

PUBLIC DISCLOSURE

February 12, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers Bank & Trust
Certificate Number: 17614

1017 Harrison Street
Great Bend, Kansas 67530

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

1100 Walnut St, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Needs to Improve**.

An institution in this group needs to improve its overall record of helping to meet the credit needs of its assessment areas, 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 ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment areas.
- A substantial majority of loans are outside the institution's assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels, and farms and businesses of different revenue sizes.
- The institution did not receive any Community Reinvestment Act (CRA)-related complaints since the prior evaluation. Therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Needs to Improve.

- The institution demonstrated poor responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities in the assessment areas.

DESCRIPTION OF INSTITUTION

Farmers Bank & Trust is headquartered in Great Bend in western Kansas. Farmers Enterprises, Inc., a one-bank holding company, owns the institution. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation on January 29, 2021, using Interagency Intermediate Small Institution Examination Procedures.

Farmers Bank & Trust operates nine full-service offices in Kansas. These offices are located in the cities of Albert, Bazine, Great Bend (two offices), Kinsley, Larned, La Crosse, Olathe, and Overland Park. Farmers Bank & Trust has not opened or closed any offices since the previous evaluation.

Farmers Bank & Trust offers construction and land development, commercial, home mortgage, agriculture, and consumer loans. The bank continues to offer loan programs to address the needs of

small farms, small businesses, and low- and moderate-income customers. These include programs offered by the Small Business Administration (SBA), Federal Home Loan Bank, and United States Department of Agriculture. Additionally, the bank participated in the SBA’s Paycheck Protection Program (PPP) during 2021 to assist businesses in retaining employees as a result of the Coronavirus Disease 2019 pandemic and government-mandated shutdowns.

The institution offers a variety of deposit services, including checking, savings, money market deposit accounts, and certificates of deposit. The bank also continues to offer trust, insurance, and investment services. Alternative banking services include internet and mobile banking, electronic bill pay, telephone banking, and six ATMs.

According to the December 31, 2023 Reports of Condition and Income (Call Report), Farmers Bank & Trust reported total assets of \$985.2 million, total loans of \$403.6 million, total securities of \$526.9 million, and total deposits of \$755.6 million. As illustrated in the following table, small business loans are the bank’s largest credit product equaling 26.8 percent, followed by home mortgage loans at 26.0 percent, and agricultural loans at 21.0 percent. Additionally, the number and dollar volume of home mortgage loans originated by the bank’s Mortgage Division increased dramatically in 2021 and 2022. The vast majority of the bank’s home mortgage loans are sold into the secondary market shortly after origination, and this lending is not included in the Call Report data.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	77,728	19.2
Secured by Farmland	60,585	15.0
Secured by 1-4 Family Residential Properties	83,462	20.7
Secured by Multifamily (5 or more) Residential Properties	21,253	5.3
Secured by Nonfarm Nonresidential Properties	91,473	22.7
Total Real Estate Loans	334,501	82.9
Commercial and Industrial Loans	16,722	4.1
Agricultural Production and Other Loans to Farmers	24,414	6.0
Consumer Loans	2,007	0.5
Obligations of State and Political Subdivisions in the U.S.	6,673	1.7
Other Loans	19,321	4.8
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	403,638	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to designate one or more assessment areas within which its performance will be evaluated. Farmers Bank & Trust designated two assessment areas, which are referred to as the Western Kansas Assessment Area, and the Johnson County Assessment Area in this performance evaluation. Both assessment areas are located in Kansas, and they are both unchanged from the previous CRA evaluation. The following table details the assessment areas.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Offices
Western Kansas	Barton, Edwards, Ness, Pawnee, and Rush	14	7
Johnson County	Johnson	154	2
<i>Source: Bank Data</i>			

The Western Kansas Assessment Area consists of the five entire counties, which are all located in the nonmetropolitan area of Kansas. The Johnson County Assessment Area consists of one county, which is part of the Kansas City, Missouri-Kansas Metropolitan Statistical Area (MSA). Refer to the individual assessment area sections for additional information.

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the prior evaluation dated January 19, 2021, to the current evaluation dated February 12, 2024. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate the bank’s CRA performance. These procedures include the Lending Test and Community Development Test. Refer to the Appendices for information on each Test.

Examiners conducted full-scope reviews of the Western Kansas and Johnson County Assessment Areas as the bank has different lending patterns in each area. However, the bank’s performance in the Western Kansas Assessment Area received more weight than its performance in the Johnson County Assessment Area. This is because a majority of the institution’s deposits and offices are located in the Western Kansas Assessment Area. Although the Johnson County Assessment Area has a larger outstanding loan volume, this is due to the Mortgage Division’s nationwide lending activity at the Overland Park branch. This nationwide lending activity includes a substantial number of home mortgage loans originated outside of the bank’s assessment areas. The following table illustrates the breakdown of outstanding loans, deposits, and branches by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Western Kansas	117,506	12.5	619,546	84.8	7	77.8
Johnson County	826,234	87.5	110,820	15.2	2	22.2
Total	943,740	100.0	730,366	100.0	9	100.0

Source: Bank Loan Data, FDIC Summary of Deposits (6/30/2023), Bank Branch Data (2/12/2024)

Activities Reviewed

Examiners determined the bank’s major product lines are small farm, home mortgage, and small business loans. This conclusion considered the bank’s business strategy, loan portfolio distribution, and bank records containing the number and dollar volume of loans originated since the prior evaluation. Examiners reviewed small farm, home mortgage, and small business loans to evaluate the bank’s lending performance. However, small farm loans were not reviewed in the Johnson County Assessment Area because agricultural lending is not a primary focus in that area.

Although the loan portfolio is primarily commercial lending and the Mortgage Division’s lending increased, examiners placed the greatest weight on small farm loans when drawing overall conclusions. This is due to the number and dollar volume of agricultural lending in the Western Kansas Assessment Area, which is the more heavily weighted area. The product weightings varied based on the bank’s lending focus in each assessment area. Refer to the individual assessment area sections for information on the products reviewed and their weightings.

Examiners reviewed all home mortgage loans reported on the bank’s 2021 and 2022 Home Mortgage Disclosure Act (HMDA) loan application registers to evaluate the Assessment Area Concentration criterion. Farmers Bank & Trust reported 2,195 homes loans totaling \$974.9 million in 2021, and 421 home loans totaling \$150.5 million in 2022. In addition, examiners reviewed all small business and small farm loan data collected by the bank in 2021, 2022, and 2023 to evaluate the Assessment Area Concentration criterion. For small farm lending, Farmers Bank & Trust originated, renewed, or purchased 382 loans totaling \$86.1 million in 2021, 380 loans totaling \$84.7 million in 2022, and 354 loans totaling \$74.0 million in 2023. For small business lending, Farmers Bank & Trust originated, renewed, or purchased 247 loans totaling \$78.8 million in 2021, 277 loans totaling \$78.6 million in 2022, and 261 loans totaling \$125.3 million in 2023. Examiners then reviewed all small farm, home mortgage, and small business loans located inside both assessment areas to evaluate the Geographic Distribution and Borrower Profile criteria.

The Geographic Distribution and Borrower Profile analyses use prescribed data as standards of comparison. The 2015 American Community Survey (ACS) data, 2020 U.S. Census data, and 2021 and 2022 HMDA aggregate data provided a standard of comparison for the bank’s home mortgage lending performance. Examiners focused on the comparison to the aggregate data since it is more representative of the loans originated and purchased by reporting lenders. The 2021, 2022, and 2023 D&B data provided a standard of comparison for the bank’s small farm and small business lending performance. Lastly, while the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of farms, businesses, and individuals served.

For the Community Development Test, bank management provided examiners with data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated January 19, 2021.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Farmers Bank & Trust demonstrated satisfactory performance under the Lending Test. Performance in all evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and the credit needs of the assessment areas. Farmers Bank & Trust’s loan-to-deposit ratio, calculated from Call Report data, averaged 52.8 percent over the past 12 quarters from March 31, 2021, through December 31, 2023. The bank’s large volume of home mortgage loans sold on the secondary market is not reflected in the ratio. Nonetheless, the secondary market loans meet a vital community credit need and reflect a strong desire to extend credit. As shown in the following table, the bank’s average net loan-to-deposit ratio is below, but still comparable to the similarly situated institutions. These institutions were selected based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2023 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Farmers Bank & Trust, Great Bend, Kansas	\$985,167	52.8
Bennington State Bank, Salina, Kansas	\$989,889	78.1
Central National Bank, Junction City, Kansas	\$1,294,588	56.4
Landmark National Bank, Manhattan, Kansas	\$1,557,491	71.0
<i>Source: Reports of Condition and Income 3/31/2021 - 12/31/2023</i>		

Assessment Area Concentration

As detailed in the following table, a substantial majority of the bank’s lending occurred outside of its assessment areas. The national presence of the bank’s Mortgage Division is the primary driver behind the significant amount of lending occurring outside of the assessment areas. Additionally, a significant majority of small business lending by dollar volume occurred outside of the assessment areas. However, when evaluating the bank’s performance, examiners considered how the bank compared to other HMDA reporters, and to its own past performance. Specifically, the bank ranked third compared to other HMDA lenders within the Western Kansas Assessment Area, and 115th in the Johnson County Assessment Area, which was consistent with its ranking at the previous evaluation. Examiners determined that the bank’s lending performance, irrespective of its Mortgage Division lending, was similar to its lending performance during its previous evaluation.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	156	7.1	2,039	92.9	2,195	30,395	3.1	944,485	96.9	974,880
2022	85	20.2	336	79.8	421	14,493	9.6	136,043	90.4	150,536
Subtotal	241	9.2	2,375	90.8	2,616	44,888	4.0	1,080,528	96.0	1,125,416
Small Farm										
2021	323	84.6	59	15.4	382	72,438	84.1	13,676	15.9	86,114
2022	235	61.8	145	38.2	380	51,652	60.9	33,096	39.1	84,748
2023	229	64.7	125	35.3	354	44,824	60.6	29,138	39.4	73,962
Subtotal	787	70.5	329	29.5	1,116	168,914	69.0	75,910	31.0	244,824
Small Business										
2021	189	76.5	58	23.5	247	46,201	58.6	32,601	41.4	78,802
2022	168	60.7	109	39.4	277	34,725	44.2	43,888	55.8	78,613
2023	160	61.3	101	38.7	261	30,528	24.4	94,752	75.6	125,280
Subtotal	517	65.9	268	34.1	785	111,454	39.4	171,241	60.6	282,695
Total	1,545	34.2	2,972	65.8	4,517	325,256	19.7	1,327,679	80.3	1,652,935
<i>Source: Bank Data</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. The bank's performance in the Western Kansas Assessment and Johnson County Assessment Area is consistent with this conclusion. Examiners focused on the percentage of loans in the low- and moderate-income census tracts. A detailed discussion of the bank's performance in both assessment areas can be found in the corresponding sections of this evaluation.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and farms and businesses of different sizes. The bank's performance in the Western Kansas Assessment and Johnson County Assessment Area is consistent with this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers, and the percentage of small farm and small business loans to operations with gross annual revenues of \$1 million or less. A detailed discussion of the bank's performance in both assessment areas can be found in the corresponding sections of this evaluation.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Farmers Bank & Trust demonstrated poor responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity, and the need for and availability of community development activities inside the assessment areas. Since the bank was not responsive to the community development needs of its assessment areas, community development activities benefiting broader statewide and regional areas were not included in the analysis.

Community Development Loans

Farmers Bank & Trust originated 5 community development loans totaling \$7.7 million during the review period, as well as 736 PPP loans totaling \$14.0 million in 2021. With PPP lending considered, the volume of community development loans represented 2.2 percent of total assets, and 5.4 percent of net loans as of December 31, 2023. Examiners compared these ratios to 3 similarly situated institutions that were rated Satisfactory under the Community Development Test at their most recent performance evaluations. Because 2 of the similarly situated institutions did not note any PPP lending activity in their performance evaluation, examiners also calculated the bank’s ratios without PPP lending in order to ensure consistent and fair comparisons. Farmers Bank & Trust’s community development loans were 0.8 percent of total assets, and 1.9 percent of net loans without PPP activity included. The similarly situated institution with PPP lending activity had community development loans that were 8.1 percent of total assets, and 15.0 percent of net loans. For the 2 similarly situated institutions’ without PPP lending, their community development loans were 4.3 and 6.5 percent of total assets, and 5.9 and 8.7 percent of net loans. Farmers Bank & Trust’s community development lending ratios were much lower than the ratio ranges for the similarly situated institutions. The following tables show a breakdown of the bank’s community development loans by assessment area, category, and year.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Western Kansas	0	0	1	1,800	296	6,223	367	7,320	664	15,343
Johnson County	1	564	0	0	67	5,731	9	37	77	6,332
Total	1	564	1	1,800	363	11,954	376	7,357	741	21,675

Source: Bank Data

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial Year)	1	564	0	0	435	14,051	304	5,260	740	19,875
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	1	1,800	0	0	0	0	1	1,800
2024 (Year-to-Date)	0	0	0	0	0	0	0	0	0	0
Total	1	564	1	1,800	435	14,051	304	5,260	741	21,675

Source: Bank Data

Qualified Investments

Farmers Bank & Trust made 140 qualified investments totaling \$2.3 million during the evaluation period, which represented 0.2 percent of total assets, and 0.4 percent of total securities as of December 31, 2023. Examiners compared these ratios to the same similarly situated institutions used to evaluate the bank's community development lending performance. The similarly situated institutions reported qualified investments that ranged from 0.4 percent to 1.6 percent of total assets, and 1.0 percent to 9.0 percent of total securities. The bank's qualified investment ratios are lower than the ratio ranges for the similarly situated institutions. Further, Farmers Bank & Trust's current ratios decreased since the prior evaluation. The following tables show a breakdown of the bank's qualified investments by assessment area, category, and year.

Community Development Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Western Kansas	4	1	94	183	4	103	13	1,729	115	2,016
Johnson County	2	249	23	19	0	0	0	0	25	268
Total	6	250	117	202	4	103	13	1,729	140	2,284

Source: Bank Data

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2021 (Partial Year)	0	0	0	0	0	0	4	250	4	250
2022	0	0	0	0	0	0	0	0	0	0
2023	1	249	0	0	0	0	1	1,470	2	1,719
2024 (Year-to-Date)	0	0	0	0	0	0	0	0	0	0
Subtotal	1	249	0	0	0	0	5	1,720	6	1,969
Qualified Grants & Donations	5	1	117	202	4	103	8	9	134	315
Total	6	250	117	202	4	103	13	1,729	140	2,284

Source: Bank Data

Community Development Services

Farmers Bank & Trust provided 50 instances of financial expertise or technical assistance to various community development organizations during the evaluation period. These community development services helped support the assessment areas’ community service, economic development, and revitalization/stabilization needs. Examiners compared the bank’s community development service activity to the same similarly situated institutions used to evaluate the institution’s community development lending and qualified investment performance. These institutions’ provided between 25 and 115 community development services. Therefore, Farmers Bank & Trust’s level of community services is comparable to the similarly situated institutions. At the prior evaluation, Farmers Bank & Trust provided 141 community development services. The following tables show a breakdown of the bank’s community development services by assessment area, category, and year.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Western Kansas	0	17	4	18	39
Johnson County	0	11	0	0	11
Total	0	28	4	18	50
<i>Source: Bank Data</i>					

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (Partial Year)	0	9	2	7	18
2022	0	7	1	7	15
2023	0	11	1	4	16
2024 (Year-to-Date)	0	1	0	0	1
Total	0	28	4	18	50
<i>Source: Bank Data</i>					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

WESTERN KANSAS ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN WESTERN KANSAS ASSESSMENT AREA

The Western Kansas Assessment Area is Farmers Bank & Trust’s primary market, which accounts for the majority of the bank’s overall operations. The assessment area includes all of Barton, Edwards, Ness, Pawnee, and Rush counties. Edwards, Ness, and Rush counties include census tracts that are designated as underserved, and Edwards County is also considered distressed. The bank’s main office and six branches are located in this assessment area. Five of these offices have an onsite ATM; however, none of the ATMs accept deposits.

Economic and Demographic Data

The Western Kansas Assessment Area is comprised of 14 census tracts, including 1 moderate-income tract, and 13 middle-income tracts. The following table illustrates select demographic characteristics of this assessment area.

Demographic Information of the Western Kansas Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	14	0.0	7.1	92.9	0.0	0.0
Population by Geography	40,296	0.0	7.7	92.3	0.0	0.0
Housing Units by Geography	21,062	0.0	7.6	92.4	0.0	0.0
Owner-Occupied Units by Geography	11,812	0.0	6.5	93.5	0.0	0.0
Occupied Rental Units by Geography	5,256	0.0	9.6	90.4	0.0	0.0
Vacant Units by Geography	3,994	0.0	8.4	91.6	0.0	0.0
Businesses by Geography	3,901	0.0	5.1	94.9	0.0	0.0
Farms by Geography	583	0.0	3.6	96.4	0.0	0.0
Family Distribution by Income Level	10,584	18.9	19.8	23.2	38.1	0.0
Household Distribution by Income Level	17,068	23.3	17.9	19.7	39.1	0.0
Median Family Income Non-MSAs - KS		\$65,467	Median Housing Value			\$88,214
Families Below Poverty Level		7.0%	Median Gross Rent			\$669

Source: 2020 U.S. Census and 2023 D&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.

According to 2023 D&B data, service industries represent the largest portion of assessment area businesses and farms at 31.1 percent, followed by non-classifiable establishments (13.1 percent), agriculture (13.0 percent), and retail trade (10.8 percent). In addition, 67.0 percent of the assessment area’s businesses and farms have four or fewer employees, and 85.9 percent operate from a single location.

Examiners use Federal Financial Institutions Examination Council (FFIEC) median family income data to analyze home mortgage loans under the Borrower Profile criterion. The following table details the FFIEC’s estimated median family income and respective income categories for the nonmetropolitan area of Kansas.

Median Family Income Ranges in Nonmetropolitan Kansas				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$64,800)	<\$32,400	\$32,400 to <\$51,840	\$51,840 to <\$77,760	≥\$77,760
2022 (\$73,400)	<\$36,700	\$36,700 to <\$58,720	\$58,720 to <\$88,080	≥\$88,080
2023 (\$73,400)	<\$36,700	\$36,700 to <\$58,720	\$58,720 to <\$88,080	≥\$88,080
<i>Source: FFIEC</i>				

Competition

There is a moderate level of competition for financial services in this assessment area. According to June 30, 2023 FDIC Deposit Market Share data, there are 17 banks operating 38 offices in the assessment area. Farmers Bank & Trust has the highest market share holding 35.5 percent of the market’s deposits. There is also a moderate level of competition for loans in the assessment area. The 2022 HMDA aggregate data showed that 89 lenders reported 880 home mortgage loans in the assessment area. Farmers Bank & Trust ranked third with 8.0 percent of the market share.

Community Contact

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

Examiners reviewed a recent community contact with an individual from a business-related organization knowledgeable of the Western Kansas Assessment Area. The contact stated that agriculture is the primary source of employment as well as oil-well drilling production. The contact further stated the local economy was currently stable, although the agriculture industry has been experiencing challenges due to ongoing drought conditions, which appears to be worsening as the dry conditions persist. Additionally, the fiber telecommunications construction throughout the area is nearly complete, which will provide fiber-speed broadband access throughout the area. The contact is hopeful that the modernized telecommunications infrastructure will attract and retain younger residents in the area.

The community contact stated that housing development loans are the primary credit need, with childcare facilities and programs for younger than school-aged children as an additional critical need in the area. The individual indicated that financial institutions are very active within the area, and they are doing a good job of meeting the farm and small business credit needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm and home mortgage loans are the Western Kansas Assessment Area's primary credit needs. Opportunities exist for originating such loans as indicated by the HMDA and CRA aggregate lending data, and the number of businesses and individuals in the area. The assessment area's community development needs include affordable housing, community services targeted at low- and moderate-income individuals, economic development, and activities that revitalize or stabilize distressed or underserved middle-income geographies. The number of low- and moderate- income families, the level of distressed or underserved census tracts, and the percentage of small farms and small businesses in the assessment area suggest there are community development opportunities available.

CONCLUSIONS ON PERFORMANCE CRITERIA IN WESTERN KANSAS ASSESSMENT AREA

LENDING TEST

Farmers Bank & Trust demonstrated reasonable performance under the Lending Test in the Western Kansas Assessment Area. The bank's reasonable performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion.

Examiners reviewed small farm, small business, and home mortgage loans to evaluate the institution's performance in the Western Kansas Assessment Area. Agricultural lending is a primary focus in the Western Kansas Assessment Area. Therefore, examiners placed the greatest weight on small farm loans, followed by small business loans, and then home mortgage loans when drawing conclusions for the assessment area.

Geographic Distribution

The geographic distribution of loans reflect reasonable dispersion throughout the Western Kansas Assessment Area. The bank's reasonable performance for all three loan products supports this conclusion. Examiners reviewed geographic distribution for only 2022 and 2023, as there were no low- or moderate-income census tracts in the assessment area in 2021 based on 2015 ACS data.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. As illustrated in the following table, the bank's lending performance in the moderate-income census tract is comparable to the percentage of farms located in that geography for both 2022 and 2023.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate					
2022	3.6	9	3.9	820	1.7
2023	3.6	8	3.5	689	1.6
Middle					
2022	96.4	221	96.1	48,187	98.3
2023	96.4	218	96.5	43,325	98.4
Totals					
2022	100.0	230	100.0	49,007	100.0
2023	100.0	226	100.0	44,014	100.0
<i>Source: 2022 & 2023 D&B Data, Bank Data</i>					

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As illustrated in the following table, the bank's lending performance in the moderate-income census tract is comparable to the percentage of businesses in that geography for both 2022 and 2023.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2022	5.1	9	6.9	1,901	12.3
2023	5.1	6	5.5	1,382	9.6
Middle					
2022	94.9	122	93.1	13,565	87.7
2023	94.9	103	94.5	13,070	90.4
Totals					
2022	100.0	131	100.0	15,466	100.0
2023	100.0	109	100.0	14,452	100.0
<i>Source: 2022 & 2023 D&B Data, Bank Data</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As illustrated in the following table, the bank's lending performance is slightly lower than the aggregate performance in 2022, but it is still considered reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2022	6.5	6.8	2	3.6	99	1.9
Middle						
2022	93.5	93.2	54	96.4	5,029	98.1
Totals						
2022	100.0	100.0	56	100.0	5,128	100.0
<i>Source: 2020 U.S. Census, Bank Data, 2022 HMDA Aggregate Data.</i>						

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and among individuals of different income levels. The bank’s reasonable lending performance for all three loan products supports this conclusion.

Small Farm Loans

The distribution of lending to small farms with revenues of \$1 million or less is reasonable. As illustrated in the following table, the bank’s lending performance is below the demographic data for all three years reviewed. However, according to the 2022 Agricultural Census data, 58.7 percent of farms in the area did not report interest expenses, indicating that they do not borrow funds for their operations. Additionally, the Census data indicates the area includes a large number of hobby farms at 58.0 percent. Given these factors, the bank’s performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
2021					
<=\$1,000,000	97.4	266	83.6	40,706	57.2
>\$1,000,000	1.9	36	11.3	25,993	36.5
Revenue Not Available	0.7	16	5.0	4,474	6.3
2022					
<=\$1,000,000	97.8	176	76.5	23,683	48.3
>\$1,000,000	1.5	41	17.8	21,804	44.5
Revenue Not Available	0.7	13	5.7	3,520	7.2
2023					
<=\$1,000,000	97.8	185	81.9	26,911	61.1
>\$1,000,000	1.5	40	17.7	17,091	38.8
Revenue Not Available	0.7	1	0.4	12	0.0
Total					
2021	100.0	318	100.0	71,173	100.0
2022	100.0	230	100.0	49,007	100.0
2023	100.0	226	100.0	44,014	100.0
<i>Source: 2021, 2022, & 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of lending to small businesses with revenues of \$1 million or less is reasonable. While the bank’s lending performance is below the demographic data for all three years reviewed, the performance has been increasing over the review period and was only slightly below demographic data in 2023. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
2021					
<=\$1,000,000	75.9	71	51.1	5,015	30.7
>\$1,000,000	5.9	44	31.7	9,089	55.7
Revenue Not Available	18.2	24	17.2	2,217	13.6
2022					
<=\$1,000,000	78.7	76	58.0	5,510	35.6
>\$1,000,000	5.0	30	22.9	7,570	48.9
Revenue Not Available	16.3	25	19.1	2,386	15.5
2023					
<=\$1,000,000	78.7	78	71.6	5,313	36.8
>\$1,000,000	5.0	31	28.4	9,139	63.2
Revenue Not Available	16.3	0	0.0	0	0.0
Total					
2021	100.0	139	100.0	16,321	100.0
2022	100.0	131	100.0	15,466	100.0
2023	100.0	109	100.0	14,452	100.0
<i>Source: 2021, 2022, & 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration. As illustrated in the following table, the bank's lending performance to low-income borrowers was comparable to aggregate performance in 2021, and exceeded aggregate performance in 2022. Additionally, the bank's lending performance to moderate-income borrowers was comparable to aggregate performance in 2021 and 2022. Considering the bank's overall record of extending home mortgage loans, the performance in the Western Kansas Assessment Area is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	19.2	9.6	10	12.5	549	6.3
2022	18.9	13.3	12	21.4	777	15.1
Moderate						
2021	19.6	20.6	16	20.0	1,387	15.8
2022	19.8	23.3	15	26.8	1,185	23.1
Middle						
2021	19.6	21.3	10	12.5	952	10.8
2022	23.2	22.4	9	16.1	830	16.2
Upper						
2021	41.6	23.3	34	42.5	5,225	59.5
2022	38.1	19.9	12	21.4	1,316	25.7
Not Available						
2021	0.0	25.2	10	12.5	668	7.6
2022	0.0	21.1	8	14.3	1,021	19.9
Totals						
2021	100.0	100.0	80	100.0	8,780	100.0
2022	100.0	100.0	56	100.0	5,128	100.0
<i>Source: 2015 ACS; Bank Data; 2021, & 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

COMMUNITY DEVELOPMENT TEST

Farmers Bank & Trust demonstrates poor responsiveness to the community development needs in the Western Kansas Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

Farmers Bank & Trust originated or renewed 664 community development loans totaling \$15.3 million in the Western Kansas Assessment Area during the review period. Of these loans, 662 were PPP loans originated in 2021. The remaining 2 loans qualified because they promoted economic development by supporting small farms that provided permanent jobs for low- and moderate-income individuals, or funded improvements to schools that support low- and moderate-income families.

Qualified Investments

Farmers Bank & Trust had 5 qualified investments totaling \$1.7 million in the Western Kansas Assessment Area during the review period. The majority of the investments funded a project to assist in revitalizing and stabilizing distressed and undeserved census tracts with road improvements. The bank also provided 110 donations totaling \$296,000 to various organizations in the assessment area. These organizations promoted economic development by supporting permanent jobs for low- and moderate-income individuals, or provided community services targeted to low- and moderate-income individuals.

Community Development Services

Farmers Bank & Trust performed 39 community development services during the evaluation period benefiting the Western Kansas Assessment Area. The majority of the community development services involved bank personnel sharing their financial expertise with organizations that revitalized or stabilized distressed and underserved areas. The remaining community development services involved bank personnel providing services targeted to low- and moderate-income individuals.

JOHNSON COUNTY ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN JOHNSON COUNTY ASSESSMENT AREA

The Johnson County Assessment Area is comprised of Johnson County, Kansas, which is 1 of the 14 counties comprising the Kansas City, Missouri-Kansas MSA. Farmers Bank & Trust operates 2 full-service offices, and 1 ATM in Johnson County.

Economic and Demographic Data

The Johnson County Assessment Area is comprised of 154 census tracts, including 2 low-income tracts, 13 moderate-income tracts, 54 middle-income tracts, 80 upper-income tracts, and 5 tracts with no assigned income classification. The following table illustrates select demographic characteristics of this assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	154	1.3	8.4	35.1	51.9	3.2
Population by Geography	609,863	1.0	6.8	35.8	56.4	0.0
Housing Units by Geography	244,796	1.3	6.9	38.6	53.2	0.0
Owner-Occupied Units by Geography	161,108	0.3	4.7	34.2	60.7	0.0
Occupied Rental Units by Geography	72,491	3.4	11.1	48.3	37.1	0.0
Vacant Units by Geography	11,197	0.9	10.6	39.2	49.1	0.1
Businesses by Geography	76,601	0.7	5.0	28.8	62.2	3.2
Farms by Geography	1,770	0.5	4.6	31.9	62.3	0.8
Family Distribution by Income Level	158,351	11.5	13.2	20.4	54.9	0.0
Household Distribution by Income Level	233,599	14.4	13.2	17.3	55.1	0.0
Median Family Income MSA - 28140 Kansas City, MO-KS MSA		\$86,562	Median Housing Value			\$294,425
Families Below Poverty Level		3.2%	Median Gross Rent			\$1,162

Source: 2020 U.S. Census and 2023 D&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.

According to 2023 D&B data, service industries represent the largest portion of assessment area businesses and farms at 39.3 percent; followed by non-classifiable establishments (20.9 percent); and finance, insurance, and real estate (13.4 percent). In addition, 63.5 percent of the assessment area’s businesses and farms have four or fewer employees, and 91.7 percent operate from a single location.

Examiners use FFIEC median family income data to analyze home mortgage loans under the Borrower Profile criterion. The following table details the FFIEC’s estimated median family income and respective income categories for the Kansas City, Missouri-Kansas MSA.

Median Family Income Ranges for the Kansas City, MO-KS MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$86,300)	<\$43,150	\$43,150 to <\$69,040	\$69,040 to <\$103,560	≥\$103,560
2022 (\$97,300)	<\$48,650	\$48,650 to <\$77,840	\$77,840 to <\$116,760	≥\$116,760
2023 (\$97,300)	<\$48,650	\$48,650 to <\$77,840	\$77,840 to <\$116,760	≥\$116,760

Source: FFIEC

Competition

There is significant competition for financial services in this assessment area. According to June 30, 2023 FDIC Deposit Market Share data, there are 61 banks operating 233 offices in the assessment area. Farmers Bank & Trust ranked 33rd in deposit market share holding 0.4 percent of the market’s deposits. There is also strong competition for loans in the assessment area. The 2022

HMDA aggregate data showed that 430 lenders reported 29,005 home mortgage loans in the assessment area. Farmers Bank & Trust ranked 115th with 0.1 percent of the market share.

Community Contacts

Examiners conducted an interview with a representative from an economic development organization with the assessment area. The contact stated there is a need for small business lending, particularly for start-ups, as small businesses are struggling to find quality hires, and access capital and affordable childcare. The contact also noted concerns regarding a surplus of vacant office spaces as businesses return to office plans are slow. The contact further stated that small businesses are struggling to renew building leases as landlords are increasing rents to accommodate increased vacancies. The contact stated local financial institutions are conservative with their lending practices, so many small businesses struggle to find adequate financing.

Examiners conducted a second interview with a representative of a local government housing office within the assessment area. The contact stated the area lacks sufficient access to affordable housing, and there are additional needs for first-time homebuyer education and assistance as well as Department of Housing and Urban Development-certified counselors. The contact stated there is a high level of competition among financial institutions in the area for residential lending, and opined that local financial institutions are generally meeting the credit needs of the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that small business and home mortgage loans are the primary credit needs in the Johnson County Assessment Area. Opportunities exist for originating such loans, as indicated by the HMDA and CRA aggregate lending data, and the number of businesses and individuals in the area. The assessment area's community development needs include affordable housing, community services targeted at low- and moderate-income individuals, economic development, and activities that revitalize or stabilize low- and moderate-income areas. The number of low- and moderate- income families and the percentage of small businesses in the assessment area suggests there are community development opportunities available in the area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN JOHNSON COUNTY ASSESSMENT AREA

LENDING TEST

Farmers Bank & Trust demonstrated reasonable performance under the Lending Test in the Johnson County Assessment Area. The bank's reasonable Geographic Distribution and Borrower Profile performance supports this conclusion. Examiners reviewed home mortgage and small business loans, and both products were weighted equally within this assessment area.

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the Johnson County Assessment Area. The bank's reasonable home mortgage, and excellent small business lending performance supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Johnson County Assessment Area. The following table illustrates the bank did not make any loans in the low-income census tracts in 2021 and 2022. For moderate-income census tracts, the bank’s performance was comparable to aggregate performance in 2021, but the bank did not make any loans in these areas in 2022. However, the aggregate performance was also low, and the demographic data indicated a low level of owner occupied housing units in both low- and moderate-income census tracts. Given these factors, the bank’s performance is reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	0.3	0.2	0	0.0	0	0.0
2022	0.3	0.2	0	0.0	0	0.0
Moderate						
2021	4.5	3.8	3	3.9	570	2.6
2022	4.7	4.8	0	0.0	0	0.0
Middle						
2021	31.3	28.1	25	32.9	6,489	30.0
2022	34.2	33.8	16	55.2	4,169	44.5
Upper						
2021	63.9	67.9	48	63.2	14,557	67.4
2022	60.7	61.2	13	44.8	5,196	55.5
Totals						
2021	100.0	100.0	76	100.0	21,615	100.0
2022	100.0	100.0	29	100.0	9,365	100.0

Source: 2015 ACS; 2020 U.S. Census; Bank Data; 2021 & 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%

Small Business Loans

Overall, the geographic distribution of small business loans reflects excellent dispersion throughout the Johnson County Assessment Area. As illustrated in the following table, the bank’s performance in the moderate-income census tracts significantly exceeded the percentage of businesses located in those geographies. Additionally, the bank made no loans in the low-income census tracts in 2022 and 2023, and it made only one loan in the low-income census tracts in 2021. However, the demographic data also indicated there was a low level of small businesses located in the low-income census tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	1.1	1	2.0	15	0.1
2022	0.7	0	0.0	0	0.0
2023	0.7	0	0.0	0	0.0
Moderate					
2021	6.8	16	32.0	4,650	15.6
2022	5.0	9	24.3	1,432	7.4
2023	5.0	6	11.8	2,261	14.1
Middle					
2021	26.4	14	28.0	9,235	30.9
2022	28.8	8	21.6	3,927	20.4
2023	28.8	20	39.2	2,728	17.0
Upper					
2021	62.8	18	36.0	15,930	53.3
2022	62.2	19	51.4	10,600	55.0
2023	62.2	22	43.1	6,437	40.0
Not Available					
2021	2.9	1	2.0	50	0.1
2022	3.2	1	2.7	3,300	17.2
2023	3.2	3	5.9	4,650	28.9
Totals					
2021	100.0	50	100.0	29,880	100.0
2022	100.0	37	100.0	19,259	100.0
2023	100.0	51	100.0	16,076	100.0

Source: 2021, 2022, 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the Johnson County Assessment Area. The bank's reasonable home mortgage and small business lending performance supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration. As illustrated in the following table, the bank's performance to low- and moderate-income borrowers slightly lagged the aggregate performance for both years reviewed, but it is still considered reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	12.0	3.8	1	1.3	117	0.5
2022	11.5	4.2	1	3.4	125	1.3
Moderate						
2021	13.6	13.2	6	7.9	1,185	5.5
2022	13.2	13.9	2	6.9	407	4.3
Middle						
2021	19.0	20.0	12	15.8	3,214	14.9
2022	20.4	20.9	7	24.1	1,891	20.2
Upper						
2021	55.3	47.1	53	69.7	15,128	70.0
2022	54.9	48.0	7	24.1	3,305	35.3
Not Available						
2021	0.0	16.0	4	5.3	1,970	9.1
2022	0.0	13.0	12	41.5	3,637	38.9
Totals						
2021	100.0	100.0	76	100.0	21,615	100.0
2022	100.0	100.0	29	100.0	9,365	100.0
<i>Source: 2015 ACS; 2020 U.S. Census; Bank Data; 2021 & 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration. As illustrated in the following table, the bank's performance to businesses with revenues of \$1 million or less significantly lags the percentage of assessment area businesses in this same revenue category. While Farmers Bank & Trust is not required to report CRA small business loan data, the aggregate data provides insight into lending opportunities. In 2021 and 2022, aggregate lenders originated 48.0 and 50.6 percent of their small business loans to businesses with revenues of \$1 million or less, respectively, which is similar to the bank's performance. Also, examiners considered comments from the community contacts as they stated local financial institutions are generally meeting the credit needs of the area.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
2021					
<=\$1,000,000	85.7	25	50.0	12,757	42.7
>\$1,000,000	5.1	22	44.0	16,640	55.7
Revenue Not Available	9.2	3	6.0	483	1.6
2022					
<=\$1,000,000	87.9	16	43.2	9,338	48.5
>\$1,000,000	4.1	14	37.8	6,549	34.0
Revenue Not Available	8.0	7	18.9	3,372	17.5
2023					
<=\$1,000,000	87.9	25	49.0	6,065	37.7
>\$1,000,000	4.1	26	51.0	10,011	62.3
Revenue Not Available	8.0	0	0.0	0	0.0
Total					
2021	100.0	50	100.0	29,880	100.0
2022	100.0	37	100.0	19,259	100.0
2023	100.0	51	100.0	16,076	100.0
<i>Source: 2021, 2022, & 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

Farmers Bank & Trust demonstrates poor responsiveness to the community development needs in the Johnson County Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

Farmers Bank & Trust originated or renewed 77 community development loans totaling \$6.3 million in the Johnson County Assessment Area during the review period. Of these loans, 74 were PPP loans originated in 2021. The remaining 3 loans promoted economic development by supporting small businesses that provided permanent jobs for low- and moderate-income individuals, or provided affordable housing for low- and moderate-income individuals.

Qualified Investments

Farmers Bank & Trust made 1 qualified investment totaling \$249,000 in the Johnson County Assessment Area during the review period, which provided affordable housing for low- and moderate-income individuals. The bank also provided 24 donations totaling \$19,000 to various organizations in the assessment area, which provided community services targeted to low- and moderate-income individuals.

Community Development Services

Farmers Bank & Trust performed 11 community development services during the evaluation period benefiting the Johnson County Assessment Area. The majority of the community development services involved bank personnel sharing their financial expertise with organizations that provide community services targeted to low- and moderate-income individuals.

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.