

# **PUBLIC DISCLOSURE**

April 24, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank of Holly Springs  
Certificate Number: 8232

114 S Memphis Street  
Holly Springs, Mississippi 38635

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

600 North Pearl Street, Suite 700  
Dallas, Texas 75201

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

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## INSTITUTION RATING

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

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

**The Lending Test is rated Satisfactory.**

- The loan to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment areas credit needs.
- A majority of loans and other lending-related activities are in the institution's assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, excellent penetration among businesses of different sizes and individuals of different income levels (including low- and moderate-income).
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not impact the Lending Test rating.

**The Community Development Test is rated Satisfactory.**

The institution's community development (CD) performance demonstrates adequate responsiveness to CD needs in its assessment areas through CD loans, qualified investments (QIs), and CD services, considering the institution's capacity and the need and availability of opportunities for CD in the institution's assessment areas.

## DESCRIPTION OF INSTITUTION

Bank of Holly Springs is headquartered in Holly Springs, Mississippi and began operating in 1869. The bank is wholly-owned by Holly Springs Bancshares, Inc., which is also located in Holly Springs, Mississippi. Bank of Holly Springs received a "Satisfactory" CRA rating at the previous FDIC performance evaluation, dated November 27, 2017, based on Federal Financial Institutions Examination Council (FFIEC) Small Institution CRA Examination Procedures.

Bank of Holly Springs operates nine full-service branches in the State of Mississippi. In the fourth quarter of 2020, the bank completed the acquisition of Citizens Bank, Byhalia, Mississippi, gaining two additional branches with one each located in a moderate- and middle-income census tract. The bank does not have any affiliates or subsidiaries.

The bank offers various products and services including commercial, agricultural, home mortgage, and consumer loans, with commercial loans serving as the primary lending product. In addition, the bank provides a variety of deposit products such as savings, checking, certificate of deposits, and money market accounts. Alternative banking services include online and mobile banking, electronic bill pay, and eight automated teller machines (ATMs).

As of the December 31, 2022, Reports of Condition and Income, total assets equaled \$474.8 million, total loans equaled \$396.0 million, total deposits equaled \$366.8 million, and total securities equaled \$34.8 million. Compared to the previous evaluation, this represents a significant increase in assets by 122.7 percent, loans by 156.6 percent, deposits by 106.9 percent, and securities by 28.9 percent. The significant growth is contributed to the acquisition of Citizens Bank.

The loan portfolio as of December 31, 2022 is displayed below:

<b>Loan Portfolio Distribution</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	71,436	18.0
Secured by Farmland	4,688	1.2
Secured by 1-4 Family Residential Properties	124,632	31.5
Secured by Multifamily (5 or more) Residential Properties	1,979	0.5
Secured by Nonfarm Nonresidential Properties	102,478	25.9
<b>Total Real Estate Loans</b>	<b>305,213</b>	<b>77.1</b>
Commercial and Industrial Loans	55,070	13.9
Agricultural Production and Other Loans to Farmers	3,195	0.8
Consumer Loans	31,763	8.0
Obligations of States and Political Subdivisions in the United States	190	0.0
Other Loans	548	0.1
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>395,979</b>	<b>100.0</b>

*Source: Consolidated Reports of Condition and Income (12/31/2022); Due to rounding, figures may not total 100.0.*

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

## **DESCRIPTION OF ASSESSMENT AREAS**

The bank designated two separate assessment areas, which consist of the Memphis TN-MS-AR Metropolitan Statistical Area (Memphis MSA) and the Mississippi Non-MSA assessment areas. The Memphis MSA assessment area consists of the entirety of Marshall County, which includes 1 low-, 4 moderate-, and 3 middle-income census tracts, as well as 2 census tracts without an income designation. The Mississippi Non-MSA assessment area consists of the entirety of Benton and Lafayette Counties, which includes 2 moderate-, 10 middle-, and 6 upper-income census tracts.

Updated 2020 Census Data reflects increases of four census tracts in the Memphis MSA assessment area and six census tracts in the Mississippi Non-MSA assessment area.

## SCOPE OF EVALUATION

### General Information

Examiners evaluated the bank’s performance based on FFIEC Intermediate Small Bank CRA Examination Procedures, which includes the Lending Test and Community Development Test. This evaluation covers the period from the previous evaluation dated November 27, 2017, to the current evaluation dated April 24, 2023.

Examiners performed a full-scope review of the Memphis MSA assessment area due to the large volume of lending and deposits, as well as the majority of the bank’s branches being located within the assessment area. Consequently, examiners provided more weight on the performance in the Memphis MSA assessment area when arriving at applicable conclusions. Additionally, examiners performed a limited-scope review of the Mississippi Non-MSA assessment area due to examiners performing a full-scope review of this assessment area during the previous evaluation and the assessment area only comprising a small portion of the bank’s activity. Refer to the following table for specific details.

<b>Assessment Area Breakdown of Loan, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Memphis TN-MS-AR MSA Assessment Area	160,481	91.7	331,556	91.5	7	77.8
Mississippi Non-MSA Assessment Area	14,509	8.3	30,703	8.5	2	22.2
<b>Total</b>	<b>174,990</b>	<b>100.0</b>	<b>362,259</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>

*Source: Bank Data (2022); FDIC Summary of Deposits (6/30/2022).*

### Activities Reviewed

For the Lending Test, CRA Intermediate Small Bank procedures require examiners to determine the bank’s major product lines for review. The table below shows the bank’s originations and purchases over the most recent full calendar year for the loan categories typically reviewed in CRA evaluations. Considering the dollar volume and number of loans originated or purchased, examiners determined that the bank’s major product lines consist of commercial and home mortgage loans. Due to agricultural and consumer loans not representing a major product line, they would not materially impact any conclusions or ratings and this evaluation does not include a review of these loan types.

<b>Loans Originated or Purchased</b>				
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Construction and Land Development	19,328	11.0	275	7.9
Secured by Farmland	2,655	1.5	76	2.2
Secured by 1-4 Family Residential Properties	47,265	27.0	411	11.7
Multi-Family (5 or more) Residential Properties	508	0.3	1	0.0
Commercial Real Estate Loans	50,089	28.6	125	3.6
Commercial and Industrial Loans	32,348	18.5	732	21.0
Agricultural Loans	45	0.0	5	0.0
Consumer Loans	22,644	13.0	1,873	53.5
Other Loans	109	0.1	2	0.1
<b>Total Loans</b>	<b>174,991</b>	<b>100.0</b>	<b>3,500</b>	<b>100.0</b>
<i>Source: 2022 Bank Data.</i>				

Examiners considered the universes of loans reviewed when determining loan product weighting. The following table shows that, in 2022, small business loans significantly comprise a majority by number volume, while home mortgage loans slightly comprise the majority by dollar volume. Therefore, small business loans received more weight when drawing conclusions.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>			
	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Home Mortgage	349	31.8	48,414	50.3
Small Business	748	68.2	47,763	49.7
<b>Total Loans</b>	<b>1,097</b>	<b>100.0</b>	<b>96,177</b>	<b>100.0</b>
<i>Source: 2022 HMDA and 2022 Bank Data.</i>				

For the Lending Test, this evaluation includes a review of small business loans originated or purchased in 2022, which represents the most recent completed calendar year of available data. D&B data for 2022 provided a standard comparison for small business loans. This evaluation considers the following small business loans for the noted Lending Test performance factors:

- Assessment Area Concentration – universe of 748 small business loans totaling \$47.8 million;
- Geographic Distribution – universe of 414 small business loans totaling \$19.8 million originated in the bank’s AAs; and
- Borrower Profile – random sample of 60 small business loans totaling \$3.2 million taken from the universe of loans used for the Geographic Distribution, using a 10 percent precision level.

Bank of Holly Springs reports home mortgage loans pursuant to the Home Mortgage Disclosure Act (HMDA). Therefore, this evaluation also includes a review of all home mortgage loans reported on the bank’s 2020, 2021, and 2022 HMDA Loan Application Registers (LARs), as follows:

- 2020: 338 home mortgage loans totaling \$29.1 million,
- 2021: 292 home mortgage loans totaling \$34.7 million, and
- 2022: 349 home mortgage loans totaling \$48.4 million.

Aggregate data served as the primary standard of comparison for home mortgage loans. Examiners did not identify any significant performance trends between the different years' data that materially affect conclusions. Therefore, the geographic distribution and borrower profile analyses present home mortgage loan data for 2021, the most recent year for which aggregate data exists. However, the Assessment Area Concentration discussion includes home mortgage loan data for all years reviewed.

For the Community Development Test, the scope of the evaluation includes data provided by management on CD loans, QIs, and CD services since the prior evaluation. The evaluation of QIs also considers the book value of prior period QIs that remain outstanding as of this evaluation's date.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Bank of Holly Springs demonstrated a satisfactory record regarding the Lending Test. An excellent record regarding borrower profile and a reasonable record regarding geographic distribution primarily supports this conclusion. A reasonable LTD ratio and a majority of loans originated inside the assessment areas further support this conclusion.

#### **Loan-to-Deposit Ratio**

The LTD ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs. The average net LTD ratio calculated using the 21 quarters since the previous evaluation from the Call Report Data, averaged 88.7 percent from December 31, 2017 to December 31, 2022. This represents an increase from the 76.4 percent average net LTD ratio noted at the previous evaluation. The ratio ranged from a low of 74.5 percent as of March 31, 2021, to a high of 107.1 percent as of December 31, 2022.

Examiners identified and listed in the following table two comparable institutions operating within the bank's assessment area reporting similar asset size and lending emphases. As noted in the table below, the bank's average net LTD is the highest of the similarly situation institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2022 (\$000s)	Average Net LTD Ratio (%)
Bank of Holly Springs, Holly Springs, MS	\$474,842	88.7
Oxford University Bank, Oxford, MS	\$217,009	84.6
Unity Bank of Mississippi, Holly Springs, MS	\$286,316	47.9

*Source: Reports of Condition and Income 12/31/2017 – 12/31/2022.*

### **Assessment Area Concentration**

A majority of loans and other lending-related activities are in the institution’s assessment areas. Examiners considered the bank’s asset size and office structure, as well as the loan categories reviewed relative to the assessment area’s size and economy when arriving at conclusions. Despite a majority of the loans within the assessment areas, lending within the assessment area has rapidly decreased since the previous evaluation. Specifically, small business loans decreased from 82.1 percent to 55.3 percent, and home mortgage loans decreased from 83.0 percent to 65.2 percent.

The table below displays the institution originated a majority of its small business loans by number inside the assessment area. The bank also originated a majority of its home mortgage loans inside the assessment area by both number and dollar volume. However, for years 2021 and 2022 regarding home mortgage loans, a majority were outside of the bank’s assessment area by dollar volume.

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	414	55.3	334	44.7	748	19,816	41.5	27,947	58.5	47,763
Home Mortgage										
2020	251	74.3	87	25.7	338	17,913	61.7	11,141	38.3	29,054
2021	170	58.2	122	41.8	292	15,466	44.6	19,207	55.4	34,672
2022	217	62.2	132	37.8	349	23,183	47.9	25,232	52.1	48,414
<b>Subtotal</b>	<b>638</b>	<b>65.2</b>	<b>341</b>	<b>34.8</b>	<b>979</b>	<b>56,562</b>	<b>50.4</b>	<b>55,580</b>	<b>49.6</b>	<b>112,140</b>

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

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable loan dispersion throughout the assessment areas. Reasonable performance regarding small business lending outweighs excellent performance regarding home mortgage lending to support this conclusion. As previously noted, small business loans received more weight when arriving at overall conclusions. Examiners focused on the

percentage by number of loans in low- and moderate-income census tracts within the assessment areas when arriving at conclusions for this performance factor. The performance of geographic distribution is not consistent throughout the assessment areas.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment areas, excellent penetration among businesses of different sizes and individuals of different income levels (including low- and moderate-income). Examiners focused on the percentage by number of loans to low- and moderate-income individuals and to businesses with gross annual revenue of \$1 million or less within the assessment areas when arriving at conclusions for this performance factor. The performance of borrower profile is consistent throughout the assessment areas.

### **Response to Complaints**

The institution 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 bank's CD performance demonstrates adequate responsiveness to CD needs in its assessment areas through CD loans, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's assessment areas.

### **Community Development Loans**

The following table displays that the bank originated 20 CD loans totaling approximately \$10.8 million. The total dollar amount equates to 3.4 percent of average total assets of \$316.5 million since the prior evaluation and nearly 4.6 percent of average net loans of \$234.5 million for the same period. Bank of Holly Spring's CD loans proved responsive to the Memphis MSA assessment area's identified needs. As this is the bank's first evaluation under Intermediate Small Bank procedures, there are no prior records for a comparison to prior evaluation performance.

<b>Community Development Loans Institution</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2017*	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	1	200	0	0	1	200
2019	0	0	0	0	2	370	1	380	3	750
2020	0	0	1	2,529	0	0	0	0	1	2,529
2021	0	0	0	0	5	1,646	1	2,284	6	3,930
2022	0	0	1	179	7	2,825	0	0	8	3,004
YTD 2023	0	0	0	0	1	405	0	0	1	405
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2,708</b>	<b>16</b>	<b>5,446</b>	<b>2</b>	<b>2,664</b>	<b>20</b>	<b>10,818</b>

Source: Bank data; \*Since prior evaluation.

All the loans listed in the table above are located within the Memphis MSA assessment area and no CD loan originations were in the MS Non-MSA assessment area.

### **Qualified Investments**

The following table shows that the bank made use of 45 QIs totaling \$1.0 million. The total dollar amount equates to 0.3 percent of average total assets of over \$316.5 million and 2.9 percent of average securities of over \$34.2 million for the same period. The responsiveness of the QIs address the identified needs within the Memphis MSA assessment area.

<b>Qualified Investments Institution</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2017*	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	2	500	0	0	0	0	2	500
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	0	0	0	0	1	450	1	450
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>950</b>
Qualified Grants	0	0	42	89	0	0	0	0	42	89
<b>Total</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>589</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>450</b>	<b>45</b>	<b>1,039</b>

Source: Bank data; \*Since the prior evaluation.

All the QIs listed in the table above are located within the Memphis MSA assessment area and no QIs were located in the MS Non-MSA assessment area.

**Community Development Services**

The following table shows that the bank provided 34 services since the last evaluation. This number equates to an average of 0.8 CD services per office, per year since the prior evaluation.

The services involved bank personnel’s use of their technical expertise on behalf of the bank, to benefit organizations and projects with a primary purpose of CD, as defined by the CRA regulation. The responsiveness of the CD services address the identified needs within the Memphis MSA assessment area. All the services listed in the table below are located within the Memphis MSA assessment area and no CD services were located in the MS Non-MSA assessment area.

Community Development Services Institution					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2017*	0	2	1	0	3
2018	0	2	1	0	3
2019	0	3	2	0	5
2020	0	4	3	0	7
2021	0	4	2	0	6
2022	1	4	1	0	6
YTD 2023	0	4	0	0	4
<b>Total</b>	<b>1</b>	<b>23</b>	<b>10</b>	<b>0</b>	<b>34</b>

*Source: Bank data; \*Since the prior evaluation.*

Branch and ATM Distribution by Geography Income Level												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	1	3.6	2,482	2.6	2	22.2	2	25.0	0	0.0	0	0.0
Moderate	6	21.4	20,617	21.2	4	44.4	3	37.5	2	100.0	0	0.0
Middle	13	46.4	47,645	49.0	3	33.3	3	37.5	0	0.0	0	0.0
Upper	6	21.4	20,593	21.2	0	0.0	0	0.0	0	0.0	0	0.0
NA	2	7.1	5,874	6.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>28</b>	<b>100.0</b>	<b>97,211</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>

*Source: 2020 U.S. Census & Bank Data; Due to rounding, totals may not equal 100.0%.*

In addition to the bank’s office locations, Bank of Holly Springs provides alternative delivery systems that provide services to low- and moderate-income individuals and geographies. Those systems include the bank’s six branches and five ATMs that are located in low- and moderate-income geographies, as displayed in the previous table. It also includes mobile banking and online bill pay.

In response to COVID-19, the bank implemented procedures to assist affected borrowers by offering deferments, as well as extensions on loans. The bank also participated in the Small Business Administration’s (SBA) Paycheck Protection Program (PPP).

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. Therefore, this consideration did not affect the institution’s overall CRA rating.

**MEMPHIS MSA ASSESSMENT AREA – Full-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN MEMPHIS MSA ASSESSMENT AREA**

The Memphis MSA assessment area is located in northern Mississippi and consists of all 10 census tracts in Marshall County. The following table shows that the bank operates seven full-service offices and seven ATMs in this area. As noted, the bank did acquire one bank in this assessment area in the fourth quarter of 2020 but did not close any branches. The offices maintain hours consistent with the area and the industry. The bank’s delivery systems, products, and services also remain consistent with those reflected at the institution level.

Office Locations Assessment Area: Memphis MSA					
County/City/Location	Office Type	Census Tract Number	Census Tract Income Level	ATM	Office Opened or Closed Since Last Evaluation
<i>Marshall County</i>					
Byhalia - 3441 Highway 309 North,	Branch	9502.02	Middle	Yes	No
Byhalia - 8077 State Highway 178	Branch	9502.01	Moderate	Yes	Yes
Byhalia - 13 Victoria Rd	Branch	9504.01	Low	Yes	No
Holly Springs - 970 Highway 7 S	Branch	9503.02	Middle	Yes	No
Holly Springs - 114 S Memphis St	Main	9504.01	Low	Yes	No
Lamar - 102 North Slayden Road	Branch	9501.01	Moderate	Yes	No
Potts Camp - 6640 Church Street	Branch	9505.02	Middle	Yes	No

*Source: Bank records; 2020 U.S. Census Data.*

**Economic and Demographic Data**

Based on 2015 ACS Data, the assessment area included 6 census tract with the following income designations: 4 moderate- and 2 middle-income census tracts. Updated 2020 U.S. Census Data reflects an increase of 4 census tracts with the following income designations: 1 low-, 4 moderate-, and 3 middle-income census tracts, as well as 2 census tracts without an income designation.

Service industries represent the largest portion of businesses at 27.0 percent, followed by non-classifiable establishments at 25.0 percent, and retail trade at 12.7 percent. Approximately 59.1 percent of the area’s businesses employ four or fewer people, and 89.8 percent of businesses operate from a single location.

According to Moody’s Analytics, the Memphis MSA’s largest employers include: IBM, Volvo Group, Parker Hannifin Corporation, and Cook Oil Company.

The following table shows annual unemployment rates over the evaluation period for the assessment area, State of Mississippi, and nationwide, which shows a spike in 2020 for all areas as a result of the COVID-19 pandemic.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Marshall County	6.2	3.6	3.5
State of Mississippi	6.2	3.5	3.3
National Average	6.7	3.9	3.5

*Source: Bureau of Labor Statistics.*

Examiners used the applicable FFIEC-updated median family income levels to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income ranges based on the 2021 FFIEC-updated median family income of \$66,900 for the Memphis MSA.

<b>Median Family Income Ranges – Memphis MSA</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2021 (\$66,900)	<\$33,450	\$33,450 to <\$53,520	\$53,520 to <\$80,280	≥\$80,280

*Source: FFIEC.*

The following table illustrates select demographic characteristics of the Memphis MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Memphis MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	10.0	40.0	30.0	0.0	20.0
Population by Geography	33,752	7.4	43.5	31.8	0.0	17.4
Housing Units by Geography	15,737	10.1	39.4	32.2	0.0	18.3
Owner-Occupied Units by Geography	9,884	7.8	36.2	36.4	0.0	19.6
Occupied Rental Units by Geography	3,427	17.9	46.6	17.7	0.0	17.7
Vacant Units by Geography	2,426	8.1	42.4	35.9	0.0	13.7
Businesses by Geography	2,012	11.1	45.9	29.1	0.0	13.9
Farms by Geography	103	7.8	34.0	33.0	0.0	25.2
Family Distribution by Income Level	9,546	33.4	18.6	20.1	27.9	0.0
Household Distribution by Income Level	13,311	29.1	20.4	17.4	33.2	0.0
Median Family Income MSA - 32820 Memphis MSA		\$68,008	Median Housing Value			\$125,662
Families Below Poverty Level	17.7%	Median Gross Rent			\$692	
<i>Source: 2020 U.S. Census and 2022 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## **Competition**

The Memphis MSA assessment area contains a relatively high level of competition from other chartered banks based on its population, with 46 institutions operating 338 offices. The FDIC Deposit Market Share Report from June 30, 2022, ranked Bank of Holly Springs 25<sup>th</sup> in deposit market share by capturing 0.8 percent of the area's deposits. Multiple credit unions operate in the area as well, which contributes to the competition for extending credit.

## **Community Contact**

Examiners communicated with a community member knowledgeable of the area's economic, demographic, and business environments to help in assessing the current economic conditions, credit needs within the community, and potential opportunities for bank involvement in the area.

The contact stated that the overall economic condition of the area is stable and expected to grow in the near future. The population of the area appears to be increasing due to the hiring needs of large industries within the area. Despite plans to build new housing, the contact believes there is a need for additional affordable housing. The contact also stated that financial literacy also represents a need of the community. Based on the community contact's engagement with financial institutions and members of these institutions in the area, there is a variety of financial services and local institutions which meet the area's community credit needs.

## **Credit and Community Development Needs and Opportunities**

The Memphis MSA assessment area creates a variety of loan demand and lending opportunities. According to the community contact, information from the bank, as well as demographic and economic data, examiners determined that small business and home mortgage represent the primary credit needs within the assessment area.

Regarding the area's CD needs, demographic data shows 52.0 percent of the area's families reported low- and moderate-income, and 17.7 percent reported incomes below the poverty level. These levels suggest a need for activities that benefit organizations or projects that provide community services to these families. The data shows 50.0 percent of the assessment area's census tracts receiving low- and moderate-income designations suggest a need for activities that revitalize or stabilize such geographies. Additionally, a need exists to expand housing stock in low- and moderate-income geographies, thus creating opportunities for affordable housing in low- and moderate-income areas.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MEMPHIS MSA ASSESSMENT AREA**

### **LENDING TEST**

Bank of Holly Springs demonstrated a satisfactory record regarding the Lending Test in the Memphis MSA. A reasonable record regarding geographic distribution and an excellent record regarding borrower profile supports this conclusion.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Memphis MSA assessment area. Reasonable performance regarding small business lending was not lifted by excellent home mortgage lending performance to support this conclusion. As previously noted, small business loans received more weight when arriving at overall conclusions.

### **Small Business Loans**

The geographic distribution of small business loans reflects reasonable performance throughout the Memphis MSA assessment area. Reasonable performance in the low- and moderate-income census tracts supports this conclusion. The following table shows that, in the low-income census tracts, the bank's level of lending is 6.4 percentage points lower than demographic data, reflecting reasonable performance. In moderate-income tracts, the bank's level of lending is 1.3 percentage points lower than demographic data, also reflecting reasonable performance.

<b>Geographic Distribution of Small Business Loans</b> Assessment Area: Memphis MSA					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	11.1	12	4.7	1,579	12.0
Moderate	45.9	115	44.6	5,228	39.9
Middle	29.1	93	36.0	3,800	29.0
Upper	0.0	0	0.0	0	0.0
Not Available	13.9	38	14.7	2,499	19.1
<b>Totals</b>	<b>100.0</b>	<b>258</b>	<b>100.0</b>	<b>13,106</b>	<b>100.0</b>

*Source: 2022 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%.*

### **Home Mortgage Loans**

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. Excellent performance in moderate-income geographies supports this conclusion. In moderate-income census tracts, the bank’s lending exceeds aggregate data by 15.1 percentage points, reflecting excellent performance.

<b>Geographic Distribution of Home Mortgage Loans</b> Assessment Area: Memphis MSA						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0.0	0	0.0	0	0.0
Moderate	56.7	48.5	84	63.6	7,121	62.9
Middle	43.3	51.5	48	36.4	4,205	37.1
Upper	0.0	0.0	0	0.0	0	0.0
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>	<b>11,326</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data; Due to rounding, totals may not equal 100.0%*

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among businesses of different sizes and individuals of different income (including low- and moderate-income) levels. Excellent performance regarding small business lending lifted reasonable home mortgage lending performance to support this conclusion. As previously noted, small business loans received more weight when arriving at overall conclusions.

### **Small Business Loans**

The distribution of borrowers reflects excellent penetration among businesses of different sizes in the Memphis MSA assessment area. As shown in the following table, the bank originated more

than nine out of every ten small business loan to businesses with gross annual revenue of \$1 million or less, reflecting excellent performance.

<b>Detailed Distribution of Small Business Loans by Gross Annual Revenues</b>					
<b>Assessment Area: Memphis MSA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
< \$100,000	45.9	23	51.1	616	23.8
\$100,000 - \$249,999	32.0	15	33.3	1,222	47.1
\$250,000 - \$499,999	5.6	4	8.9	385	14.9
\$500,000 - \$1,000,000	3.0	1	2.2	46	1.8
<b>Subtotal &lt;= \$1,000,000</b>	<b>86.6</b>	<b>43</b>	<b>95.5</b>	<b>2,269</b>	<b>87.6</b>
>\$1,000,000	3.1	2	4.5	323	12.4
Revenue Not Available	10.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>45</b>	<b>100.0</b>	<b>2,592</b>	<b>100.0</b>

*Source: 2022 D&B Data, Bank Data; Due to rounding, totals may not equal 100.0%.*

## Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels in the Memphis MSA assessment area. Reasonable performance to low- and moderate-income borrowers supports this conclusion. The following table shows that, to low-income borrowers, the bank's level of lending is 7.5 percentage points above aggregate data, thereby reflecting a reasonable level of lending. The table further shows that, to moderate-income borrowers, the bank's level of lending is greater than aggregate performance by 5.7 percent, reflecting reasonable performance.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Memphis MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	31.4	6.1	18	13.6	762	6.7
Moderate	20.3	20.1	34	25.8	2,042	18.0
Middle	18.6	24.5	24	18.2	1,585	14.0
Upper	29.7	31.0	45	34.1	5,782	51.0
Not Available	0.0	18.4	11	8.3	1,157	10.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>	<b>11,326</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data; Due to rounding, totals may not equal 100.0%.*

## **COMMUNITY DEVELOPMENT TEST**

The institution's CD performance demonstrates adequate responsiveness to CD needs in the assessment area through CD loans, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the Memphis MSA assessment area.

### **Community Development Loans**

As noted at the institution level, the bank originated all 20 CD loans totaling \$10.8 million in the Memphis MSA assessment area. The CD loans proved responsive to the areas' needs given they benefited identified CD needs.

The following points highlight examples of CD loans in the Memphis MSA assessment area.

- **Community Service** – The bank provided a \$2.5 million loan for a rural community water system, which provides public water to the northwestern part of Marshall County. This area comprises primarily low- and moderate-income geographies.
- **Revitalize or Stabilize** – The bank originated a \$2.3 million loan to a commercial entity for working capital allowing the business to provide employment opportunities in a moderate-income tract. This activity revitalizes or stabilizes a qualifying geography by helping to attract new or retain existing businesses or residents.

### **Qualified Investments**

As noted at the institution level, the bank originated all 45 QI loans totaling \$1.0 million in the Memphis MSA assessment area. The QI proved responsive to the areas' needs given they benefited identified CD needs.

The following list examples of QIs in the Memphis MSA assessment area.

- **Community Services** – The bank maintains a \$250,000 certificate of deposit with a Community Development Financial Institution (CDFI) in order to support low- and moderate-income individuals.
- **Revitalize or Stabilize** – The bank invested \$450,000 into a Revenue Bond in order to improve a waterworks and sewage system, which benefits primarily low- and moderate-income geographies in Marshall County.

### **Community Development Services**

As noted at the institution level, the bank originated all 34 CD services in the Memphis MSA assessment area. All CD services benefited community services, which demonstrates the bank's responsiveness to an identified CD needs.

The following points highlight examples of CD services in the Memphis MSA assessment area.

- **Community Service** – A bank employee volunteers for an organization by providing financial advice, assists in preparing a budget, tax returns, and any additional financial support needed. This activity benefits an organization or project that provides community services targeted to LMI individuals.
- **Affordable Housing** – A bank employee is a member of a local housing task force and answers questions regarding the financial aspects of purchasing land to build the community and any other financial questions relating to the purchase and building of homes within the assessment area.

The bank operates two branches and two ATMs in low-income census tracts and two branches and two ATMs in moderate-income census tract in this assessment area. The alternative delivery systems offered in the Memphis MSA assessment area remain consistent with those previously discussed at the institution level.

**MISSISSIPPI NON-MSA ASSESSMENT AREA – Limited-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN MISSISSIPPI NON-MSA ASSESSMENT AREA**

The Mississippi Non-MSA assessment area consists of all 15 census tracts in Lafayette County and all 3 census tracts in Benton County. The table below displays the bank operates two full-service offices and one ATM in this area.

Based on 2015 ACS Data, the assessment area included 12 census tract with the following income designations: 5 middle- and 6 upper-income census tracts, as well as 1 census tract without an income designation. Updated 2020 U.S. Census Data reflects an increase of 6 census tracts with the following income designations: 2 moderate-, 10 middle-, and 6 upper-income census tracts.

<b>Office Locations</b>					
<b>Assessment Area: Mississippi Non-MSA</b>					
<b>Location</b>	<b>Office Type</b>	<b>Census Tract Number</b>	<b>Census Tract Income Level</b>	<b>ATM</b>	<b>Office Opened or Closed Since Last Evaluation</b>
<b>Benton County</b>					
56 Main Street, Ashland, MS	Branch	9501.02	Moderate	Yes	Yes
<b>Lafayette County</b>					
2 Business 7 North, Abbeville, MS	Branch	9504.02	Moderate	No	No
<i>Source: Bank records; 2020 U.S. Census Data.</i>					

The following table illustrates select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Mississippi Non-MSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	18	0.0	11.1	55.6	33.3	0.0
Population by Geography	63,459	0.0	9.4	58.2	32.5	0.0
Housing Units by Geography	30,368	0.0	10.0	53.7	36.3	0.0
Owner-Occupied Units by Geography	13,867	0.0	12.5	51.6	35.9	0.0
Occupied Rental Units by Geography	7,901	0.0	6.4	56.5	37.1	0.0
Vacant Units by Geography	8,600	0.0	9.3	54.5	36.2	0.0
Businesses by Geography	5,035	0.0	5.2	41.9	52.9	0.0
Farms by Geography	181	0.0	11.0	55.8	33.1	0.0
Family Distribution by Income Level	13,116	17.0	13.9	18.0	51.1	0.0
Household Distribution by Income Level	21,768	21.7	10.9	15.1	52.3	0.0
Median Family Income Non-MSAs - MS		\$53,003	Median Housing Value			\$210,429
Families Below Poverty Level	12.3%	Median Gross Rent			\$964	
<i>Source: 2020 U.S. Census and 2022 D&amp;B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MISSISSIPPI NON-MSA ASSESSMENT AREA**

### **LENDING TEST**

The institution's performance within the Mississippi Non-MSA assessment area exceeds the lending performance for the institution. The following tables demonstrate the bank's geographic distribution and borrower profile performance for the Mississippi Non-MSA assessment area.

## Geographic Distribution

### Small Business Loans

Geographic Distribution of Small Business Loans Assessment Area: Mississippi Non-MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	5.2	48	30.8	2,557	38.1
Middle	41.9	95	60.9	3,172	47.3
Upper	52.9	13	8.3	981	14.6
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>156</b>	<b>100.0</b>	<b>6,710</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data; Due to rounding, totals may not equal 100.0%</i>					

### Home Mortgage Loans

The MS Non-MSA assessment area contained no low- or moderate-income census tracts for the year 2021 based on 2015 ACS Census Data. Therefore, examiners did not evaluate this criterion. However, examiners review of 2022 HMDA Data based on 2020 U.S. Census Data reflects the bank originated 30.2 percent of loans by number in moderate-income census tracts.

## Borrower Profile

### Small Business Loans

Detailed Distribution of Small Business Loans by Gross Annual Revenues Assessment Area: Mississippi Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	53.9	9	60.0	279	46.6
\$100,000 - \$249,999	24.3	4	26.7	198	33.1
\$250,000 - \$499,999	4.5	1	6.7	23	3.8
\$500,000 - \$1,000,000	2.5	1	6.7	99	16.5
<b>Subtotal &lt;= \$1,000,000</b>	<b>85.2</b>	<b>15</b>	<b>100.0</b>	<b>599</b>	<b>100.0</b>
>\$1,000,000	3.4	0	0.0	0	0.0
Revenue Not Available	11.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>599</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data; Due to rounding, totals may not equal 100.0%</i>					

## Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: MS Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	18.6	0.8	1	2.6	34	0.8
Moderate	12.3	5.6	5	13.2	215	5.2
Middle	16.6	12.5	12	31.6	959	23.2
Upper	52.6	63.9	17	44.7	2,227	53.8
Not Available	0.0	17.3	3	7.9	706	17.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>	<b>4,140</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data; Due to rounding, totals may not equal 100.0%.</i>						

## COMMUNITY DEVELOPMENT TEST

The institution's CD performance in the Mississippi Non-MSA assessment area is below the CD performance for the institution. However, it does not change the institution's rating.

## 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.