

PUBLIC DISCLOSURE

November 18, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Shelby County State Bank
RSSD# 235446

130 S Morgan Street
Shelbyville, Illinois 62565

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Shelby County State Bank is rated Satisfactory. The loan-to-deposit ratio is reasonable, and a majority of the bank's loans and lending-related activities took place within its assessment area. The geographic distribution of loans represents a reasonable dispersion throughout the assessment area, lending to borrowers of different income levels and small businesses and farms of different sizes is reasonable for the assessment area's demographic composition. Based on the analysis of lending activities, the bank meets the credit needs of its assessment area. Neither the bank nor this Reserve Bank has received any CRA-related complaints during the evaluation period.

SCOPE OF EXAMINATION

Shelby County State Bank's performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Small Institution CRA Examination Procedures. The evaluation considered information about the bank such as asset size, competition, financial condition, and the assessment area's demographic and economic characteristics. The full-scope evaluation included a review of the bank's single non-metropolitan assessment area in the state of Illinois. Products reviewed included home mortgage, small business, and small farm loans based on a sample of loans originated from January 1, 2023, through December 31, 2023, using the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16 quarter average loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's home mortgage, small business, and small farm loans originated from January 1, 2023, to December 31, 2023, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2023, to December 31, 2023, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate- income.
- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – The bank's home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2023, to December 31, 2023, were analyzed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank's record of helping to meet community credit needs and the bank's responses to any received were evaluated for appropriateness.

In addition, two community representatives, representing agriculture and affordable housing, were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area.

DESCRIPTION OF INSTITUTION

Shelby County State Bank, with assets of \$343.0 million as of June 30, 2024, is the sole subsidiary of Shelby County Bancorp, a bank holding company, in Shelbyville, Illinois. The bank has a main office and five branches, one of which is limited service. All locations have full-service ATMs. The main office in Shelbyville, Illinois is in a middle-income census tract. There are three additional branches in middle-income tracts and two branches in the assessment area's sole upper-income tract. There have been no acquisitions or branch openings or closings since the previous examination.

As shown in the table below, the bank is primarily an agricultural lender, as those loans comprise 45.8 percent of the bank's loan portfolio. The bank also offers residential, commercial and consumer loans.

Composition of Loan Portfolio as of June 30, 2024 (000's)		
Type	\$	%
Residential	53,347	21.7
Commercial	64,735	26.4
Agriculture	112,426	45.8
Consumer	11,116	4.5
Other	3,802	1.5
Total	245,426	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

As of June 30, 2023, the bank had a deposit market share of 50.9 percent of the Federal Deposit Insurance Corporation (FDIC) insured deposits in Shelby County, ranking first of eight FDIC-insured institutions in the county and indicating the bank is fairly competitive within its market. Additional information about the bank's products and services is found at its website, located at www.scs-bank.com.

There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on November 2, 2020.

DESCRIPTION OF ASSESSMENT AREA

The bank's single non-metropolitan assessment area is comprised of Shelby County, Illinois in its entirety. The assessment area remains unchanged since the previous evaluation, although one formerly middle-income census tract is now designated as upper-income due to updated U.S. Census Bureau American Community Survey (ACS) data. The assessment area includes six total census tracts; there are no low- or moderate-income or distressed or underserved middle-income census tracts in the assessment area.

Additional information about the assessment area is found in the following demographic table.

2023 IL Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,094	17.5
Moderate	0	0.0	0	0.0	0	0.0	1,140	18.2
Middle	5	83.3	5,176	82.8	365	7.1	1,539	24.6
Upper	1	16.7	1,075	17.2	91	8.5	2,478	39.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	6	100.0	6,251	100.0	456	7.3	6,251	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
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	8,974	6,179	84.1	68.9	1,493	16.6	1,302	14.5
Upper	1,654	1,171	15.9	70.8	315	19.0	168	10.2
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	10,628	7,350	100.0	69.2	1,808	17.0	1,470	13.8
	Total Businesses by Tract		Businesses by Tract & 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	569	82.1	497	81.5	44	91.7	28	80.0
Upper	124	17.9	113	18.5	4	8.3	7	20.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	693	100.0	610	100.0	48	100.0	35	100.0
Percentage of Total Businesses:				88.0		6.9		5.1
	Total Farms by Tract		Farms by Tract & 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	75	78.1	74	77.9	0	0.0	1	100.0
Upper	21	21.9	21	22.1	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	96	100.0	95	100.0	0	0.0	1	100.0
Percentage of Total Farms:				99.0		0.0		1.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

Population Trends

The county's population declined by 5.1 percent from 2015 to 2020 as reflected in the 2020 U.S. Decennial Census. This is a greater decrease than the state of Illinois experienced, which declined by 0.5 percent, but comparable to non-MSA Illinois which experienced a 4.3 percent decrease. Community representatives stated that the county's population is decreasing due to an aging population, and a workforce that is often moving outside of the area for employment opportunities. A lack of childcare options in Shelby County has also incentivized parents to seek employment elsewhere.

Population Change			
Area	2015 Population	2020 Population	Percentage Change
Shelby County, IL	22,115	20,990	-5.1%
Non-MSA Illinois	1,486,185	1,421,720	-4.3%
Illinois	12,873,761	12,812,508	-0.5%
Source: U.S. Census Bureau: American Community Survey Data: 2011-2015 and 2020 Decennial Census			

Income Characteristics

Median family income (MFI) for Shelby County increased by 15.2 percent from 2015 to 2020. This growth in income is higher than the state of Illinois overall, which experienced a 10.3 percent increase in MFI. Community representatives observed a strong farm economy over the last five years and increasing income trends due to the minimum wage increase in the state of Illinois, and employers raising hourly rates to retain and attract employees. Despite the positive trend of the median family income, the impacts are not being seen as significantly for low- and moderate-income individuals in the area. A community representative noted that families on the lower end of the income spectrum have not experienced similar increases in income due to difficulty finding employment.

Median Family Income Change 2015 and 2020			
Area	2015 Median Family Income	2020 Median Family Income	Percentage Change
Shelby County, IL	\$61,402	\$70,727	15.2%
Non-MSA Illinois	\$64,815	\$68,958	6.4%
Illinois	\$78,169	\$86,251	10.3%
Source: U.S. Census Bureau: Decennial Census American Community Survey Data: 2011-2015 and 2016-2020			

Housing Characteristics

A household is considered cost-burdened when it spends more than 30 percent of its income on housing. A household is considered severely cost-burdened when it spends more than 50 percent of its income on housing. Low-income renters within Shelby County have a significantly higher cost burden when compared with moderate-income renters as 66.7 percent and 14.0 percent, respectively, of those households spend 30 percent or more of their household income for housing. As seen in the table below, rental costs may be less burdensome in Shelby County for moderate income renters than in both the Non-MSA Illinois and the state of Illinois as a whole. However, low-income renters face relatively similar affordability challenges as the Non-MSA, but slightly less than those throughout the state of Illinois. With respect to owners, 45.0 percent of low-income homeowners pay at least 30 percent of their household income toward housing, compared to 17.1 percent of moderate-income households. Similar to renters, low- and moderate-income owners may find home ownership less cost burdensome in Shelby County than the state of Illinois as a whole.

Community representatives indicated that affordable housing is scarce for low- or moderate-income individuals in the assessment area. There is a low inventory of homes to rent or buy, and the condition of housing stock is not always commensurate with asking prices. Representatives also stated that prices for homes are continuing to rise in the area, despite their condition. The housing shortage has negatively affected efforts to attract and retain businesses and employees.

Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Shelby County, IL	66.7%	14.0%	30.3%	45.0%	17.1%	11.5%
Non-MSA Illinois	65.4%	16.5%	35.6%	51.6%	17.6%	14.0%
Illinois	72.9%	30.3%	41.8%	65.6%	32.4%	21.1%
Cost Burden is housing cost that equals 30 percent or more of household income						
Source: U.S. Department of Housing and Urban Development, 2016-2020 Comprehensive Housing Affordability Strategy						

Employment Conditions

In the post COVID-19 pandemic period, unemployment rates in Shelby County have declined from 6.7 percent in 2020 to 4.4 percent as of the most recent September 2023 data, which is slightly lower than the 4.8 percent rate of non-MSA Illinois counties in aggregate. The state of Illinois also experienced a decline in unemployment, from 9.3 percent in 2020 to 4.5 percent as of September 2023. Shelby County's major employment sectors are agriculture, government, and manufacturing. Community representatives indicated that employers in the area are experiencing a shortage of skilled workers, coupled with a declining population. They also indicated that residents commonly leave the county for employment opportunities and increased access to childcare and job-related transportation. The area is almost entirely rural, and affordable public transit is not available for low- and moderate-income workers.

Unemployment Rates				
Region	2020	2021	2022	September 2023 YTD Average
Shelby County, IL	6.7%	4.4%	4.1%	4.4%
Non-MSA Illinois	7.8%	5.2%	4.2%	4.8%
Illinois	9.3%	6.1%	4.6%	4.5%
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics				

Community Representatives

Community representatives stated that challenges for the assessment area include a decreasing population which has negatively impacted the supply of skilled workers, a shortage of affordable housing for low- and moderate-income families, and a lack of public transportation for commuting to work. Area financial institutions are generally responsive to the needs of the assessment area, including to the needs of low-to-moderate income populations. Contacts indicated that there is a need for financial literacy, along with a need for a wider availability of credit for low-income borrowers. With respect to the agricultural sector, community representatives believe that decreasing commodity prices, higher interest rates, increased prices for farm inputs and a lack of skilled workers will contribute to a decline in net income in the coming years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Shelby County State Bank's performance relative to the lending test is rated Satisfactory based on a reasonable loan-to-deposit ratio, a majority of loans originating within the bank's assessment area, a geographic distribution of loans reflecting a reasonable dispersion throughout the assessment area, and a reasonable penetration of loans to individuals of different income levels and businesses and farms of different sizes.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition and assessment area credit needs. Over the 16 quarters ending June 30, 2024, the loan-to-deposit ratio averaged 73.5 percent. This ratio is higher than all, but one competitor identified in the table below.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Shelby County State Bank	73.5%
Competitors	
DeWitt Savings Bank	60.3%
First Federal Savings and Loan Association of Central Illinois S.B.	76.6%
First National Bank of Nokomis	54.5%
First National Bank of Waterloo	65.0%
Teutopolis State Bank	55.2%

Assessment Area Concentration

A majority of the bank's loans and other lending-related activities were originated within the assessment area. As the table below shows, 79.7 percent of loans were originated inside the assessment area, with levels ranging from 64.2 percent for home mortgage loans to 85.2 percent for small business loans. These lending levels indicate that the bank is responsive in addressing the credit needs of the assessment area.

Assessment Area Concentration								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential	34	64.2	4,417	50.8	19	35.8	4,285	49.2
Small Business	46	85.2	4,163	76.9	8	14.8	1,249	23.1
Small Farm	97	84.3	10,486	83.1	18	15.7	2,127	16.9
Total Loans	177	79.7	19,067	71.3	45	20.3	7,661	28.7

Geographic Distribution of Loans

The assessment area is comprised only of middle- or upper-income census tracts; therefore, a meaningful analysis could not be performed. The dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included in the assessment area. Examiners determined that there were no conspicuous unexplained gaps in contiguous census tracts.

Lending to Borrowers of Different Income Levels and to Businesses of Farms of Different Sizes

The distribution of loans to individuals of different income levels and businesses and farms of different sizes reflects a reasonable penetration among individuals of different income (including low- and moderate-income) levels and revenues of businesses and farms of different sizes.

Residential Lending

The distribution of home mortgage loans among borrowers of different income levels is reasonable. The bank originated 8.8 percent of residential loans to low-income borrowers, which is below the 17.5 percent level of low-income families in the assessment area. However, the bank originated 26.5 percent of residential loans to moderate-income borrowers, which exceeds the percentage of moderate-income families in the assessment area at 18.2 percent.

Distribution of 2023 Residential Lending By Borrower Income Level					
Assessment Area: IL Non MSA					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	%	
Low	3	8.8	212	4.8	17.5
Moderate	9	26.5	775	17.5	18.2
Middle	8	23.5	986	22.3	24.6
Upper	14	41.2	2,446	55.4	39.6
Unknown	0	0.0	0	0.0	0.0
Total	34	100.0	4,417	100.0	100.0
Source: 2023 FFIEC Census Data					
2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Small Business Lending

The penetration of small business loans among businesses of different revenue sizes is excellent. The bank originated 93.5 percent of loans to businesses with revenues of \$1 million or less, which exceeds the percent of total businesses in the assessment area of 88.0 percent. When accounting for

both revenue and loan size, 86.0 percent of loans were made in dollar amounts of \$100,000 or less to businesses of \$1 million or less, demonstrating strong responsiveness to small business credit needs.

Distribution of 2023 Small Business Lending By Revenue Size of Businesses					
Assessment Area: IL Non MSA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	43	93.5	2,463	59.2	88.0
Over \$1 Million	2	4.3	1,350	32.4	6.9
Revenue Unknown	1	2.2	350	8.4	5.1
Total	46	100.0	4,163	100.0	100.0
By Loan Size					
\$100,000 or Less	37	80.4	1,338	32.1	
\$100,001 - \$250,000	6	13.0	1,125	27.0	
\$250,001 - \$1 Million	3	6.5	1,700	40.8	
Total	46	100.0	4,163	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	37	86.0	1,338	54.3	
\$100,001 - \$250,000	6	14.0	1,125	45.7	
\$250,001 - \$1 Million	0	0.0	0	0.0	
Total	43	100.0	2,463	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Small Farm Lending

The penetration of small farm loans among farms of different revenue sizes is reasonable, demonstrating responsiveness to small farm credit needs. The bank originated 94.8 percent of loans to farms with revenues of \$1 million or less, which is comparable to the percentage of farms in the assessment area at 99.0 percent. When considering both loan size and revenue, the bank made 68.5 percent of loans to farms with \$1 million or less in revenue in dollar amounts of \$100,000 or less; loans of this amount are considered most beneficial to small farms.

Distribution of 2023 Small Farm Lending By Revenue Size of Farms Assessment Area: IL Non MSA					
	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	92	94.8	9,887	94.3	99.0
Over \$1 Million	2	2.1	400	3.8	0.0
Revenue Unknown	3	3.1	199	1.9	1.0
Total	97	100.0	10,486	100.0	100.0
By Loan Size					
\$100,000 or Less	66	68.0	2,617	25.0	
\$100,001 - \$250,000	17	17.5	2,746	26.2	
\$250,001 - \$500,000	14	14.4	5,123	48.9	
Total	97	100.0	10,486	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	63	68.5	2,515	25.4	
\$100,001 - \$250,000	16	17.4	2,549	25.8	
\$250,001 - \$500,000	13	14.1	4,823	48.8	
Total	92	100.0	9,887	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.					

Response to Complaints

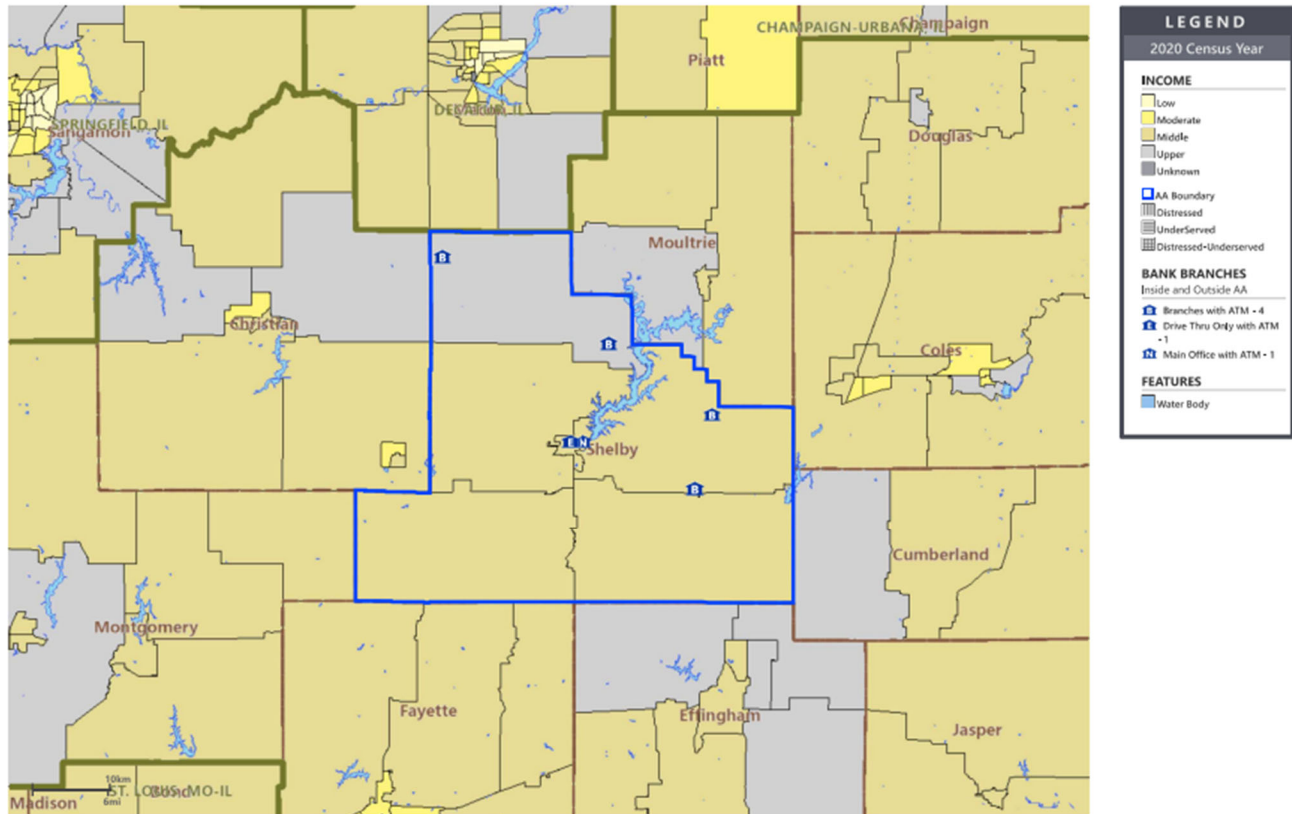
Neither the bank nor this Reserve Bank have received any CRA-related complaints since the previous examination.

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.

APPENDIX A – Map of Assessment Area

Shelby County State Bank 235446
IL Non MSA



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	January 1, 2023, to December 31, 2023		
FINANCIAL INSTITUTION Shelby County State Bank		PRODUCTS REVIEWED Home Mortgage; Small Business; Small Farm	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
None	N/A	N/A	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Shelby County, IL Non-MSA	Full scope	None	None

APPENDIX C – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

¹ Source: FFIEC press release dated October 19, 2011.

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions 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. They 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.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide nonmetropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. 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
4. 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 definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) 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 or 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 services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes not secured.

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 household and no wife present) or "female householder" (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing

units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

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.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 census tract;
- 3) Middle-income – an 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 census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan production office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: 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 single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm: This term refers to a loan that is included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand 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.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).