding the applicable performance factors, discussed in detail elsewhere.

- The bank exhibited a reasonable record regarding its loan-to-deposit ratio. Reasonable overall and comparative levels support this conclusion.
- The institution originated a majority of its loans inside its assessment area. Majorities of consumer and small business loans granted inside the bank's assessment area support this conclusion.
- The bank established an excellent record regarding its borrower profile loan distribution. Excellent performances regarding consumer and small business loans support this conclusion.
- Because the assessment area does not include any low- or moderate-income geographies, review of the geographic distribution criterion would not result in meaningful conclusions. Therefore, examiners did not evaluate this criterion.
- The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test conclusion.

## SCOPE OF EVALUATION

### ***General Information***

This evaluation covers the period from July 16, 2012, to July 16, 2018, the date of the previous evaluation to this evaluation's date. To assess performance, examiners applied the Federal Financial Institutions Examination Council (FFIEC) Small Institution CRA Examination Procedures, which include the Lending Test. Appendix B lists the applicable test's criteria.

The bank operates in one assessment area, located in the State of Texas, as more fully described under Description of Assessment Area. Examiners applied full-scope procedures to the Non-Metropolitan Statistical Area (MSA) Assessment Area (Non-MSA AA) after contemplating all considerations in outstanding guidance and given the existence of only one assessment area. Therefore, examiners gave 100 percent weighting to the Non-MSA AA when arriving at applicable conclusions.

### **Lending Test**

#### ***Loan Products Reviewed***

For the Lending Test, CRA Small Bank procedures require examiners to determine the bank's major product lines from which to review. 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.

The following table shows the bank's 2017 lending activity, which reflects a somewhat consistent pattern with the bank's lending emphasis since the prior evaluation. As seen in the following table, commercial loans (commercial real estate and commercial and industrial loans) currently represent the bank's largest loan product by dollar volume, followed by consumer loans.

<b>Loans Originated or Purchased</b>				
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Construction and Land Development	0	0.0	0	0.0
Secured by Farmland	2,440	5.3	11	0.3
1-4 Family Residential	5,191	11.3	36	1.0
Multi-Family (5 or more) Residential	0	0.0	0	0.0
Commercial Real Estate	2,845	6.2	21	0.6
Commercial and Industrial	13,574	29.7	299	8.2
Agricultural	6,254	13.7	177	4.9
Consumer	15,421	33.7	3,082	85.0
Other	19	0.1	1	<0.1
<b>Total Loans</b>	<b>45,744</b>	<b>100.0</b>	<b>3,627</b>	<b>100.0</b>
<i>Source: Bank Records 1/1/2017 through 12/31/2017</i>				

Considering the number and dollar volume of loans originated in the previous table as well as management’s stated business strategy, examiners determined that the bank’s major product lines consist of commercial loans at 35.9 percent of the dollar volume of loans originated during 2017, and consumer loans at 33.7 percent. Since none of the other typically considered loan categories represent a major product line and thus would not materially affect any conclusions or the rating, including residential loans at 11.3 percent and agricultural loans at 19.0 percent, this evaluation does not discuss them.

Consequently, this evaluation considered a random sample of 49 consumer loans totaling \$197,000 from a universe of 3,082 consumer loans totaling \$15,421,000 originated during 2017, and a random sample of 46 small business loans totaling \$2,285,000 from universe of 320 small business loans totaling \$16,419,000, also originated in 2017. Examiners based the samples on a statistical 90 percent Confidence Interval with a 15 percent Precision Level.

***Loan Products Weighting***

Examiners considered the universes of the dollar volume and number of loans originated in 2017, as well as management’s stated business strategy, to determine the weighting applied to the different loan categories reviewed when arriving at applicable conclusions. The following table shows that by dollar volume percentage, consumer loans account for 48.4 percent of the reviewed loans and small business loans account for 51.6 percent. The table also shows that consumer loans account for 90.6 percent by number; however, when arriving at conclusions, examiners placed equal weight on the bank’s consumer and small business lending performance considering the dollar volume as well as management’s stated business strategy.

<b>Universe of Loan Categories Reviewed</b>				
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Consumer	15,421	48.4	3,082	90.6
Small Business	16,419	51.6	320	9.4
<b>Total Loans</b>	<b>31,840</b>	<b>100.0</b>	<b>3,402</b>	<b>100.0</b>
<i>Source: Bank Records 1/1/2017 through 12/31/2017</i>				



## DESCRIPTION OF INSTITUTION

### ***Background***

Citizens State Bank, Corrigan, Texas operates from its main office located in Corrigan, Texas, and one branch office. It is a subsidiary of Citizens State Financial Corporation, a locally-owned, single-bank holding company. The main office is located on U.S. Highway 59 and within 90 miles north of metropolitan Houston. The bank received a Satisfactory rating at its previous July 16, 2012 Federal Deposit Insurance Corporation (FDIC) CRA Performance Evaluation based on FFIEC Small Institution CRA Examination Procedures.

### ***Operations***

Citizens State Bank functions as a community bank focusing on consumer and commercial loans from its two full-service offices in East Texas. The Description of Assessment Area depicts the offices' specific locations. The bank did not open or close any offices, and it did not participate in any merger or acquisition activities since the previous evaluation.

The bank offers a variety of loan products including commercial, home mortgage, consumer, and agricultural purpose loans. The bank also offers a variety of consumer and commercial deposit products and other services, including internet banking. The bank operates two automated teller machines, one at each office, and offers drive thru facilities at both offices. Service hours prove consistent with area and industry norms.

### ***Ability and Capacity***

The following table shows that Net Loans and Leases constitute a majority of the bank's March 31, 2018, total assets. Since the prior evaluation, on average per year, total assets increased 3.4 percent, net loans also increased 3.4 percent, and total deposits increased 3.6 percent. As of March 31, 2018, the bank reported a Return on Average Assets of 1.7 percent and a Tier 1 Leverage Capital ratio of 11.5 percent.

<b>Asset Distribution as of March 31, 2018</b>		
<b>Asset Category</b>	<b>\$(000)</b>	<b>%</b>
Cash	8,466	6.5
Securities	45,780	34.9
Federal Funds Sold	3,000	2.3
Net Loans & Leases	73,024	55.7
Premises & Fixed Assets	88	<0.1
Other Real Estate Owned	8	<0.1
Other Assets	786	0.6
<b>Total Assets</b>	<b>131,152</b>	<b>100.0</b>

*Source: Reports of Condition*

As seen in the following table, the mix of outstanding loans as of March 31, 2018, reflects a loan distribution somewhat consistent with the distribution of loans originated and discussed under the Scope of Evaluation. Commercial loans represent the bank’s largest loan category of outstanding loans at 33.6 percent, followed by residential loans at 23.0 percent, and consumer loans at 18.5 percent.

<b>Loan Portfolio Distribution as of March 31, 2018</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Construction and Land Development	1,008	1.4
Secured by Farmland	11,603	15.7
1-4 Family Residential	17,045	23.0
Multi-family (5 or more) Residential	0	0.0
Commercial Real Estate	8,298	11.2
<b>Total Real Estate Loans</b>	<b>37,954</b>	<b>51.3</b>
Commercial and Industrial	16,593	22.4
Agricultural	6,358	8.6
Consumer	13,649	18.5
Other	87	0.1
Less: Unearned Income	(717)	(0.9)
<b>Total Loans</b>	<b>73,924</b>	<b>100.0</b>
<i>Source: Reports of Income and Condition</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’s credit needs.

## DESCRIPTION OF ASSESSMENT AREA

Citizens State Bank designated one assessment area, the Non-MSA AA, consisting of portions of Angelina, Polk, and Trinity Counties in East Texas. The area includes one census tract in the Tyler, TX MSA, but the one tract does not extend substantially across the Non-MSA boundary or occupy a bank office. The area conforms to CRA regulatory requirements. As seen in the following table, the bank operates one office in Polk County and one office in Trinity County.

Office Locations				
County/City	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation
<i>Polk County:</i> Corrigan	Main Office	2104.00	Middle	No
<i>Trinity County:</i> Groveton	Branch	9502.00	Middle	No

*Source: 2015 American Community Survey (ACS) U.S. Census; Bank Records*

### ***Economic and Demographic Data***

The assessment area's 9 census tracts all reflect middle-income designations based on 2015 ACS U.S. Census data. The Federal Emergency Management Agency (FEMA) made one major disaster declaration involving Polk County during the period under review.

The Texas Workforce Commission reports June 2018 unemployment rates of 4.8 percent for Angelina County, 5.4 percent for Polk County, and 5.6 percent for Trinity County. For comparison purposes, the State of Texas reported an unemployment rate of 4.2 percent and the U.S. reported an unemployment rate of 4.2 percent for the same time period. According to business demographic data, the services industry represents the largest portion of businesses, followed by retail trade. In addition, 70.0 percent of the area's businesses have 4 or fewer employees, and 85.0 percent operate from a single location. Major employers include Livingston I.S.D., Corrigan-Camden I.S.D., Walmart, Polk County, and Trinity County.

According to the 2015 ACS Census, the assessment area's population includes 12,739 households, of which 40.2 percent reported either low- or moderate-incomes. Approximately 12.5 percent of the area's families reported incomes below the poverty level. The census data also reflected that 40.0 percent of the area's families reported low- or moderate-incomes. The following table provides additional demographic and economic data for the assessment area.



Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	0.0	0.0	100.0	0.0	0.0
Population by Geography	35,744	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	16,768	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	9,967	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	2,772	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	4,029	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,647	0.0	0.0	100.0	0.0	0.0
Farms by Geography	60	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	9,196	20.0	20.0	21.5	38.5	0.0
Household Distribution by Income Level	12,739	24.9	15.3	18.9	40.9	0.0
Median Family Income		\$52,076	Median Housing Value			\$80,719
Families Below Poverty Level		12.5%	Median Gross Rent			\$527

Source: 2015 ACS U.S. Census; 2017 D&B Data; FFIEC Estimated Median Family Income  
 (\*) The NA category consists of geographies that have not been assigned an income classification

Examiners used the Texas Non-MSA's median family income (MFI) to analyze consumer loans under the borrower profile performance factor for loans originated in the Non-MSA. The following table shows the income ranges, based on the 2017 FFIEC-estimated MFI of \$54,200, applicable to the Non-MSA.

Median Family Income Ranges				
Median Family Income	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Non-MSA Median Family Income</b>				
\$54,200	<\$27,100	\$27,100 to <\$43,360	\$43,360 to <\$65,040	≥\$65,040

Source: FFIEC (2017)

For loans originated in the Tyler, TX MSA, examiners used the Tyler, TX MSA's 2017 FFIEC-estimated MFI of \$58,000 to analyze consumer loans under the borrower profile performance factor.

Median Family Income Ranges				
Median Family Income	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Tyler, TX MSA Median Family Income</b>				
\$58,000	<\$29,000	\$29,000 to <\$46,400	\$46,400 to <\$69,600	≥\$69,600

Source: FFIEC (2017)

### ***Competition***

The assessment area contains a low level of competition from other chartered banks based on its population, with each of the 24 offices from its 7 institutions serving about 35,774 people, on average. Citizens State Bank ranks 3<sup>rd</sup> in deposit market share by capturing 14.0 percent of the area's deposits based on the June 30, 2017 FDIC Deposit Market Share Report. However, a number of credit unions, finance companies, and mortgage companies also operate in the area, heightening the competition level. Overall, the competition level allows for lending opportunities.

### ***Community Contact***

Examiners contacted a community member knowledgeable of the area's business and economic environment to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement. The contact described current economic conditions as strong. The contact indicated that business is supported by individuals who live in the area or are moving to the area because of the growth in lumber mills. According to the contact, the area's growth has improved neighborhoods and provided opportunities for more shops and restaurants. The contact indicated that area financial institutions do a good job serving general banking and credit needs.

Due to the strong and growing economy, there are opportunities for more small businesses and financing for these businesses. Considering information obtained from the community contact, bank management, as well as demographic and economic information, examiners determined that the area's primary credit needs include commercial, home mortgage, consumer, and agricultural loans.



## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Citizens State Bank demonstrated an overall satisfactory record regarding the Lending Test. An excellent record regarding its borrower profile loan distribution hampered by a majority of loans granted inside the assessment area and a reasonable record regarding its loan-to-deposit ratio supports this conclusion.

For the CRA Small Bank Lending Test, typically, examiners will first determine whether the presence of any weaker loan-to-deposit ratio or assessment area concentration performance warrants downgrading the overall Lending Test conclusion. Absent any such warranted downgrading, examiners will then place more weight on the bank's borrower profile and geographic loan distributions when arriving at the overall Lending Test conclusion.

### Loan-to-Deposit Ratio

The bank exhibited a reasonable record regarding its loan-to-deposit ratio. Reasonable overall and comparative levels support this conclusion. Examiners considered the bank's size, business strategy, and capacity relative to the area's needs when arriving at this conclusion.

### *Overall Level*

The overall level of the bank's average, net loan-to-deposit (LTD) ratio reflects reasonable performance. For the 23 quarters since the previous evaluation, the bank recorded a 57.9 percent average, net LTD ratio, slightly lower than the 61.6 percent average ratio reported at the previous evaluation. The bank's quarterly, net LTD ratio ranged from a low of 51.7 percent on March 31, 2015, to a high of 62.3 percent on June 30, 2018, with an increasing trend.

Within the context of the noted considerations, particularly the bank's relative capacity with respect to its deposits, the overall level of the bank's average, net LTD ratio reflects reasonable performance.

### *Comparative Level*

The comparative level of the bank's average, net LTD ratio reflects reasonable performance. Examiners identified and listed in the following table three comparable institutions operating in the bank's assessment area and reflecting somewhat similar asset sizes and lending emphases.

The following table shows that Citizens State Bank's ratio falls within a reasonable range of the other listed ratio, thereby reflecting reasonable performance.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2018 \$(000)	Average, Net LTD Ratio (%)
Citizens State Bank, Corrigan, Texas	131,152	57.9
Peoples State Bank, Shepherd, Texas	135,368	41.3
The First National Bank of Livingston, Livingston, Texas	387,536	37.4
The First National Bank of Trinity, Trinity, Texas	58,080	39.9
<i>Source: Reports of Income and Condition 6/30/2012 through 3/31/2018</i>		

Consequently, given the two measures' relative conclusions and weightings, the bank exhibited a reasonable record regarding its LTD ratio.

### Assessment Area Concentration

The institution originated a majority of its loans inside its assessment area. Majorities of consumer and small business loans granted inside the bank's assessment area support this conclusion. Examiners considered the bank's asset size and office structure as well as the loan categories reviewed relative to the assessment area's size and economy when arriving at this conclusion.

#### *Consumer Loans*

The institution originated a majority of its consumer loans inside its assessment area. The following table shows that for consumer loans by both measures, the percentages of the number and dollar volume of loans, the bank originated majorities inside its assessment area.

#### *Small Business Loans*

The institution originated a majority of its small business loans inside its assessment area. The following table shows that for small business loans by number, the bank originated a majority of loans inside its assessment area. Regarding the dollar volume of small business loans, the bank originated a majority outside its assessment area. Examiners noted two larger dollar small business loans originated just outside of the bank's assessment area. Weighing both measures equally, the institution originated a majority of its small business loans inside its assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000)				Total \$(000)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Consumer	32	65.3	17	34.7	49	123	62.4	74	37.6	197
Small Business	32	69.6	14	30.4	46	1,116	48.8	1,169	51.2	2,285
<i>Source: Bank Records</i>										

Consequently, considering each loan category's relative overall performance and relative weighting, the institution originated a majority of its loans inside its assessment area.



## **Borrower Profile**

The bank established an excellent record regarding its borrower profile loan distribution. Excellent performances regarding consumer and small business loans support this conclusion. Examiners considered the loan categories reviewed relative to the available comparative data and any performance context issues. Examiners focused on the percentages by the number of loans when arriving at conclusions and only considered loans granted inside the assessment area.

### ***Consumer Loans***

The borrower profile distribution of consumer loans reflects excellent performance. Excellent performance to low-income borrowers outweighed reasonable performance to moderate-income borrowers to support this conclusion. Examiners focused on the comparison to the percentage of households when arriving at this conclusion. The borrowers' income designations define the borrowers' profiles for this analysis.

The following table shows that to low-income borrowers, the bank's level of lending lands 34.5 percentage points above the demographic figure, reflective of excellent performance. The table also shows that to moderate-income borrowers, the bank's level of lending exceeds the demographic figure by 3.5 percentage points, reflective of reasonable performance. Examiners placed greater weight on the bank's performance to low-income borrowers given the greater opportunities to such borrowers as suggested by the demographic data. Therefore, given the relative performances and weightings for each income category, the distribution of consumer loans based on the borrowers' profiles reflects excellent performance.

<b>Distribution of Consumer Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Households</b>	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
Low	24.9	19	59.4	68	55.3
Moderate	15.3	6	18.8	18	14.6
Middle	18.9	2	6.3	11	8.9
Upper	40.9	5	15.5	26	21.2
Income Not Available	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>123</b>	<b>100.0</b>

*Source: 2015 ACS U.S. Census; Bank Records*

### ***Small Business Loans***

The borrower profile distribution of small business loans reflects excellent performance. An excellent record to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion. Examiners focused on the overall levels of the bank's percentages when arriving at conclusions. The companies' gross annual revenues define the borrowers' profiles for this review.

The following table shows that to businesses with gross annual revenues of \$1 million or less, the bank granted over nine out of every ten loans, thereby reflecting excellent performance. The table also shows that 81.5 percent of businesses report gross annual revenues of \$1 million or less. Thus, primarily considering the bank's overall level, the borrower profile distribution of small business loans reflects reasonable performance.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
< \$100,000	41.3	5	15.6	86	7.7
\$100,000 - \$249,999	27.8	14	43.8	566	50.7
\$250,000 - \$499,999	8.0	9	28.0	263	23.6
\$500,000 - \$1,000,000	4.4	2	6.3	48	4.3
<b>Subtotal ≤ \$1,000,000</b>	<b>81.5</b>	<b>30</b>	<b>93.7</b>	<b>963</b>	<b>86.3</b>
> \$1,000,000	4.4	2	6.3	153	13.7
Revenue Not Available	14.1	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>1,116</b>	<b>100.0</b>

*Source: 2017 D&B Data; Bank Records*

Consequently, considering each loan type's relative performance and relative weighting, the bank established an excellent record regarding its borrower profile loan distribution.

### **Geographic Distribution**

As previously noted, the bank's assessment area consists of 9 middle-income census tracts. Because the assessment area does not include any low- or moderate-income geographies, review of the geographic distribution criterion would not result in meaningful conclusions. Therefore, examiners did not evaluate this criterion.

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor 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 inconsistent with helping to meet community credit needs; therefore, this consideration did not affect the overall rating.



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).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**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 (for example, geographic distribution, borrower profile, 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase 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.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**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 (for example, 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.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**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:** 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.

## APPENDIX B

### SMALL BANK TEST'S PERFORMANCE CRITERIA

#### Lending Test

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).



