PUBLIC DISCLOSURE

July 21, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ADB Bank dba Allegiance Direct Bank
Certificate Number: 57962

136 West Center Street, Suite 200
Cedar City, Utah 84720

Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

NOTE: **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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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of ***ADB Bank dba Allegiance Direct Bank*** *(ADB) prepared by the* ***Federal Deposit Insurance Corporation****, the institution's supervisory agency, as of* ***July 21, 2010****. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

ADB's CRA performance depicts an outstanding practice of providing for the credit needs of its assessment area (AA) in a manner consistent with its product lines, resources, and capabilities. The following narrative supports this rating:

- An analysis of insurance premium loans reveals a reasonable penetration of lending among businesses of different revenue sizes when using loan size as a proxy for revenue data.

- The geographic distribution of loans reflects a reasonable dispersion throughout the AA given the institution's product offering, age, location, financial capacity, and AA demographics. No unexplained lending gaps were identified.

- Less than 1 percent of the number and dollar volume of loans was made within the AA; however, this is consistent with the institution's business focus and lending practices in that the institution originates insurance premium loans in 40 states.

- The institution has a reasonable average net loan-to-deposit (ANLTD) ratio, which is reflective of the institution's deposit and loan base.

- Qualified community development (CD) loans by ADB amount to $60,000. ADB's CD investments amount to $959,000. ADB's donations and grant activities amount to $11,000. ADB's affiliate donations total $184,000. Total ADB CD investments are considered excellent and represent 1.77 percent of the total assets of the bank.

- Qualified CD services are excellent within the AA thereby enhancing the institution's overall CRA performance. Institution employees have volunteered over 1,902 hours in CD service work to local non-profit organizations providing financial education, small business counseling, financial counseling for youth, and support for local food bank.

- The institution has not received any CRA-related complaints since the previous CRA Evaluation.

- No evidence of discriminatory or other illegal credit practices inconsistent with meeting community credit needs was identified.

DESCRIPTION OF INSTITUTION

ADB began operations on August 1, 2005, as a state chartered industrial bank, after operating as a finance company for several years in Cedar City, Utah. The bank offers one loan product, commercial insurance premium financing, and offers limited deposit products consisting of money market savings accounts, certificates of deposit, and individual retirement accounts (IRAs). The bank primarily lends to customers introduced by affiliated insurance agencies, collectively known as the Leavitt Group.

The bank is wholly owned by LGAA, LLC, a Utah limited liability company located in Cedar City, Utah. The ultimate parent company is Leavitt Group Enterprises, Inc. (LGE)

LGE is a private company owned by individual shareholders. The Leavitt family owns approximately 90 percent of LGE stock, and the remaining ownership is divided between individuals and the company's ESOP. The largest shareholders are the Leavitt Brothers: Dane, Mark, Eric,
David, and Matthew, who each own approximately 15 percent. LGE had 2009 consolidated total revenues of approximately $120 million. LGE is an independent insurance agency and brokerage that markets and sells property and casualty insurance products and services. LGE operates a network of 83 entities at 115 locations in the Western United States, Mississippi, Louisiana, and Georgia. LGE primarily provides audit, management, finance, and legal services to its agencies. Other shareholders include employees of LGE and affiliates.

LGAA is in turn owned by 83 individual agency co-owners, which are each owned by individuals typically owning 40 percent of the agency they manage. LGE, a Nevada Corporation based in Cedar City, Utah, owns a controlling 60 percent of the individual insurance agencies. The affiliated independent insurance agencies operate over 115 offices in 14 states. LGAA primarily provides services to the agencies, including accounting, payroll, employee benefits, automation, training, and other services needed to operate an insurance agency.

Additionally, 70 of the Leavitt Group agencies own PacWest Captive Insurance Company, Inc., an Arizona domiciled reinsurer. Other affiliated LGAA entities include: Allegiance Premium Finance, LLC; Mutual Insurance Services; and Service Divisions.

The bank's primary lending niche is short-term, insurance premium financing to commercial borrowers. The bank offers money market savings accounts and certificate of deposits, and advertises weekly in local newspapers.

As of March 31, 2010, the bank had total assets of $54 million with $25 million, or 47 percent, representing total loans. Loan products are commercial/industrial loans, specifically premium finance loans to business clients of Leavitt Group agencies across 40 states. ADB had total deposits of $47 million consisting of certificate of deposits, money market savings accounts and IRAs.

Table 1 shows the details of the bank's loan portfolio:

Table 1 Loan Portfolio Distribution as of March 31, 2010		
Loan Type	**Dollar Volume (000)**	**Percentage of Total Loans**
Construction and Land Development	0	0
Secured by Farmland	0	0
Revolving Open-end 1 to 4 Family Residential	0	0
Closed-end 1 to 4 Family Residential First Lien	0	0
Closed-end 1 to 4 Family Residential Junior Lien	0	0
Multi-family Residential	55	.22
Total Residential Mortgage	**55**	**.22**
Commercial Real Estate	840	3.32
Total Real Estate Secured	**895**	**3.54**
Loans to Finance Agricultural Production	0	0
Commercial and Industrial Loans	25,030	99.01
Consumer Credit Cards	0	0
Other Consumer Revolving Loans	0	0
Closed-end Consumer Loans	0	0
Obligations of States and Political Subdivisions	0	0
Other Loans	0	0
Less: Any Unearned Income on Loans	646	2.55
Total Loans	**25,279**	**100.0**

Source: March 31, 2010 Consolidated Report of Condition

DESCRIPTION OF IRON COUNTY ASSESSMENT AREA

CRA requires a bank to identify one or more AAs within which its regulatory agency will evaluate the bank's performance. An AA is an area that includes the geographies in which the bank has its main office, branch offices, and other deposit-taking remote service facilities, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. AAs always consist of one or more whole block numbering areas or census tracts, which are statistical subdivisions of a county. Census tracts are delineated for all metropolitan areas and other densely populated counties.

ADB has designated Iron County as its AA. The AA complies with the technical requirements of the regulation and does not arbitrarily exclude LMI geographies.

The AA consists of 7 contiguous geographies with the following geographical income characteristics: 2 moderate-income and 5 middle-income geographies. There are no low-income geographies.

The AA is largely rural, with tourism, livestock, manufacturing, and agriculture as the major industries driving the economy. The following narrative provides additional information on the county:

<u>Iron County</u>: There are approximately 33,779 people, 10,676 households, and 8,197 families residing in the county. The median household income in the county is $33,434, and the median family income (MFI) is $41,239. About 17 percent of households were below poverty levels.

The bank's main office is located in Iron County. The county has a diversified economic base with manufacturing and service sectors playing the largest roles. The largest employers for the county include Southern Utah University, Iron County School District, Intermountain Health Care, State of Utah, Wal-Mart, Stewardship Financial, Inc., Valley View Medical Center, Federal Government, Brian Head Resort, Inc., Smead Manufacturing, Iron County, LGE, and the Cedar City Corporation.

Table 2 Demographic Information for Iron County Utah Assessment Area

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Census Tracts	7	0.00	28.57	71.43	0.00	0.00
Population by Geography	33,779	0.00	28.03	71.97	0.00	0.00
Owner-Occupied Housing Units by Census Tract Income Level	7,050	0.00	24.82	75.18	0.00	0.00
Business by Geography	4,476	0.00	32.69	67.31	0.00	0.00
Farms by Geography	134	0.00	32.84	67.16	0.00	0.00
Family Distribution by Income Level	8,197	21.39	21.52	24.85	32.24	0.00
Distribution of LMI Families throughout AA Geographies	3,517	0.00	36.22	63.78	0.00	0.00
MFI Housing and Urban Development (HUD) Adjusted MFI for 2010 Households Below Poverty Level		41,239 51,800 17%	Median Housing Value Unemployment Rate (2000 U.S. Census)		109,951 2.55%	

Source: 2000 U.S. Census and 2010 HUD updated MFI

<u>Competition</u>

ADB operates in a competitive market in its AA; credit unions, other financial institutions, and mortgage companies all compete for area loans and deposits. Review of the Summary of Deposits data for June 30, 2009, reveals that the bank has maintained a market share of deposits in its AA at 10 percent of the nearly $492 million in deposits reported. In 2009 there were 6 institutions located in Iron County operating 12 offices, of which ADB operates 1 office.

<u>Community Contacts</u>

Two recent community contacts were reviewed in conjunction with this evaluation. The first contact was from a small business development association. The contact explained that the current economic environment is very challenging. The contact attributed the recent downward spiral of the local economy to tightening of credit, related to the financial condition of the local banks. In addition, the local economy has experienced one of the highest rates of unemployment in the area. The contact indicated that there is a great need for small business financing, community education, and small business training. Training on how to successfully plan and manage a business was also discussed as a local credit need.

The second contact was from a community housing organization. The contact indicated that the residential housing market has suffered high foreclosure rates, resulting in a depressed real estate market. The contact indicated that there are many opportunities to get involved with affordable housing and financial education that have not been fully met by local banks.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Part 345 of the FDIC's Rules and Regulations provides guidance on CRA rules and requirements. The CRA Questions and Answers issued by the Federal Financial Institutions Examination Council have been collected and provided institutions and examiners with guidance on how to handle specific circumstances identified in CRA evaluations. Appendix A of these questions and answers provides insight on how to evaluate institutions that do not fit or have performance in all small institution categories. This information states that an institution may compensate for weak or no performance in certain small institution criteria by exceptionally strong performance in CD lending, investments, and services in its AA, or a broader statewide or regional area that includes its AA.

ADB's lending covers 40 states and is marketed primarily through individual insurance agencies where the bank's lending satisfies a much needed credit niche for small businesses. Almost every business in this country requires some type of commercial insurance including liability and property insurance. However, the premium for these policies can represent a significant one-time expense that must be paid for each year. Many businesses have a difficult time paying this premium all at once, or for accounting purposes, need to amortize this expense over the life of the policy. Commercial insurance premium financing allows businesses to make affordable monthly payments for a business necessity without using up other forms of financing, such as higher cost credit cards or lines of credit from their primary bank which may be needed to fund other crucial operations for the business.

The AA lending, geographic distribution of loans, and borrower profile analysis do not provide meaningful information because of the bank's large market area. Each of these factors and the ANLTD ratio will be discussed with respect to the AA. However, these factors do not provide significant information and as such will carry little weight in determining ADB's overall CRA performance rating. The evaluation will focus on the institution's CD lending, investment, and service performance in its AA and broader regional areas. The evaluation also includes affiliate CD lending, investments, and service activities at ADB's request.

The following performance criteria are analyzed:

- **The bank's ANLTD ratio**
- **Lending within the AA**
- **Lending to businesses of different sizes**
- **Geographic distribution of loans**
- **Complaint response**

The bank's lending performance is responsive to identified credit needs within the AA through direct lending and indirectly through investments, donations, and services to small businesses and deposit customers. Documentation provided by the bank confirms the ADB's outreach efforts, CD service to the community, and efforts in ascertaining available investment opportunities.

Note: The analyses presented in the lending in the AA, geographic distribution, and borrower profile reflects the number of loans originated by the bank. Analysis of dollar volume of loans did not result in different conclusions. The number of loans is considered more indicative than the dollar volume of the bank's willingness to lend, because it represents the number of customers assisted, whereas dollar volume does not. Therefore, only the analyses by number of loans are presented in this evaluation.

Loan-to-Deposit Ratio

The institution has a 70 percent ANLTD ratio for the 12 quarters since the previous CRA Evaluation in June 2007. This ratio was at its highest of 86 percent as of September 30, 2007, and at its lowest at nearly 54 percent on March 31, 2010. The decrease in the ANLTD ratio resulted from an influx of deposit accounts to support commercial lending, which the bank has chosen not to pursue.

No weight is placed on this performance criterion in the overall evaluation of the ADB's lending performance.

CRITERIA FOR REMAINING PERFORMANCE FACTORS

The bank's performance was determined from analysis of its commercial loans originated and still outstanding as of June 30, 2010, for year-to-date (YTD) 2010. The bank only originates insurance premium loans, with the exception of a brief period of traditional commercial lending, which ended in 2009. All loans during the first 6 months of 2010 were less than $1 million and would be considered small business loans. The commercial loan universe for the assessment period consisted of 1,976 loans totaling nearly $24 million.

Loans Inside/Outside the Assessment Area

This performance criteria measures the degree in which a bank lends within its designated AA. Using the previously described portfolios, Table 3 shows the percentage of loans, by number and dollar volume, that the bank extended within its AA.

Overall, the bank extends a limited number of loans by number and dollar volume within its AA, with less than 1 percent, respectively.

Table 3 Distribution of Loans Inside and Outside the Assessment Area										
Loan Type	**Number of Loans**					**Dollar Amount of Loans**				
	Inside Assessment Area		**Outside Assessment Area**		**Total**	**Inside Assessment Area**		**Outside Assessment Area**		**Total**
	#	**%**	**#**	**%**		**$ (000)**	**%**	**$ (000)**	**%**	
Commercial Loans	14	0.71	1,962	99.29	1,976	68	0.28	23,648	99.72	23,716

Source: Bank records

No weight is placed on this performance criterion in the overall evaluation of the institution's lending performance.

The analysis of the remaining performance factors only considers loans made <u>within</u> the bank's AA.

Geographic Distribution

The geographic distribution of loans located inside the AA was analyzed by using the addresses (street address, city, and state) of the loan customers taken from the institution's loan portfolio. This analysis identified the loans geographically by the income level of the census tract. This analysis revealed that no loans were located in low- and upper-income tracts, 21 percent were located in moderate-income tracts, and 79 percent in middle-income tracts. The lending distribution is commensurate with the demographics of the AA. Additionally, the distribution mirrors D&B data for businesses located in Iron County, with 33 percent of the businesses located in moderate-income tracts and 67 percent located in middle-income tracts.

No weight is placed on this performance criterion in the overall evaluation of the institution's lending performance.

Lending To Businesses of Different Sizes

ADB has a strong performance in lending to businesses of different revenue sizes including small businesses. Bank lenders do not consider income in the underwriting of the insurance premium loans. ADB is an asset-based lender and provides loans based on the asset value of the collateral. Therefore, revenue data is not available. Examiners used the size of the loans originated by the bank as a proxy for the revenues of the business. This analysis was performed for loans originated by the bank in its AA.

All of the loans originated in Iron County for YTD 2010 were in amounts of less than $100,000. All of the loans were originated in amounts of less than $20,000, which indicates that the bank is originating loans to small businesses. Of the 14 loans in YTD 2010, only 1 was originated in an amount greater than $10,000.

A review of all loans originated by the bank using loan size as a proxy for the revenues of the businesses, revealed that 99 percent of the 1,976 loans originated to businesses YTD 2010 were loans in amounts of less than $100,000. The bank routinely provides loans to small businesses and fills a small business need in finding affordable ways to pay for insurance premiums.

Response to Complaints

ADB has not received any complaints relating to its CRA performance. Therefore, this criterion is not factored into the rating.

COMMUNITY DEVELOPMENT ACTIVITIES

ADB has an excellent level of qualified CD activities including loans, investments and services. In addition, ADB's affiliate activities were considered in the review of the bank's CD performance.

Community Development Loans

The bank originated 2 CD loans, totaling $60,000 since the previous CRA Evaluation dated June 25, 2007. The loans were extended to a local housing authority to facilitate the purchase of land for a joint project with a local university in order to build two single family homes for LMI families.

Additionally, review of the loans originated since the last examination revealed that the bank originated numerous loans to businesses located in middle-income non-metropolitan distressed or underserved geographies. These areas are distressed, which means that they meet 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. These loans are counted as CD because of the loan size and because the loans have not already been considered in the lending analysis.

Table 4 depicts insurance premium loans made in 2008 and 2009 in middle-income census tracts that have been designated as distressed and underserved. These loans are indicative of the efforts to serve all portions of the community.

Table 4 Distribution of Loans in Distressed and Underserved Middle-income Geographies

Loan Type	Number of Loans			Dollar Amount of Loans		
	Accounts	Distressed or Underserved	%	$	Distressed or Underserved	%
	#	#		$ (000)	$ (000)	
Commercial Loans						
2008 Total	6,823	368	5.4	67,987	2,526	3.7
2009 Total	7,467	401	5.4	64,884	2,384	3.7

Source: Bank records, 2008 and 2009 premium finance loans in distressed and underserved areas

Qualified Community Development Investments

ADB has an excellent level of qualified CD investments. Qualified CD investments to non-profit organizations in the AA and other areas totaled $959,000 since the previous CRA Evaluation in June 2007. These investments represent 1.77 percent of total assets of ADB and included the following:

- $655,000 investment in a mortgage-backed revenue bond secured by homes owned by LMI individuals.

- $304,000 investment in a community reinvestment group loan pool. This non-profit's mission is to foster the development of quality housing by providing flexible financing for multi-family rental projects that serve low-income Utah and surrounding area residents.

Qualified Community Development Donations

ADB's CD donations consisted of:

- $11,000 in donations to five non-profit organizations in Iron County. These funds were used for:
    - Providing scholarships to local persons who are LMI;
    - Delivering housing assistance, adult day care, job counseling, and other services to LMI disabled residents;
    - Assisting with business planning and financial projections in small business enterprise assisting new entrepreneurs; and
    - Granting access to shelter and non-shelter services to victims of domestic violence and their children.

ADB's affiliate donations totaled $184,000 to non-profit organizations in Iron County. The activities included:

- $120,000 in donations to a local foundation in Cedar City, Utah. The foundation is a non-profit foundation that provides donations to various organizations including one that supplies housing and basic necessities to the local transient population. In addition, sizable donations were provided to a local university that were used to provide housing to LMI students attending the university. These donations were made by the bank, LGE, and Leavitt Land & Investment.

- $62,000 donation to a hospitality house located in Cedar City, Utah. The house is a part of a non-profit hospital group that provides medical care to people, regardless of their ability to pay. The hospital provided $4 million in medical care to individuals unable to pay for the care. These donations were made by the bank, LGE, and Leavitt Land & Investment.

- $2,000 in donations to 3 non-profit organizations in Iron County. These monies were used for services to LMI individuals.

Table 5 Community Development Investments, Donations, and Grants

Year	Total	Affordable Housing	Community Development Services	Economic Development	Revitalization or Stabilization
	\$ (000)	**\$(000)**	**\$(000)**	**\$(000)**	**\$(000)**
Prior Period	**543**	**191**	**200**	**-**	**152**
3rd and 4th Quarter 2007	106	100	4	2	-
2008	467	456	6	5	-
2009	329	140	184	5	-
1st and 2nd Quarter 2010	252	249	1	2	-
Current Period Total	**1,154**	**945**	**195**	**14**	**-**

Source: Bank records

Community Development Services

ADB is a leader in providing CD services. Bank officers and Board members are actively involved in various non-profit groups within Iron County, often in leadership roles.

The institution's personnel and members of the Board of Directors are more than adequately involved in numerous CD service organizations using their institutional expertise to assist these organizations.

Bank CD services assist organizations that provide job search assistance, credit counseling, and financial education opportunities to LMI individuals. During the evaluation period, over 1,902 hours have been provided to local community groups. Institution personnel and Board members also serve on boards of non-profit organizations that provide affordable housing and small business assistance to CD organizations.

Table 6 Community Development Services					
Year	Total	Affordable Housing	Community Development Services	Economic Development	Revitalization or Stabilization
	Hours	Hours	Hours	Hours	Hours
3rd and 4th Quarter 2007	326	26	175	125	-
2008	645	44	335	266	-
2009	650	36	382	232	-
1st and 2nd Quarter 2010	281	12	178	91	-
Total	**1902**	**118**	**1070**	**714**	**-**

Source: Bank records

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the community credit needs was identified.

APPENDIX A - GENERAL DEFINITIONS

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/AA.

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

Census tract (CT): A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. CTs usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have GARs of $1 million or less; or, (4) activities that revitalize or stabilize: (i) Low-or moderate-income geographies; (ii) Designated disaster areas; or (iii) Distressed or underserved non-metropolitan middle-income geographies designated by the agencies, based on a. Rates of poverty, unemployment, and population loss; or b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. 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, which include: 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; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

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.

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, which is further classified into the following below:

- 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).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: ACT 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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 geography.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. 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 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 in place 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/AA.

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 area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent and less than 120 percent, in the case of 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 percent and less than 80 percent, in the case of geography.

Multifamily: Refers to a residential structure that contains five or more units.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured either by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small loan(s) to farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

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