

# **PUBLIC DISCLOSURE**

August 10, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Prairie Community Bank  
Certificate Number: 34526

800 West Grant Highway  
Marengo, Illinois 60152

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

300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606

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.

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	1
DESCRIPTION OF ASSESSMENT AREA .....	2
SCOPE OF EVALUATION .....	5
CONCLUSIONS ON PERFORMANCE CRITERIA .....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	10
APPENDICES .....	
SMALL BANK PERFORMANCE CRITERIA .....	11
GLOSSARY .....	12

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

## DESCRIPTION OF INSTITUTION

Prairie Community Bank (PCB) is a \$146 million dollar institution located in the McHenry County community of Marengo, Illinois (population 7,457) approximately 60 miles northwest of Chicago, Illinois. PCB is wholly-owned by Marengo Bancshares, Inc., a one-bank holding company. PCB currently operates from three full service locations in northern Illinois; the main banking office located in Marengo, Illinois, a branch office located in Union, Illinois, and a recently opened branch office (March 2020) in Elgin, Illinois. This branch previously served as a Loan Production Office since 2017. The bank has not closed any branches or participated in any merger or acquisition activities since the previous evaluation. PCB received a Satisfactory rating at its previous FDIC Performance Evaluation dated August 25, 2014, based on Interagency Small Institution Examination Procedures.

PCB offers a variety of products and services to meet the credit and deposit needs of the local area it serves. Commercial loan products include commercial real estate loans, operating lines of credit, equipment loans, business construction loans, and land/development loans. Consumer loans include first and second mortgages, home equity loans, home equity lines of credit, consumer construction loans, automobile loans, and other installment loans. The bank also facilitates long-term residential loans through the secondary market and originates commercial-purpose loans under the Paycheck Protection Program (PPP) guaranteed by the Small Business Administration (SBA). Additional information about this loan program is discussed later in this evaluation. Deposit products include checking accounts, savings accounts, money market accounts, and certificate of deposit accounts.

The bank also operates a transactional website and offers online and mobile banking, bill pay, and credit card services. All bank locations have a drive-up window and ATMs. The bank operates three additional stand-alone ATMs in Marengo, Illinois; none of which accepts deposits. PCB's hours of operation provide reasonable access to banking services.

According to the June 30, 2020, Consolidated Reports of Condition and Income (Call Reports), assets totaled approximately \$146 million and included total loans of \$105 million and total securities of \$6 million. The bank's loan portfolio concentrations indicate that commercial lending, including commercial real estate and commercial and industrial loans, continues to be the bank's primary business focus, followed by residential real estate lending. Assets and total loans have increased significantly since the prior evaluation primarily because of the surge in PPP lending. The loan portfolio is illustrated in the following table.

<b>Loan Portfolio Distribution as of 6/30/20</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	7,884	7.50
Secured by Farmland	2,328	2.21
Secured by 1-4 Family Residential Properties	27,630	26.28
Secured by Multifamily (5 or more) Residential Properties	5,002	4.76
Secured by Nonfarm Nonresidential Properties	33,401	31.78
<b>Total Real Estate Loans</b>	<b>76,245</b>	<b>72.53</b>
Commercial and Industrial Loans	27,450	26.11
Agricultural Loans	14	0.01
Consumer Loans	1,071	1.02
Other Loans	337	0.32
<b>Total Loans</b>	<b>105,117</b>	<b>100.00</b>
<i>Source: Reports of Condition and Income.</i>		

Examiners did not identify any financial, legal, or other impediments that may 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 is evaluated. PCB's assessment area is made up of 20 census tracts in McHenry County, Illinois (located in the Chicago, IL MSA #16984) and 42 census tracts in the northern portion of Kane County, Illinois (located in the Elgin, IL MSA #20994). The assessment area includes the census tracts where the bank's offices are located, consists of contiguous whole geographies, and does not arbitrarily exclude low- or moderate-income census tracts. Since the prior evaluation, the Kane County census tracts were added to the assessment area to account for the new branch in Elgin, Illinois.

### **Economic and Demographic Data**

Examiners use demographic data from the 2015 American Community Survey (ACS) and 2019 D&B data to draw comparisons for the bank's lending performance during the review period. 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 #	NA* % of #
Geographies (Census Tracts)	62	1.6	24.2	45.2	29.0	0.0
Population by Geography	414,291	0.3	19.8	44.4	35.6	0.0
Housing Units by Geography	150,381	0.3	17.9	47.3	34.4	0.0
Owner-Occupied Units by Geography	109,490	0.1	13.0	47.0	39.9	0.0
Occupied Rental Units by Geography	32,069	0.8	32.2	47.7	19.3	0.0
Vacant Units by Geography	8,822	0.6	27.7	49.9	21.8	0.0
Businesses by Geography	25,362	0.5	12.8	47.8	38.9	0.0
Farms by Geography	1,024	0.0	10.8	64.7	24.4	0.0
Family Distribution by Income Level	106,490	17.6	16.3	20.8	45.2	0.0
Household Distribution by Income Level	141,559	18.8	14.8	18.5	47.9	0.0
Median Family Income MSA – 16984 Chicago-Naperville- Evanston, IL		\$75,024	Median Housing Value			\$219,096
Median Family Income MSA - 20994 Elgin, IL		\$80,899	Median Gross Rent			\$1,059
			Families Below Poverty Level			6.5%
<i>Source: 2015 ACS Census and 2019 D&amp;B Data. Due to rounding, totals may not equal 100.0 (* The NA category consists of geographies that have not been assigned an income classification.</i>						

Based on the 2015 ACS demographic data, the assessment area contains one low-income census tract and 15 moderate-income census tracts. The low-income geography is located approximately two miles northwest of the Elgin branch. This tract contains a nominal portion of businesses and occupied rental units indicating that there are fewer lending opportunities, especially when competition is considered. There are more opportunities to serve moderate-income census tracts in the assessment area. The Elgin branch is located approximately 1.5 miles south-west of a cluster of moderate-income census tracts.

According to the 2019 D&B data, there were 25,362 non-farm businesses in the assessment area. Gross annual revenues (GARs) for these non-farm businesses are listed below.

- 83.9 percent have \$1.0 million or less,
- 6.7 percent have more than \$1.0 million, and
- 9.3 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of non-farm businesses by GAR level. There is a substantial volume of very small businesses in the assessment area. These entities commonly turn to alternative financing options over traditional small business loans.

Specifically, very small businesses with revenues under \$500,000 represent 79.6 percent of all businesses. Additionally, small businesses with less than five employees represent 62.7 percent of all businesses. Service industries represent the largest portion of businesses at 37.6 percent; followed by non-classifiable establishments (15.3 percent); retail trade (11.3 percent); construction (8.7 percent); finance, insurance, and real estate (8.5 percent); and manufacturing (5.0 percent).

### **Competition**

PCB operates in a relatively competitive banking market. As of June 30, 2019, the FDIC's Division of Insurance and Research reported 48 FDIC-insured financial institutions operating 244 offices within McHenry and Kane Counties. Of these institutions, PCB ranked 31<sup>st</sup> holding a 0.58 percent total deposit market share. The top bank holds a 17.25 percent total deposit market share.

The bank is not required to report small business data or home mortgage data. Therefore, examiners do not directly compare performance to aggregate data. However, aggregate data provides an insight to demand for small business and home mortgage loans within the assessment area. The 2018 peer small business data shows that 123 lenders originated or purchased 18,360 small business loans within the assessment area. Aggregate small business data for 2019 is not yet available. The 2019 home mortgage aggregate data shows that 496 lenders originated 25,728 home mortgage loans within the assessment area. This further supports that there is a demand for small business and home mortgage lending in the area.

### **Community Contacts**

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

Examiners interviewed a representative from an economic development organization that serves the assessment area. Based on the organization's research, 13 percent of local businesses did not have any lines of credit or a sustainable financing source during an economic shutdown.

Examiners also interviewed a representative from a consumer counseling service that serves low- and moderate-income communities in the assessment area. The representative stated that the area needs affordable housing, affordable rental properties, and down-payment assistance programs.

### **Credit Needs**

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that business lines of credit, business working capital loans, and residential rental property loans are primary credit needs in the assessment area.

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the previous evaluation dated August 25, 2014, to the current evaluation date of August 10, 2020. Examiners used the Interagency Small Institution CRA Examination Procedures to evaluate PCB's CRA performance.

### Activities Reviewed

Examiners determined that the bank's major product lines are small business loans and residential mortgage loans. This conclusion considered the bank's business strategy, loan portfolio concentrations, and the number and dollar volume of loans originated or renewed during the evaluation period. Small business lending performance contributed the primary weighting to the overall conclusions and rating due to the substantially larger number and dollar volume of originations during the review period when compared to residential mortgage loans. Small farm and consumer loans do not represent a significant portion of the loan portfolio, and as such, were not reviewed as part of the evaluation. This evaluation focuses on 2019 lending performance. Examiners confirmed with bank management that 2019 lending activity was representative of the entire evaluation period.

Commercial real estate and commercial and industrial lending is the largest loan category of the bank's loan portfolio as of June 30, 2020, representing 57.9 percent of total loans. In 2019, the bank originated 93 small business loans totaling \$18.8 million. Of these, examiners evaluated a sample of 41 small business loans totaling \$7.4 million. D&B data for 2019 was used as a standard comparison for small business loans. When analyzing Geographic Distribution, examiners compare performance to the percentage of businesses operating within each census tract, with a focus on low- and moderate-income census tracts. The Borrower Profile criterion compares lending performance based on the revenues of the business.

PCB originated 34 home mortgage loans totaling \$5.9 million in 2019. Of these, examiners evaluated a sample of 30 mortgage loans totaling \$5.1 million to assess home mortgage performance. The 2015 ACS demographic data was used as a standard comparison for the residential mortgage loans. Examiners noted that the majority of the bank's loan activity consists of non-owner occupied investor residential mortgage loans. Therefore, the Geographic Distribution criterion compares performance to the percent of rental units within each geography. A Borrower Profile analysis of home mortgage loans was not completed, as a majority were made to investors and business entities for rental properties, and gross annual incomes of individual borrowers were not used to make the credit decision. The volume of owner-occupied loan originations was not sufficient to provide meaningful conclusions for a separate analysis.

While examiners reviewed and presented the number and dollar volume of all loans, examiners emphasized performance by number of loans, as this is, generally, a better indicator of the number of individuals and businesses served.



## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

PCB demonstrated reasonable performance under the Lending Test. Borrower Profile and the LTD ratio primarily support this conclusion.

#### Loan-to-Deposit Ratio

PCB's LTD ratio is reasonable given the institution's size, financial condition, capacity to lend, and assessment area credit needs. The LTD ratio averaged 81.6 percent over the past 23 calendar quarters from September 30, 2014, to March 31, 2020. The ratio was at its high point of 89.9 percent as of June 30, 2018, and at its low point of 74.2 percent as of December 31, 2016. The following table shows that the LTD ratio is comparable to similarly-situated institutions that operate within the bank's assessment area and have similar asset sizes and lending focuses. Similarly-situated institutions averaged a 74.6 percent LTD ratio during the same time period.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2020 (S000s)	Average Net LTD Ratio (%)
<b>Prairie Community Bank</b>	<b>127,842</b>	<b>81.6</b>
Similarly-Situated Institution #1	191,724	82.4
Similarly-Situated Institution #2	140,006	87.9
Similarly-Situated Institution #3	107,200	79.6
Similarly-Situated Institution #4	135,719	65.1
Similarly-Situated Institution #5	147,834	57.8
<i>Source: Reports of Condition and Income 9/30/2014 through 3/31/2020.</i>		

#### Assessment Area Concentration

A majority of the bank's lending by number and dollar volume was originated inside the assessment area. Refer to the following table, on the next page, for specific details.



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 Business										
2019	33	80.5	8	19.5	41	5,298	71.2	2,140	28.8	7,438
Home Mortgage										
2019	21	70.0	9	30.0	30	3,953	76.5	1,211	23.5	5,164

*Source: Evaluation Period: 1/1/2019 - 12/31/2019 Bank Data.  
Due to rounding, totals may not equal 100.0*

### **Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the assessment area. Poor performance in both small business and home mortgage lending supports this conclusion. Only loans originated in the assessment area were considered in the analyses. As stated previously, the home mortgage analysis focuses only on non-owner occupied investor loans. There is not sufficient volume of owner-occupied loans to conduct an analysis that would provide relevant data to support the overall conclusions; therefore, owner-occupied loans are not included.

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

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. The bank did not make any loans within low-income census tracts, but is still comparable to the demographic because the assessment area includes only one low-income census tract containing just 0.5 percent of the area’s businesses. Given the location of the tract in relation to the branch, competition, and demographic data, this is reasonable.

Greater weight is placed on the performance in moderate-income census tracts, as there are more geographies to serve and located closer to the branches. However, as illustrated in the following table, on the next page, lending in moderate-income census tracts falls well below the demographic, and reflects poor performance. Aggregate data, which provides an indicator of demand, shows that approximately 11.9 percent of small business origination and purchases were located in moderate-income census tracts.

Geographic Distribution of Small Business Loans						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2019	0.5	0	0.0	0	0.0
Moderate						
	2019	12.8	1	3.0	150	2.8
Middle						
	2019	47.8	24	72.7	4,750	89.7
Upper						
	2019	38.9	8	24.2	398	7.5
Not Available						
	2019	0.0	0	0.0	0	0.0
<b>Totals</b>						
	<b>2019</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>5,298</b>	<b>100.0</b>

*Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0*

### ***Home Mortgage Loans***

The dispersion of home mortgage loans is poor. Examiners compared the record of lending of non-owner occupied investor loans to the percentage of occupied rental units (demographic).

As illustrated in the following table, PCB did not originate any home mortgage loans in the low-income census tract. Nominal percentages of occupied rental units are located within this tract. Though not used as a direct comparison, aggregate data (0.3 percent) confirms the limited demand and opportunity for lending in this geography.

The bank's performance in moderate-income tracts considerably trails the demographic reflecting poor performance. Aggregate's level is 26.4 percent. Examiners considered the following factors. While the bank operated a loan production office in Kane County during the review period, examiners noted that the office focused only on commercial loans. The bank did not market home mortgage loans in the Kane County market during the review period, where a majority of the LMI tracts are located and limited demand in low-income areas. Therefore, greater weight is placed on the dispersion of small business loans when arriving at overall conclusions, which during this evaluation period also reflects poor performance.

<b>Geographic Distribution of Home Mortgage Loans (Non-Owner Occupied/Investor Only)</b>					
<b>Tract Income Level</b>	<b>% of Occupied Rental Units</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Low					
2019	0.8	0	0.0	0	0.0
Moderate					
2019	32.2	1	7.7	64	2.6
Middle					
2019	47.7	11	84.6	2,265	91.0
Upper					
2019	19.3	1	7.7	160	4.0
Not Available					
2019	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>2,489</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2019 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0</i>					

### **Borrower Profile**

The distribution of loans to borrowers reflects reasonable penetration. Only loans located inside the assessment area are included in the analysis. This conclusion is supported solely by small business lending performance, with particular focus on the percentage by number of small business loans to businesses with GARs of \$1.0 million or less.

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

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. The bank's record of originating small business loans to those businesses with GARs of \$1 million or less trails the comparable demographic; however, several performance context factors support reasonable performance. Assessment area demographics discussed previously indicate that many businesses are very small and may not seek traditional bank financing. This suggests a lower level of demand compared to the number of actual businesses.

Examiners were unable to identify any similarly-situated institutions in which to compare the bank's performance for the 2019 lending period. Therefore, examiners considered aggregate data as a means of providing insight into the demand. The 2018 aggregate data shows that reporting banks originated 42.4 percent of loans to businesses with GARs of \$1 million or less. This illustrates that demand trails the demographic.

<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>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2019	83.9	20	60.6	1,945	36.7
>\$1,000,000					
2019	6.7	13	39.4	3,353	63.3
Revenue Not Available					
2019	9.3	0	0.0	0	0.0
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>5,298</b>	<b>100.0</b>
<i>Source: 2019 D&amp;B Data: 1/1/2019 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0</i>					

### **Other Lending Related Activity**

In 2020, PCB offered PPP loans through the SBA. The federal government and the SBA created the PPP given the effects of the COVID-19 pandemic. The program is intended to support small businesses and job retention and allow them to maintain employees and continue paying them during the shelter-in-place orders and other industry restrictions. This program is directly responsive to assessment area needs and supports job retention. Because of the very recent implementation of the program, these lending efforts are not reflected in the Lending Test analysis, which considers only 2019 lending. However, it is noted that the bank originated 155 PPP loans to local businesses totaling approximately \$520.1 million under this emergency loan program. This activity further demonstrates the bank's commitment to serve small businesses.

### **Response to Complaints**

PCB did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### Lending 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 bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes;
- 4) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

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

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

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in

information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

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

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

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

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

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

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

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



**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

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

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

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

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

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

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

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