PUBLIC DISCLOSURE

March 21, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

TrailWest Bank
Certificate Number: 23806

11300 US Highway 93
Lolo, Montana 59847

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

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

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 ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.

- A majority of the institution's loans and other lending related activities are inside its 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 businesses and farms of different sizes.

- The bank did not receive any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

DESCRIPTION OF INSTITUTION

TrailWest Bank is headquartered in Lolo, Montana. Bitterroot Holding Co, Inc., a one-bank holding company also located in Lolo, Montana, owns the institution. The bank received a Satisfactory CRA rating at its previous FDIC Performance Evaluation dated March 8, 2021, where examiners used the Interagency Intermediate Small Institution Examination Procedures. The institution demonstrated satisfactory performance under the Lending Test and outstanding performance under the Community Development Test at the previous evaluation. Since the last evaluation, Bitterroot Holding Company acquired 51 percent of one affiliate, Little Horn State Bank. This affiliate's activities were not included with TrailWest Bank's activities for consideration during this evaluation period.

TrailWest Bank operates 13 full-service offices, 1 limited-service office, and 3 remote service offices with interactive teller machines, all in Montana. In total, the bank operates 22 interactive teller machines and 3 automated teller machines. The institution did not participate in any acquisition activity nor open or close any offices during the review period.

The institution reported assets of $906.6 million; total loans of $729.9 million; and total deposits of $682.4 million on its December 31, 2023, Reports of Condition and Income (Call Report). Home mortgage loans are the institution's primary credit product and focus, followed by commercial loans. The following table illustrates the bank's loan portfolio.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	55,422	7.6
Secured by Farmland	71,729	9.8
Secured by 1-4 Family Residential Properties	293,389	40.2
Secured by Multifamily (5 or more) Residential Properties	22,502	3.1
Secured by Nonfarm Nonresidential Properties	180,152	24.7
Total Real Estate Loans	**623,194**	**85.4**
Commercial and Industrial Loans	59,242	8.1
Agricultural Production and Other Loans to Farmers	24,222	3.3
Consumer Loans	14,795	2.0
Obligations of State and Political Subdivisions in the U.S.	7,754	1.1
Other Loans	657	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	**729,864**	**100.0**
Source: Reports of Condition and Income		

The bank offers a variety of credit products, including agricultural, commercial, residential real estate, and consumer loans. In addition, the bank originates and sells home mortgage loans to secondary market investors and participates in various government-sponsored loan programs.

The bank also offers a variety of deposit products including checking, savings, and certificate of deposit accounts. Alternative banking services include internet and mobile banking, electronic bill pay, interactive teller machines, and automated teller machines.

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. TrailWest Bank designated two separate assessment areas in Montana, comprised of four whole counties. The following table provides a brief description of the assessment areas.

Description of Assessment Areas			
Assessment Area	**Counties in Assessment Area**	**# of CTs**	**# of Branches**
Missoula MSA	Missoula	29	7
Nonmetropolitan Montana	Flathead, Mineral, Ravalli	47	10
Source: Bank Data			

The assessment areas' compositions have changed slightly since the previous evaluation. Specifically, the bank elected to remove Lake and Lincoln counties from its Nonmetropolitan Montana Assessment Area since the bank does not have a branch in these counties and both deposit and loan penetration were low. Additionally, some census tract designations throughout the assessment areas changed based on 2020 United States Census (U.S. Census). Furthermore, in June 2023 Mineral County, which was previously designated as a nonmetropolitan Montana county, became part of the Missoula Metropolitan Statistical Area (MSA). For the purpose of this evaluation, Mineral County activities were reviewed as part of the Nonmetropolitan Montana Assessment Area. Refer to the individual assessment area sections for additional information.

SCOPE OF EVALUATION

<u>General Information</u>

This evaluation covers the period from March 8, 2021, the date of the prior evaluation, to March 21, 2024, the date of the current evaluation. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. The procedures include the Lending Test and the Community Development Test, as described in the Appendices. Banks must achieve at least a "Satisfactory" rating under each test to obtain an overall "Satisfactory" rating.

Examiners used full-scope examination procedures to assess TrailWest Bank's performance in both assessment areas. The bank's performance in both assessment areas was weighted equally since the bank's lending, deposit, and branch activities are similar in both assessment areas.

The following table provides a breakdown of the bank's loans, deposits, and branches by assessment area.

Breakdown of Loans, Deposits, and Branches						
Assessment Area	**Loans**		**Deposits**		**Branches**	
	$(000s)	**%**	**$(000s)**	**%**	**#**	**%**
Missoula MSA	367,980	50.4	292,165	42.9	7	41.2
Nonmetropolitan Montana	361,884	49.6	388,551	57.1	10	58.8
Total	**729,864**	**100**	**680,716**	**100.0**	**17**	**100.0**
Source: Bank Data (as of 12/31/2023); FDIC Summary of Deposits (06/30/2023).						

Activities Reviewed

Examiners determined the bank's major product lines are home mortgage, small business, and small farm loans. This conclusion considered discussions with management, business strategy, volume of loan originations during the evaluation period, and Call Report data. Examiners reviewed home mortgage, small business, and small farm loans to evaluate the bank's lending performance under the Lending Test.

Examiners reviewed all HMDA loans from 2021, 2022, and 2023 for the Assessment Area Concentration criterion. Examiners did not identify any material performance differences between 2021, 2022, and 2023. Therefore, this evaluation only presents the bank's 2022 HMDA loans located within the bank's assessment areas, or the most recent year for which aggregate data is available, within the Geographic Distribution and Borrower Profile analyses. Aggregate lending data for 2022, as well as the 2020 U.S. Census, provided standards of comparison for the home mortgage loans reviewed. However, aggregate data received greater weight because it is typically a better indicator of market conditions and loan demand.

Examiners reviewed all of the bank's small business and small farm loans originated, renewed, extended, or purchased in 2023 to evaluate the Assessment Area Concentration criterion. For the Geographic Distribution and Borrower Profile analyses, examiners reviewed the bank's 2023 small business and small farm loans located within the bank's assessment areas. However, small farm loans were not reviewed in the Missoula MSA Assessment Area because the bank did not originate any small farms loans in this area and agricultural lending is not a significant business focus for the bank in the Missoula MSA Assessment Area. D&B data for 2023 provided a standard of comparison for the small business and small farm loans reviewed.

Home mortgage and small business loans received the most weighting when drawing overall conclusions for this evaluation based on the number and dollar volume of both products. Small farm lending received the least amount of weight since agricultural loans are not a primary focus of the bank's lending strategy. When conducting the Assessment Area Concentration analysis, examiners placed equal weight on the number and dollar volume of loans. However, examiners emphasized performance by number of loans rather than the dollar volume of loans when conducting the Geographic Distribution and Borrower Profile analyses because the number of loans is generally a better indicator of the geographies and borrowers served.

The following table details the universes and loans reviewed.

Loan Products Reviewed				
Loan Category	**Universe**		**Reviewed**	
	#	**$(000s)**	**#**	**$(000s)**
Home Mortgage	199	61,307	176	53,176
Small Business	264	27,791	240	23,213
Small Farm	31	3,289	*11	*446
Source: Bank Data **Nonmetropolitan Montana Assessment Area only*				

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services from the prior evaluation date of March 8, 2021. Examiners also considered qualified investments made prior to the evaluation period that remain outstanding as of the current evaluation date of March 21, 2024.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

TrailWest Bank demonstrated satisfactory performance under the Lending Test. The bank's collective performance under the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

TrailWest Bank's net loan-to-deposit ratio is reasonable given the institution's asset size, financial condition, and assessment areas' credit needs. The bank's net loan-to-deposit ratio, calculated from Call Report data, averaged 91.6 percent over the past 12 calendar quarters from March 31, 2021, to December 31, 2023. The ratio ranged from a low of 81.6 percent as of September 30, 2021, to a high of 105.5 percent as of December 31, 2023.

Examiners also considered the 54 secondary market loans totaling $17.7 million, which the bank originated and subsequently sold on the secondary market since the previous CRA evaluation. These loans are not included in the bank's loan-to-deposit ratio calculations.

Examiners compared the bank's average net loan-to-deposit ratio to two other comparable financial institutions. The comparable institutions were selected based on their asset size, geographic location, and lending focus. TrailWest Bank's average net loan-to-deposit ratio exceeded both of the comparable institutions. The following table provides details of the bank's loan-to-deposit ratio.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	**Total Assets as of 12/31/2023 ($000s)**	**Average Net LTD Ratio (%)**
TrailWest Bank, Missoula, Montana	**906,628**	**91.6**
American Bank, Bozeman, Montana	622,378	61.5
First Mountain Bank, Missoula, Montana	574,090	68.6
Source: Reports of Condition and Income 3/31/2021 – 12/31/2023		

Assessment Area Concentration

As shown in the following table, TrailWest Bank originated a majority of its home mortgage and small business loans, by number and dollar volume, inside its assessment areas. The bank originated a majority of its small farm loans outside its assessment areas. Overall, a majority of the bank's loans and other lending related activities were in its assessment areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total**	**Dollar Amount of Loans $(000s)**				**Total**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**	**#**	**$**	**%**	**$**	**%**	**$(000s)**
Home Mortgage										
2021	248	88.9	31	11.1	279	69,853	87.0	10,440	13.0	80,293
2022	176	88.4	23	11.6	199	53,176	86.7	8,131	13.3	61,307
2023	132	84.6	24	15.4	156	41,219	75.3	13,541	24.7	54,760
Subtotal	**556**	**87.7**	**78**	**12.3**	**634**	**164,248**	**83.6**	**32,112**	**16.4**	**196,360**
Small Business										
2023	240	90.9	24	9.1	264	23,213	83.5	4,578	16.5	27,791
Small Farm										
2023	11	35.5	20	64.5	31	446	13.6	2,843	86.4	3,289
Total	**807**	**86.9**	**122**	**13.1**	**929**	**187,907**	**82.6**	**39,533**	**17.4**	**227,440**
Source: Bank Data *Due to rounding, totals may not equal 100.0%*										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment areas and performance was generally consistent between both assessment areas. Examiners focused on the bank's performance in the moderate-income census tracts, as there were no low-income census tracts in the assessment areas. Refer to each assessment area for further information.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes. Performance was generally consistent between both assessment areas. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers and the percentage of small business and small farm loans to businesses and farms with gross annual revenues of $1 million or less. Refer to each assessment area for further information.

<u>Response to Complaints</u>
TrailWest Bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

TrailWest Bank demonstrated satisfactory performance under the Community Development Test. The institution's community development performance demonstrates adequate responsiveness to the community development needs in its assessment areas through community development loans, qualified investments, and community development services. Examiners considered TrailWest Bank's capacity and the need and availability of such opportunities in the assessment areas.

Comparable institutions are used in the analysis of a financial institution to help provide perspective on a bank's performance. For this evaluation, examiners compared TrailWest Bank's level of community development activity to two comparable institutions with similar asset sizes operating in the State of Montana. These comparable institutions were also evaluated using the Interagency Intermediate Small Institution Examination Procedures.

Since TrailWest Bank was responsive to the community development needs of its assessment areas, examiners also considered community development activities benefitting broader statewide and regional areas for inclusion in the analysis.

<u>Community Development Loans</u>
TrailWest Bank originated 87 community development loans totaling approximately $20.7 million during the evaluation period. This includes 57 Small Business Administration (SBA) Paycheck Protection Program (PPP) loans, totaling approximately $1.5 million. The volume of community development loans represented ratios of 2.3 percent of the bank's total assets and 2.9 percent of net loans as of December 31, 2023. At the last CRA evaluation on March 8, 2021, the bank had 329 community development loans totaling $45.1 million. The significant decrease in community development loans is primarily associated with a reduction in demand for SBA PPP loans, which accounted for 263 of the community development loans totaling $23.1 million included in the previous evaluation. TrailWest Bank's level of community development loans is similar to the comparable institutions' levels, which ranged from 1.2 percent to 3.6 percent of total assets and from 1.6 percent to 5.6 percent of net loans.

The following tables illustrate the bank's community development loans by rated area, purpose, and year. The tables include approximately $12.3 million in loans that were originated outside the bank's assessment areas but had a community development focus and benefited the broader statewide and regional area. For example, the bank originated a $1.8 million loan to finance a 48-unit low-income housing tax credit project in the region. The bank also financed $3 million of a participation loan to construct a 121 multifamily complex with attached business facilities in a nearby moderate-income census tract. Additional details on community development lending activities are located in the respective assessment area sections of the evaluation.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Missoula MSA	0	0	1	557	10	647	1	2,000	**12**	**3,204**
Nonmetropolitan Montana	3	2,391	2	1,028	46	1,399	1	366	**52**	**5,184**
Statewide or Regional	1	1,760	0	0	21	9,278	1	1,300	**23**	**12,338**
Totals	**4**	**4,151**	**3**	**1,585**	**77**	**11,324**	**3**	**3,666**	**87**	**20,726**
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)	1	713	0	0	57	1,498	0	0	**58**	**2,211**
2022	1	373	2	1,028	9	6,552	1	366	**13**	**8,319**
2023	2	3,065	0	0	10	3,254	2	3,300	**14**	**9,619**
Year-to-Date 2024	0	0	1	557	1	20	0	0	**2**	**577**
Totals	**4**	**4,151**	**3**	**1,585**	**77**	**11,324**	**3**	**3,666**	**87**	**20,726**
Source: Bank Data.										

Qualified Investments

TrailWest Bank purchased, retained, or donated 116 qualified investments totaling approximately $5.1 million during the evaluation period. The volume of qualified investments represented ratios of 0.6 percent of the bank's total assets and 9.8 percent of total securities as of December 31, 2023. This reflects improved performance in this area since the last CRA evaluation on March 8, 2021, when the bank had 73 qualified investments totaling $325 thousand. TrailWest Bank's level of community development investments is similar to the comparable institutions' total assets ratios, which ranged from 0.2 percent to 0.6 percent; and exceeded the comparable institution' total securities ratios, which ranged from 1.2 percent to 2.1 percent.

The following tables illustrate the bank's qualified investments by rated area, purpose, and year. Included in the statewide and regional activity noted below are $400 thousand of school district bonds the bank previously purchased that remained outstanding as of the current evaluation date. These bonds facilitated education activities in a nearby community school district where a majority of the student population participate in the free and reduced lunch program. Details on the bank's qualified investment activities are located in the respective assessment area sections of the evaluation.

Qualified Investments by Assessment Area										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Missoula MSA	4	15	31	62	6	7	7	1,991	**48**	**2,075**
Nonmetropolitan Montana	2	5	55	2,150	0	0	7	498	**64**	**2,653**
Statewide or Regional	0	0	4	404	0	0	0	0	**4**	**404**
Totals	**6**	**20**	**90**	**2,616**	**6**	**7**	**14**	**2,489**	**116**	**5,132**
Source: Bank Data.										

Qualified Investments by Year										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Prior Period	0	0	6	2,487	0	0	0	0	**6**	**2,487**
2021 (Partial)	0	0	0	0	0	0	0	0	**0**	**0**
2022	0	0	0	0	0	0	1	489	**1**	**489**
2023	0	0	0	0	0	0	2	1,968	**2**	**1,968**
Year-to-Date 2024	0	0	0	0	0	0	0	0	**0**	**0**
Subtotal	**0**	**0**	**6**	**2,487**	**0**	**0**	**3**	**2,457**	**9**	**4,944**
Qualified Grants & Donations	6	20	84	129	6	7	11	32	**107**	**188**
Totals	**6**	**20**	**90**	**2,616**	**6**	**7**	**14**	**2,489**	**116**	**5,132**
Source: Bank Data.										

Community Development Services

TrailWest Bank representatives provided 40 instances, totaling 449 hours of financial expertise or technical assistance to various community development organizations during the evaluation period. This reflects improved performance in this area since the last CRA evaluation on March 8, 2021, when the bank had 273 qualified services hours. TrailWest Bank's level of community development services is similar to the comparable institutions' levels, which ranged between 188 and 1,234 hours.

The following tables illustrate the bank's community development services by rated area, purpose, and year. Details on the bank's community development services are located in the respective assessment area sections of the evaluation.

Community Development Services by Assessment Area					
Assessment Area	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	# of Hours	**# of Hours**	**# of Hours**	**# of Hours**	**# of Hours**
Missoula MSA	40	1	12	0	**53**
Nonmetropolitan Montana	0	391	5	0	**396**
Totals	**40**	**392**	**17**	**0**	**449**
Source: Bank Data.					

Community Development Services by Year					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	# of Hours	**# of Hours**	**# of Hours**	**# of Hours**	**# of Hours**
2021 (Partial)	5	80	0	0	**85**
2022	10	140	5	0	**155**
2023	17	154	11	0	**182**
Year-to-Date 2024	8	18	1	0	**27**
Totals	**40**	**392**	**17**	**0**	**449**
Source: Bank Data.					

The bank also operates four branches in moderate-income census tracts, maintains interactive teller machines with extended banking hours, operates deposit taking automated teller machines, and offers a no monthly fee checking account. All of these services increase and respond to banking opportunities and accessibility for low- and moderate-income individuals.

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.

MISSOULA MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MISSOULA MSA ASSESSMENT AREA

The Missoula MSA Assessment Area consists of all of Missoula County. According to 2020 U.S. Census data, the assessment area is comprised of 5 moderate-income, 16 middle-income, 7 upper-income, and 1 income not available census tracts.

Economic and Demographic Data
The following table provides select demographic data for the Missoula MSA Assessment Area.

Demographic Information of the Assessment Area Missoula MSA Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	29	0.0	17.2	55.2	24.1	3.4
Population by Geography	117,922	0.0	15.0	50.2	31.4	3.4
Housing Units by Geography	54,731	0.0	16.8	52.1	27.7	3.3
Owner-Occupied Units by Geography	29,113	0.0	12.9	51.2	34.9	1.1
Occupied Rental Units by Geography	20,587	0.0	19.2	53.9	20.7	6.2
Vacant Units by Geography	5,031	0.0	30.0	50.7	14.6	4.8
Businesses by Geography	38,828	0.0	20.6	44.2	27.1	8.1
Farms by Geography	961	0.0	16.5	47.7	29.1	6.7
Family Distribution by Income Level	27,624	17.5	20.1	21.9	40.5	0.0
Household Distribution by Income Level	49,700	23.5	17.1	17.7	41.6	0.0
Median Family Income MSA - 33540 Missoula, MT MSA		$76,923	Median Housing Value			$305,368
			Median Gross Rent			$923
			Families Below Poverty Level			6.1%

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, the number of businesses in the assessment area increased significantly since the last evaluation, from 14,146 to 38,828, or 174.5 percent. The largest industries in the area are non-classifiable establishments at 40.3 percent, followed by services at 27.9 percent. These businesses are predominantly small operations with 97.0 percent operating from a single location, and 52.5 percent employing less than five employees.

Data from the 2020 Census indicates the assessment area experienced growth since the 2015 ACS data, with the population increasing by 5,956 residents or 5.9 percent and housing increasing by 3,315 housing units. Employment opportunities remain prevalent within the assessment area, accounting for the historically low unemployment levels during the vast majority of the evaluation period. According to the U.S. Bureau of Labor and Statistics, at 2.9 percent, the average unemployment rate in the assessment area was the same as the State of Montana during the evaluation period.

Competition

The assessment area is moderately competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, 18 financial institutions operate 33 branches within the assessment area. TrailWest Bank has seven branches in the assessment area and ranked seventh in deposit market share with 6.5 percent of the total deposits. Comparatively, the top three institutions by deposit market share combined operate 10 branches and had 57.1 percent of the total deposits. The bank competes with these institutions, as well as credit unions, Farm Credit Services, and nontraditional creditors and dealers for loans.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in understanding economic conditions and 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 conducted a community contact interview with a representative from a local government department. The contact stated the economy has been relatively strong over the last decade, with minor fluctuations, and noted the economy continues to grow despite inflation. The major employers in the area include the local university and school district systems, hospitals, and federal and state governments. The contact indicated the population is young and the cost of housing is steep for new homeowners, making it challenging for low- and moderate-income borrowers to afford. The contact noted local financial institutions are generally meeting the credit needs of the community; however, the lending and community development opportunities for affordable housing have not kept pace with the need.

Credit and Community Development Needs and Opportunities

Considering information from bank management, demographic and economic data, and information from the community contact, examiners determined home mortgage and small business loans are the primary credit needs in the assessment area. Community development needs are primarily related to economic development and affordable housing; however, affordable housing opportunities appeared to be limited.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE MISSOULA MSA ASSESSMENT AREA

LENDING TEST

TrailWest Bank demonstrated reasonable performance under the Lending Test in the Missoula MSA Assessment Area. Reasonable performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable home mortgage and small business lending performance supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's performance of lending in the moderate-income census tracts slightly exceeds the comparable demographic and aggregate data.

Geographic Distribution of Home Mortgage Loans Missoula MSA Assessment Area						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Moderate	12.9	14.9	9	15.3	2,762	17.4
Middle	51.2	49.9	32	54.2	8,388	52.8
Upper	34.9	34.1	16	27.1	4,051	25.5
Not Available	1.1	1.1	2	3.4	690	4.3
Totals	**100.0**	**100.0**	**59**	**100.0**	**15,891**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data *Due to rounding, totals may not equal 100.0%*						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Although the bank's performance of lending in the moderate-income census tracts is below aggregate data, the bank's limited footprint and competition in the assessment area contribute to the level of lending activity.

TrailWest Bank operates a single deposit operations office in one of the five moderate-income census tracts in the area. According to bank management, this office is not staffed with a lender due to limited volume of loan requests from its customers in the area, efficient utilization of its lender resources, and significant competition in the area. Management also expressed its willingness to accommodate its customers by providing lender support in the office on an as-needed basis. FDIC Deposit Market Share data as of June 30, 2023, indicated there were 10 other banks operating 12 branches in the moderate-income census tracts, which supports the strong level of competition in the area. Given the aforementioned contributing factors, the bank's lending dispersion is considered reasonable. The following table provides details of the lending activity.

Geographic Distribution of Small Business Loans Missoula MSA Assessment Area					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Moderate	20.6	8	10.4	640	8.8
Middle	44.2	44	57.1	4,191	57.9
Upper	27.1	24	31.2	2,308	31.9
Not Available	8.1	1	1.3	100	1.4
Totals	**100.0**	**77**	**100.0**	**7,239**	**100.0**
Source: 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 (including low- and moderate-income) and businesses and farms of different sizes. The bank's reasonable performance of home mortgage and small business lending supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. As shown in the following table, TrailWest Bank's lending performance to low-income borrowers exceeded aggregate data, while the bank's lending to moderate-income borrowers fell below aggregate data. Overall, the bank's performance is considered reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level Missoula MSA Assessment Area						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low	17.5	3.7	4	6.8	186	1.2
Moderate	20.1	11.6	3	5.1	598	3.8
Middle	21.9	20.8	13	22.0	2,898	18.2
Upper	40.5	52.5	34	57.6	10,762	67.7
Not Available	0.0	11.4	5	8.5	1,448	9.1
Totals	**100.0**	**100.0**	**59**	**100.0**	**15,891**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data *Due to rounding, totals may not equal 100.0%*						

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. Examiners used 2022 CRA aggregate data, the most recent year available, to further evaluate small business credit needs in the assessment area. TrailWest Bank is not required to report its small business loans; therefore, examiners did not compare the bank's 2023 performance to the 2022 aggregate data. However, the data is generally indicative of the relatively lower volume lending activity. Although the bank's small business lending performance to borrowers with gross annual revenues of $1 million or less lags the percentage of businesses in this revenue category, 2022 CRA aggregate data indicates only 53.3 percent of the small business loans in the area were made to businesses in this revenue category. The data suggests a lower volume of credit needs for small businesses in the area with gross annual revenues of $1 million or less. As such, the bank's performance is considered reasonable. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category Missoula MSA Assessment Area					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000	93.3	64	83.1	5,384	74.4
>$1,000,000	1.4	13	16.9	1,855	25.6
Revenue Not Available	5.2	0	0.0	0	0.0
Totals	**100.0**	**77**	**100.0**	**7,239**	**100.0**
Source: 2023 D&B Data; Bank Data *Due to rounding, totals may not equal 100.0%*					

COMMUNITY DEVELOPMENT TEST

TrailWest Bank demonstrated adequate responsiveness to the community development needs of the Missoula MSA Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

TrailWest Bank originated 12 community development loans totaling $3.2 million in the assessment area. This included six SBA PPP loans totaling approximately $554 thousand, as noted below under Economic Development. The bank also promoted community services in its assessment area, as evidenced through a $557 thousand loan origination to finance a safe house for a non-profit business that primarily serves Native American women and other women who were victims of human trafficking. The following table illustrates the community development loans by year and purpose.

Community Development Lending by Year – Missoula MSA Assessment Area										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
2021 (Partial)	0	0	0	0	6	554	0	0	**6**	**554**
2022	0	0	0	0	4	93	0	0	**4**	**93**
2023	0	0	0	0	0	0	1	2,000	**1**	**2,000**
Year-to-date 2024	0	0	1	557	0	0	0	0	**1**	**557**
Totals	**0**	**0**	**1**	**557**	**10**	**647**	**1**	**2,000**	**12**	**3,204**
Source: Bank Data										

Qualified Investments

TrailWest Bank made 48 qualified investments totaling $2.1 million in the assessment area. The majority of the activity promoted revitalization and stabilization efforts for low- and moderate-income persons, such as a $1.3 million loan that funded the expansion of the sewer system infrastructure in a moderate-income census tract. The following table illustrates the bank's qualified investments by year and purpose.

Qualified Investments by Year – Missoula MSA Assessment Area										
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)	0	0	0	0	0	0	0	0	**0**	**0**
2022	0	0	0	0	0	0	0	0	**0**	**0**
2023	0	0	0	0	0	0	2	1,968	**2**	**1,968**
Year-to-Date 2024	0	0	0	0	0	0	0	0	**0**	**0**
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**1,968**	**2**	**1,968**
Qualified Grants & Donations	4	15	31	62	6	7	5	23	**46**	**107**
Totals	**4**	**15**	**31**	**62**	**6**	**7**	**7**	**1,991**	**48**	**2,075**
Source: Bank Data.										

Community Development Services

TrailWest Bank personnel provided 53 hours of financial expertise or technical assistance to community development organizations in the assessment area. The following table illustrates the bank's community development services by year and purpose.

Community Development Services by Year – Missoula MSA Assessment Area					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	# of Hours	**# of Hours**	**# of Hours**	**# of Hours**	**# of Hours**
2021 (Partial)	5	0	0	0	**5**
2022	10	0	5	0	**15**
2023	17	0	7	0	**24**
Year-to-Date 2024	8	1	0	0	**9**
Totals	**40**	**1**	**12**	**0**	**53**
Source: Bank Data.					

NONMETROPOLITAN MONTANA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NONMETROPOLITAN MONTANA ASSESSMENT AREA

The Nonmetropolitan Montana Assessment Area is comprised of Flathead, Mineral, and Ravalli counties. According to 2020 U.S. Census data, the assessment area includes 7 moderate-income, 33 middle-income, and 7 upper-income census tracts.

Economic and Demographic Data

The following table provides select demographic data for the Nonmetropolitan Montana Assessment Area.

Demographic Information of the Assessment Area Non-MSA Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	47	0.0	14.9	70.2	14.9	0.0
Population by Geography	153,066	0.0	12.7	71.5	15.8	0.0
Housing Units by Geography	71,484	0.0	15.4	68.4	16.2	0.0
Owner-Occupied Units by Geography	44,756	0.0	13.1	71.6	15.3	0.0
Occupied Rental Units by Geography	14,918	0.0	21.2	65.7	13.1	0.0
Vacant Units by Geography	11,810	0.0	17.1	59.6	23.3	0.0
Businesses by Geography	54,373	0.0	9.8	78.0	12.2	0.0
Farms by Geography	2,037	0.0	10.8	75.6	13.6	0.0
Family Distribution by Income Level	39,294	19.1	19.8	23.5	37.6	0.0
Household Distribution by Income Level	59,674	21.9	17.1	19.2	41.8	0.0
Median Family Income Non-MSAs - MT		$70,967	Median Housing Value			$306,051
			Median Gross Rent			$822
			Families Below Poverty Level			6.6%
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, the largest industries in the area are non-classifiable establishments at 40.7 percent followed by services at 25.9 percent. These businesses and farms are predominantly small operations, with 97.8 percent operating from a single location and 53.6 percent employing less than five employees. The weighted average of median housing is $306,051, which can present affordable housing challenges considering 21.9 percent of the households identified as low-income. U.S. Bureau of Labor and Statistics indicates the average unemployment rate in the assessment area, at 3.9 percent, was slightly higher than the State of Montana, at 2.9, during the evaluation period.

Competition
The assessment area is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 19 financial institutions operate 51 branches within the assessment area. TrailWest Bank has 10 branches in the assessment area and ranked fifth in deposit market share with 5.3 percent of the total deposits. Comparatively, the top three institutions by deposit market share combined operate 20 branches and had 63.9 percent of the total deposits.

Credit and Community Development Needs and Opportunities
Considering information from bank management, demographic, and economic data, examiners determined that home mortgage and small business loans are the primary credit needs in the assessment area. Community development needs are primarily related to affordable housing and economic development.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NONMETROPOLITAN MONTANA ASSESSMENT AREA

LENDING TEST

TrailWest Bank demonstrated reasonable performance under the Lending Test in the Nonmetropolitan Montana Assessment Area. Reasonable performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion.

Geographic Distribution
The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's excellent home mortgage lending performance, and reasonable small business, and small farm lending performance support this conclusion.

Home Mortgage Loans
The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As shown in the following table, the bank's performance of lending in the moderate-income census tracts notably exceeds the comparable demographic and aggregate data.

Geographic Distribution of Home Mortgage Loans Nonmetropolitan Montana Assessment Area						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Moderate	13.1	10.2	22	18.8	7,488	20.1
Middle	71.6	68.8	84	71.8	25,197	67.6
Upper	15.3	21.1	11	9.4	4,600	12.3
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	**100.0**	**100.0**	**117**	**100.0**	**37,286**	**100.0**

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

Small Business Loans
The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's performance of lending in the moderate-income census tracts slightly exceeds the comparable aggregate data.

Geographic Distribution of Small Business Loans Nonmetropolitan Montana Assessment Area					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Moderate	9.8	22	13.5	3,163	19.8
Middle	78.0	115	70.6	9,624	60.2
Upper	12.2	26	16.0	3,187	20.0
Not Available	0.0	0	0.0	0	0.0
Totals	**100.0**	**163**	**100.0**	**15,974**	**100.0**
Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%					

Small Farm Loans
The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area, considering the bank's lending strategy does not focus on agricultural loans. The following table indicates the bank did not make any small farm loans in moderate-income census tracts. However, only 10.8 percent of the farms are located in moderate-income census tracts and the bank only originated 11 small farm loans in the entire assessment area.

Geographic Distribution of Small Farm Loans Nonmetropolitan Montana Assessment Area					
Tract Income Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
Moderate	10.8	0	0.0	0	0.0
Middle	75.6	11	100.0	446	100.0
Upper	13.6	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	**100.0**	**11**	**100.0**	**446**	**100.0**
Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%					

Examiners used 2022 CRA aggregate data, the most recent year available, to further evaluate small farm credit needs in the assessment area. According to the data, there were 128 small farm loans reported in the assessment area in 2022, and only 13.2 small farm loans in moderate-income census tracts. TrailWest Bank is not required to report its small farm loans; therefore, examiners did not compare the bank's 2023 performance to the 2022 aggregate data. However, the data is generally indicative of the relatively low volume of small farm lending activity in the moderate-income tracts. Overall, the bank's performance is reasonable when considering these factors.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses and farms of different sizes. The bank's reasonable performance of home mortgage, small business, and small farm lending supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. As shown in the following table, TrailWest Bank's lending performance to low-income borrowers lagged aggregate data, while the bank's lending to moderate-income borrowers exceeded aggregate data. Overall, the bank's performance is considered reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level
Nonmetropolitan Montana Assessment Area

Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low	19.1	4.7	4	3.4	316	0.8
Moderate	19.8	13.6	23	19.7	3,908	10.5
Middle	23.5	20.6	17	14.5	4,546	12.2
Upper	37.6	48.2	58	49.6	22,809	61.2
Not Available	0.0	13.0	15	12.8	5,707	15.3
Totals	**100.0**	**100.0**	**117**	**100.0**	**37,286**	**100.0**

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

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. Examiners used 2022 CRA aggregate data, the most recent year available, to further evaluate small business credit needs in the assessment area. TrailWest Bank is not required to report its small business loans; therefore, examiners did not compare the bank's 2023 performance to the 2022 aggregate data. However, the data is generally indicative of the relatively lower volume lending activity. Although the bank's small business lending performance to borrowers with gross annual revenues of $1 million or less lags the percentage of businesses in this revenue category, 2022 CRA aggregate data indicates only 53.0 percent of the small business loans in the area were made to businesses in this revenue category. The data suggests a lower volume of credit needs for small businesses in the area with gross annual revenues of $1 million or less. As such, the bank's performance is considered reasonable. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category

Nonmetropolitan Montana Assessment Area

Gross Revenue Level	% of Businesses	#	%	$(000s)	%
<=$1,000,000	96.0	133	81.6	10,814	67.7
>$1,000,000	1.1	30	18.4	5,160	32.3
Revenue Not Available	3.0	0	0.0	0	0.0
Totals	**100.0**	**163**	**100.0**	**15,974**	**100.0**

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

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. The number of small farm loans to borrowers with gross annual revenues of $1 million or less is comparable to the percentage of businesses in this revenue category. The following table provides details on the bank's small farm lending activity.

Distribution of Small Farm Loans by Gross Annual Revenue Category

Nonmetropolitan Montana Assessment Area

Gross Revenue Level	% of Farms	#	%	$(000s)	%
<=$1,000,000	98.7	10	90.9	397	89.0
>$1,000,000	0.6	1	9.1	49	11.0
Revenue Not Available	0.7	0	0.0	0	0.0
Totals	**100.0**	**11**	**100.0**	**446**	**100.0**

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

COMMUNITY DEVELOPMENT TEST

TrailWest Bank demonstrated adequate responsiveness to the community development needs of the Nonmetropolitan Montana Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

TrailWest Bank originated 52 community development loans totaling approximately $5.2 million in the assessment area. This included 41 SBA PPP loans totaling approximately $550 thousand. TrailWest Bank's loan activity was particularly responsive to the needs of the assessment area, with approximately $2.4 million in affordable housing community development loans. One notable example of affordable housing activity was a $1.3 million loan the bank originated to finance the construction of 33 units in a low-income housing tax credit complex. The following table illustrates the community development loans by year and purpose.

Community Development Lending by Year – Nonmetropolitan Montana Assessment Area										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
2021 (Partial)	1	713	0	0	41	550	0	0	**42**	**1,263**
2022	1	373	2	1,028	4	829	1	366	**8**	**2,596**
2023	1	1,305	0	0	0	0	0	0	**1**	**1,305**
Year-to-date 2024	0	0	0	0	1	20	0	0	**1**	**20**
Totals	**3**	**2,391**	**2**	**1,028**	**46**	**1,399**	**1**	**366**	**52**	**5,184**
Source: Bank Data										

Qualified Investments

TrailWest Bank made 64 qualified investments totaling approximately $2.7 million in the assessment area. The vast majority of the activity was associated with school bond investments that enabled the construction and expansion of school facilities in a school district where a majority of the student population participate in the free and reduced lunch program. The following table illustrates the bank's qualified investments by year and purpose.

Qualified Investments by Year – Nonmetropolitan Montana Assessment Area										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Prior Period	0	0	5	2,086	0	0	0	0	**5**	**2,086**
2021 (Partial)	0	0	0	0	0	0	0	0	**0**	**0**
2022	0	0	0	0	0	0	1	489	**1**	**489**
2023	0	0	0	0	0	0	0	0	**0**	**0**
Year-to-Date 2024	0	0	0	0	0	0	0	0	**0**	**0**
Subtotal	**0**	**0**	**5**	**2,086**	**0**	**0**	**1**	**489**	**6**	**2,575**
Qualified Grants & Donations	2	5	50	64	0	0	6	9	**58**	**78**
Totals	**2**	**5**	**55**	**2,150**	**0**	**0**	**7**	**498**	**64**	**2,653**
Source: Bank Data.										

Community Development Services

TrailWest Bank personnel provided 396 hours of financial expertise or technical assistance to community development organizations in the assessment area. One employee dedicated 370 hours, serving as a school board member in a school district where a majority of the student population participate in the free and reduced lunch program. The following table illustrates the bank's community development services by year and purpose.

Community Development Services by Year – Nonmetropolitan Montana Assessment Area					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	# of Hours	**# of Hours**	**# of Hours**	**# of Hours**	**# of Hours**
2021 (Partial)	0	80	0	0	**80**
2022	0	140	0	0	**140**
2023	0	154	4	0	**158**
Year-to-Date 2024	0	17	1	0	**18**
Totals	**0**	**391**	**5**	**0**	**396**
Source: Bank Data.					

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.