

COMMUNITY REINVESTMENT ACT STATEMENT

Citizens State Bank is very proud of the impact we have on the Marysville, Waterville, and Hanover communities as well as the remainder of our Assessment Area which includes all of Marshall and Washington County. CSB endeavors to provide financing for all individuals on an equal opportunity basis for a variety of loan types. CSB is a leader in our Assessment Area in issuing real estate loans to consumers for residential purposes and to businesses for commercial, rental, and agricultural purposes. We also provide small business loans and consumer loans. We are proud of the fact that our directors, officers and employees are very involved in the communities in which we live. Our CSB staff provide essential financial advice to the boards on which we serve and the organizations to which we belong. CSB sponsors several activities in our communities and contributes very generously to charities and service organizations. Our employees contribute personally to many charities on a monthly basis. The Citizens State Bank of Marysville continues to take Community Reinvestment seriously and we are continuously seeking new ways in which we can benefit and improve our communities.



P.O. Box 388
MARYSVILLE, KANSAS 66508
785-562-2186

BRANCHES, ADDRESSES, AND BUSINESS HOURS

MAIN BANK 800 BROADWAY MARYSVILLE, KS 66508	MONDAY-FRIDAY	9:00 AM - 4:00 PM
DRIVE-UP BRANCH 800 CENTER MARYSVILLE, KS 66508	MONDAY-FRIDAY SATURDAY	8:30 AM - 5:00 PM 9:00 AM - 12:00 PM
WATERVILLE BRANCH 124 E COMMERCIAL WATERVILLE, KS 66548	MONDAY-FRIDAY	9:00 AM - 4:00 PM
HANOVER BRANCH 101 W NORTH ST HANOVER, KS 66945	MONDAY-FRIDAY	9:00 AM - 4:00 PM

MAIN BANK
800 Broadway
Marysville, KS 66508
785-562-2186

BRANCH BANK
124 E. Commercial
Waterville, KS 66548
785-363-2521

BRANCH BANK
101 W. North Street
Hanover, KS 66945
785-337-2224

BRANCH BANK
800 Center
Marysville, KS 66508
785-562-2388

DEPOSIT PRODUCTS

Citizens State Bank of Marysville offers many different deposit accounts as shown under the Personal and Business tabs of the Homepage.

In addition to these accounts, Citizens State Bank of Marysville offers several different Certificates of Deposit ranging from 7 days to 60 months in maturity. The penalties for early withdrawals on Certificates of Deposit are as follows:

7-31 days	Interest earned on the Certificate
1-3 months	3 months interest or earned interest
4-16 months	3 months interest
Over 16 months	6 months interest

LOAN PRODUCTS

Citizens State Bank of Marysville continues to operate with a sound loan policy while actively seeking opportunities to re-invest our community's deposits into agricultural, commercial, real estate and consumer loans.

We also pride ourselves in participating in the programs provided by the United States Department of Agriculture, Kansas Department Finance Authority, and the Federal Home Loan Bank. Many of these programs have benefits to the residents of this community. We have and will continue to participate in local and state-sponsored programs that facilitate the issuing of loans to low-income and moderate-income individuals and families.

Previous Year Loan To Deposit Ratio

Date	Total Loans	Total Deposits	L/D Ratio (%)
March 31, 2023	\$274,953,000	\$328,926,000	83.59%
June 30, 2023	\$271,218,000	\$330,195,000	82.14%
September 30, 2023	\$294,865,000	\$323,289,000	91.21%
December 31, 2023	\$306,247,733	\$332,470,331	92.11%

PUBLIC DISCLOSURE

November 7, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Citizens State Bank
Certificate Number: 14269

800 Broadway
Marysville, Kansas 66508

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

1100 Walnut St, Suite 2100
Kansas City, Missouri 64106

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 Citizens State Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the rating. The following points summarize the bank's performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is more than reasonable given the institution's size and financial condition, as well as the assessment area's credit needs.
- A majority of the small farm, small business, and home mortgage loans reviewed are located inside the assessment area.
- The geographic distribution of loans was not evaluated because the assessment area did not include any low- or moderate-income census tracts.
- The distribution of borrowers reflects a reasonable penetration among farms and businesses of different sizes and individuals of different income levels.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of opportunities for community development in the assessment area.

DESCRIPTION OF INSTITUTION

The Citizens State Bank is a community bank headquartered in Marysville, Kansas. The bank operates from three full-service locations in Marysville, Waterville, and Hanover, Kansas; and one drive-up location in Marysville, Kansas. The bank continues to be wholly owned by Community Bancshares of Marysville, Inc. The bank has no lending affiliates or subsidiaries. No merger or acquisition activities have occurred, and no branches have been closed or opened since the previous evaluation. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation on January 27, 2020, based on Intermediate Small Institution Examination Procedures.

The Citizens State Bank provides traditional loan products. Loan products include residential, commercial, agricultural, and consumer lending. Agricultural lending continues to be the bank's primary business focus. The bank participates in the Federal Home Loan Bank's First-time Homeowner Down Payment Assistance Program, which provides low- and moderate-income families down payment assistance to purchase a home. As part of this program, the bank originated five loans totaling \$171,475 in 2020, six loans totaling \$297,500 in 2021, and four loans totaling \$180,412 in 2022. Additionally, The Citizens State Bank participated in the Small Business Administration's Paycheck Protection Program (PPP), which was established in 2020 to provide financial relief to small businesses during the Coronavirus Disease 2019 (COVID-19) pandemic. The bank originated 192 PPP loans totaling \$7.8 million in 2020, and 636 PPP loans totaling \$9.6 million in 2021.

The bank's deposit products include checking, savings, money market, certificates of deposit, and individual retirement accounts. Alternative banking services include online banking, bill pay, mobile banking, mobile deposit, and Zelle. The bank also operates three ATMs within its assessment area.

According to the June 30, 2022, Reports of Condition and Income (Call Report), the institution reported total assets of \$382.7 million, total loans of \$265.9 million, and total deposits of \$318.1 million. The following table shows the distribution for each loan category by dollar volume.

Loan Portfolio Distribution as of 6/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	1,455	0.6
Secured by Farmland	92,654	34.8
Secured by 1-4 Family Residential Properties	25,429	9.6
Secured by Multi-family (5 or more) Residential Properties	10,866	4.1
Secured by Non-farm Non-Residential Properties	43,132	16.2
Total Real Estate Loans	173,536	65.3
Commercial and Industrial Loans	18,757	7.1
Agricultural Production and Other Loans to Farmers	49,228	18.5
Consumer	3,252	1.2
Obligations of State and Political Subdivisions in the U.S.	1,350	0.5
Other Loans	19,154	7.2
Lease Financing Receivables (net of unearned income)	645	0.2
Less: Unearned Income	3	0.0
Total Loans	265,919	100.0
<i>Source: Reports of Condition and Income</i>		

In addition to the portfolio loans, the bank also originates a significant volume of residential loans that are subsequently sold into the secondary market, and these loans are not reflected in the Call Report. Servicing on these loans is retained, and bank records indicate that the bank originated 18 loans totaling \$3.7 million in 2020, 22 loans totaling \$4.3 million in 2021, and 3 loans totaling \$860,000 in 2022.

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The bank designated all of Marshall and Washington counties in Kansas as its sole assessment area. The assessment area has not changed since the prior evaluation. The following shows demographic and economic information from the 2015 American Community Survey (ACS) data and 2021 D&B data for the assessment area.

Economic and Demographic Data

The bank’s assessment area consists of six census tracts, which are all middle-income. Two of the bank’s census tracts, which make up Washington County, have been designated as distressed and underserved middle-income census tracts since the prior evaluation. One of the bank’s three locations is located in a distressed and underserved census tract. The assessment area is nonmetropolitan, and consists largely of rural countryside and farmland. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	6	0.0	0.0	100.0	0.0
Population by Geography	15,691	0.0	0.0	100.0	0.0
Housing Units by Geography	7,838	0.0	0.0	100.0	0.0
Owner-Occupied Units by Geography	5,157	0.0	0.0	100.0	0.0
Occupied Rental Units by Geography	1,607	0.0	0.0	100.0	0.0
Vacant Units by Geography	1,074	0.0	0.0	100.0	0.0
Businesses by Geography	1,501	0.0	0.0	100.0	0.0
Farms by Geography	457	0.0	0.0	100.0	0.0
Family Distribution by Income Level	4,543	18.1	17.5	24.5	39.9
Household Distribution by Income Level	6,764	23.5	15.7	19.5	41.3
Median Family Income Nonmetropolitan Kansas	\$57,229	Median Housing Value			\$80,053
Families Below Poverty Level	7.9%	Median Gross Rent			\$507
<i>Source: 2015 ACS and 2021 D&B Data</i>					

The 2021 Federal Financial Institutions Examination Council’s (FFIEC) median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the nonmetropolitan area of Kansas are presented in the following table.

Median Family Income Ranges in Nonmetropolitan Kansas				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$64,800)	<\$32,400	\$32,400 to <\$51,840	\$51,840 to <\$77,760	≥\$77,760
<i>Source: FFIEC</i>				

Competition

The Citizens State Bank operates in a moderately competitive environment. According to FDIC Deposit Market Share data, as of June 30, 2022, there are 12 financial institutions operating from 21 locations within the bank’s assessment area. The Citizens State Bank ranked first with 33.0 percent of the deposit market share. In addition to the banks reflected in the FDIC Deposit Market Share report, the bank also faces competition from other lenders, such as Farm Credit Services and credit unions.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. Further, it is an indication of the credit and community development opportunities available.

Examiners utilized an existing contact from an economic development organization that serves the bank’s assessment area. The contact indicated that agriculture is the largest industry in the area, and continues to be strong due to favorable weather. Other major employers in the area include Landoll, Tension Envelope, and Valley Vet Supply. While some businesses in the area were hurt by the COVID-19 pandemic, most have weathered it well with minimal business closures. The contact stated that there has been interest from businesses looking to move into the area, but lack of employees and affordable housing limits growth. When the contact discussed the issue with housing developers, they indicated that any new housing would likely be too expensive for low-income individuals to afford. The contact stated they were unaware of any community development opportunities or needs going unmet in the area, and that local financial institutions are engaged in the community and doing a good job of meeting local credit needs.

Credit and Community Development Needs and Opportunities

Considering information from economic and demographic data, the community contact, and bank management, the primary credit needs in the assessment area are agriculture, small business, and residential loans. Opportunities exist for originating such loans, as indicated by area demographics on the number of housing units, and the number of small farms and businesses in the assessment area. Additionally, community development needs include affordable housing, community services, and revitalization/stabilization, as evidenced by the number of low- and moderate-income families and small farms and businesses in the assessment area, and the presence of distressed and underserved middle-income census tracts.

SCOPE OF EVALUATION

General Information

Examiners used Interagency Intermediate Small Bank Evaluation Procedures to evaluate the bank's CRA performance. These procedures include the Lending Test and the Community Development Test, and a bank must achieve at least a Satisfactory rating under both Tests to obtain an overall Satisfactory rating. This evaluation covers the period from the prior evaluation dated January 27, 2020, to the current evaluation dated November 7, 2022.

Activities Reviewed

Examiners determined that the bank's major product lines are agricultural, commercial, and residential real estate loans. This conclusion considered the bank's business strategy, and the number and dollar volume of loans originated during the evaluation period. The bank's lending focus and product mix remained consistent throughout the evaluation period. Based on the bank's business focus and loan portfolio composition, examiners placed the most weight on agricultural lending performance when arriving at overall conclusions, followed by commercial lending and residential real estate lending in that order.

Bank management stated that the bank's 2021 small farm, small business, and home mortgage loans are representative of the bank's lending during the entire evaluation period. Therefore, for the Lending Test, examiners reviewed all small farm, small business, and home mortgage loans originated or renewed in 2021 to evaluate the Assessment Area Concentration criterion. In 2021, the bank originated or renewed 1,059 small farm loans totaling \$61.5 million, 304 small business loans totaling \$20.9 million, and 89 home mortgage loans totaling \$14.8 million. Examiners reviewed a sample of loans originated or renewed inside the bank's assessment area for the Borrower Profile criterion. Examiners sampled 63 small farm loans totaling \$2.6 million, 55 small business loans totaling \$2.1 million, and 36 home mortgage loans totaling \$3.7 million.

The 2021 D&B data provided a standard of comparison for the bank's small farm and small business lending performance, and the 2015 ACS data provided a standard of comparison for the bank's home mortgage lending performance. Although loans are analyzed by both number and dollar volume of loans, examiners emphasize performance by number of loans, as it is a better indicator of the number of farms, businesses, and individuals served.

For the Community Development Test, examiners considered data provided by bank management on the institution's community development loans, qualified investments, and community development services since the prior CRA evaluation up to the date of the current evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Citizens State Bank demonstrated satisfactory performance under the Lending Test. The bank's overall performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria supports this conclusion.

Loan-to-Deposit Ratio

The Citizens State Bank’s average net loan-to-deposit ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s loan-to-deposit ratio exceeds that of other similarly situated institutions, which examiners selected based on their asset size, geographic location, and agricultural lending focus. The following table indicates the bank’s ratio, calculated from Reports of Condition and Income data, averaged 91.2 percent over the previous 10 calendar quarters from March 31, 2020, to June 30, 2022.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2022 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
The Citizens State Bank, Marysville, Kansas	382,696	91.2
The Farmers State Bank of Westmoreland, Westmoreland, Kansas	231,791	67.8
Union State Bank, Clay Center, Kansas	201,529	80.8

Source: Reports of Condition and Income 3/31/2020 – 6/30/2022

Assessment Area Concentration

Overall, the bank originated a majority of its small farm, small business, and home mortgage loans inside its assessment area. Although the home mortgage loans by dollar volume were less than a majority inside of the assessment area, the evaluation emphasized performance by number of loans. Additionally, as shown in the following table, the overall lending indicates the bank originated a majority of loans by both number and dollar volume in the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%	\$	%	\$	%		
Small Farm	892	84.2	167	15.8	1,059	48,566	78.9	12,955	21.1	61,521
Small Business	253	83.2	51	16.8	304	11,666	55.9	9,189	44.1	20,855
Home Mortgage	59	66.3	30	33.7	89	6,967	47.1	7,836	52.9	14,803
Total	1,204	82.9	248	17.1	1,452	67,199	69.1	29,980	30.9	97,179

Source: Bank Data. Due to rounding, totals may not equal 100.0%

Geographic Distribution

The assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

Overall, the distribution of loans reflects reasonable penetration among individuals of different income levels, and businesses and farms of different sizes. Although the bank’s small business lending performance is excellent, the bank’s reasonable small farm and home mortgage lending performance primarily supports this conclusion. Examiners focused on the percentage of lending to low- and moderate-income borrowers, and businesses and farms with gross annual revenues of \$1 million or less.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. As shown in the following table, the bank's performance to farms with revenues of \$1 million or less is comparable to demographic data in this revenue category.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.2	59	93.7	2,216	85.8
>\$1,000,000	1.5	4	6.3	367	14.2
Revenue Not Available	0.2	0	0.0	0	0.0
Total	100.0	63	100.0	2,583	100.0
<i>Source: 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. As shown in the following table, the bank's performance to businesses with revenues of \$1 million or less exceeds demographic data in this revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	75.2	48	87.3	1,165	55.2
>\$1,000,000	5.6	7	12.7	945	44.8
Revenue Not Available	19.3	0	0.0	0	0.0
Total	100.0	55	100.0	2,110	100.0
<i>Source: 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. The following table demonstrates the bank's lending performance to low- and moderate-income borrowers is comparable to demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	18.1	7	19.4	234	6.3
Moderate	17.5	7	19.4	408	10.9
Middle	24.5	10	27.8	780	20.8
Upper	39.9	12	33.3	2,321	62.0
Total	100.0	36	100.0	3,743	100.0
<i>Source: 2015 ACS, 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 rating.

COMMUNITY DEVELOPMENT TEST

The Citizens State Bank demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity, and the need and availability of such opportunities in the assessment area.

To assess the bank's overall performance under the Community Development Test, information from performance evaluations of three similarly situated intermediate small banks conducted during the evaluation period was used for comparative purposes. These institutions were chosen due to their similarities in asset size, business focus, and types of areas served. Overall, The Citizens State Bank's community development performance compared reasonably to the similarly situated institutions when considering available community development opportunities in the assessment area.

Community Development Loans

The Citizens State Bank originated or renewed 21 community development loans totaling \$36.7 million during the evaluation period. As of June 30, 2022, this dollar volume represents 9.6 percent of total assets, and 14.0 percent of net loans. The Citizens State Bank's level of lending is in the upper-range among similarly situated banks, whose ratios of community development loans to total assets ranged from 1.1 percent to 10.3 percent. The Citizens State Bank was responsive to the credit needs identified by the community contact as 17 of the bank's community development loans helped create and retain jobs on farms located in distressed or underserved middle-income census tracts. The bank also made 3 loans that promoted economic development by supporting small businesses that provide permanent jobs primarily for low- and moderate-income individuals. The following table demonstrates the community development loans by qualifying category and year.

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	0	0	0	0	3	4,678	8	12,191	11	16,869
2021	0	0	0	0	0	0	5	10,325	5	10,325
YTD 2022	0	0	0	0	0	0	5	9,514	5	9,514
Total	0	0	0	0	3	4,678	18	32,030	21	36,708

Source: Bank records

Qualified Investments

The Citizens State Bank had \$275,504 in qualified investment activity for the evaluation period. As of June 30, 2022, this equates to 0.1 percent of total assets, and 0.4 percent of total securities. The bank's level of qualified investments is below the performance of similarly situated banks, whose ratios of qualified investments to total assets ranged from 0.4 percent to 5.5 percent. The bank's qualified investments have decreased since the prior evaluation. The lack of low- and moderate-income tracts in the assessment area, and the fact that local school districts, where the bank primarily invests, are no longer majority free- or reduced-lunch contributed to the decline in

investment activity. An example of a sizeable investment that was considered especially responsive to assessment area credit needs includes an investment in a large medical facility that primarily serves a distressed and underserved community. The following table details the bank's qualified investments by qualifying category and year.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2020	0	0	0	0	0	0	1	246	1	246
2021	0	0	0	0	0	0	0	0	0	-
YTD 2022	0	0	0	0	0	0	0	0	0	-
Subtotal	0	0	0	0	0	0	1	246	1	246
Grants & Donations	0	0	1	25	0	0	7	5	8	30
Total	0	0	1	25	0	0	8	251	9	276

Source: Bank Records

Community Development Services

The Citizens State Bank had 31 qualifying community development services for this evaluation period. The Citizens State Bank's level of community development services is in line with that of similarly situated banks, whose community development services ranged from 18 to 39. Most of this activity consists of bank representatives providing their financial expertise serving in notable roles for various qualifying organizations that aim to revitalize and stabilize Washington County. The following table illustrates the bank's community development services by qualifying category and year.

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2020	2	2	0	7	11
2021	2	2	0	7	11
YTD 2022	1	1	0	7	9
Total	5	5	0	21	31

Source: Bank Records

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank'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 geographic distribution of the bank's loans;
- 4) 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; 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).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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.