

PUBLIC DISCLOSURE

May 10, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Bank of Alabama
Certificate Number: 2832

120 North St E
Talladega, AL 35160

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

10 10th Street NE, Suite 800
Atlanta, Georgia 30309-3849

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.

- Loan-to-Deposit Ratio – The institution's average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- Assessment Area Concentration – A majority of home mortgage and small business loans reviewed were originated within the bank's assessment areas.
- Geographic Distribution of Loans – The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment areas.
- Borrower Profile – The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels and businesses of different sizes.
- Response to Complaints – The bank has not received any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the overall rating.

The Community Development Test is rated Satisfactory.

The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

DESCRIPTION OF INSTITUTION

First Bank of Alabama is a state-chartered commercial bank headquartered in Talladega, Talladega County, Alabama, and is wholly-owned by FirstBanc of Alabama, Inc., a one-bank holding company, also located in Talladega. The bank does not have any subsidiaries and does not have any affiliates outside of the holding company. First Bank of Alabama received a “Satisfactory” rating at the previous FDIC Performance Evaluation, dated March 20, 2019, based on Interagency Intermediate Small Institution CRA Evaluation Procedures.

First Bank of Alabama has experienced changes in its branch network since the previous evaluation. Specifically, First Bank of Alabama operated seven full-service locations during the previous evaluation. On December 3, 2019, the bank opened a branch in Oxford, Calhoun County, Alabama. Further, on April 15, 2021, First Bank of Alabama acquired SouthFirst Bank, Sylacauga, Alabama, resulting in the acquisition of three additional branch locations (one in Chilton County and two in Talladega County). However, one of the Talladega County branch locations from the acquisition closed on July 9, 2021 due to the proximity of the branch to the bank’s main office. Currently, the bank operates 10 full-service locations in the following Alabama counties: four in Talladega County, three in Randolph County, one in Clay County, one in Calhoun County, and one in Chilton County.

First Bank of Alabama offers a variety of traditional consumer and commercial banking products and services. In particular, the bank offers commercial, agricultural, residential, and consumer loans, with a primary focus on commercial lending. This focus remains the same from the previous evaluation. Further, to better serve the needs of its consumers, the bank offers consumer small dollar loans in amounts of \$2,500 or less. Since the previous evaluation, the bank has originated 95 small dollar loans totaling approximately \$186,490. In addition, the bank participated in the Small Business Administration’s (SBA) Paycheck Protection Program (PPP). This temporary program was created through the Coronavirus Aid, Relief, and Economic Security Act and was intended to provide economic relief to small businesses adversely impacted under the Coronavirus Disease 2019 Emergency Declaration issued on March 13, 2020. In total, the bank originated 287 PPP loans, totaling approximately \$31.3 million. Lastly, the bank provides a variety of deposit products, including checking, savings, money market, certificates of deposit accounts, and individual retirement accounts. Alternative banking services include online banking, telephone banking, mobile banking, and access to automated teller machines (ATMs).

As of the March 31, 2022 Consolidated Reports of Condition and Income, First Bank of Alabama reported total assets of approximately \$877.0 million. Total loans were approximately \$535.8 million and total deposits were approximately \$792.2 million. As shown in the following table, commercial loans (loans secured by non-farm, non-residential properties and commercial and industrial loans) represent the largest portion of the loan portfolio at 49.7 percent, followed by loans secured by 1-4 family residential properties at 19.7 percent.

Loan Portfolio Distribution as of 3/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	87,818	16.4
Secured by Farmland	5,361	1.0
Secured by 1-4 Family Residential Properties	105,535	19.7
Secured by Multifamily (5 or more) Residential Properties	34,952	6.5
Secured by Nonfarm Nonresidential Properties	195,676	36.5
Total Real Estate Loans	429,342	80.1
Commercial and Industrial Loans	70,666	13.2
Agricultural Production and Other Loans to Farmers	950	0.2
Consumer Loans	28,632	5.3
Obligations of State and Political Subdivisions in the U.S.	4,917	0.9
Other Loans	1,687	0.3
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(438)	(0.1)
Total Loans	535,756	100.0
<i>Source: March 31, 2022 Reports of Condition and Income (Call Report)</i>		
<i>Due to rounding, totals may not equal 100%</i>		

In addition, there are no financial, legal, or other impediments that limit the institution's ability to meet credit needs.

DESCRIPTION OF ASSESSMENT AREAS

First Bank of Alabama designated three assessment areas in Alabama. The first assessment area is comprised of Talladega, Randolph, Clay, and Coosa counties, which are Non-Metropolitan Statistical Area (Non-MSA) counties in Alabama. The second assessment area consists of portions of Calhoun County, which is part of the Anniston-Oxford, AL MSA. The third assessment area consists of one county, Chilton, which is part of the Birmingham-Hoover, AL MSA. Refer to the table below for an overview of each assessment area.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Non-MSA	Talladega, Randolph, Clay, and Coosa	35	8
Calhoun County	Calhoun	9	1
Chilton County	Chilton	9	1
<i>Source: Bank Data</i>			

At the previous evaluation, the Non-MSA assessment area was the bank's only assessment area and consisted of portions of Talladega County and all of Randolph and Clay counties. Due to the opening of the Chilton County location and the acquisition of SouthFirst Bank, the bank expanded its Non-MSA assessment area and added the Chilton County and Calhoun County assessment areas. Please refer to the individual assessment areas for additional information.

SCOPE OF EVALUATION

General Information

The evaluation period is from the last evaluation, dated March 20, 2019, to the current evaluation, dated May 10, 2022. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate First Bank of Alabama's CRA performance. These procedures consist of two tests: Lending Test and Community Development Test. Refer to Appendix A for additional details regarding each test.

Most of the bank's activities occur in the Non-MSA assessment area; therefore, a full-scope review was performed, and this assessment area received the most weight. The Calhoun County assessment area also received a full-scope review and received less weight when compared to the Non-MSA assessment area due to the lower percentage of loan and deposit activity and branch locations. Lastly, since the bank recently entered the Chilton County market and has not operated within this county for a full calendar year along with lending activity within this assessment area being nominal, the Chilton County assessment area was excluded from this evaluation.

Activities Reviewed

The CRA regulation requires examiners to review lending performance with respect to home mortgage, small business, and small farm loans, if significant. Using bank data, examiners determined the major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy and distribution of the loan portfolio. In addition, the commercial and industrial loans include loans originated in 2021 under the SBA PPP. The bank originated 10 PPP loans totaling approximately \$2.9 million in 2021. Other loan types, such as agricultural loans, do not represent a major product line and are not included in the review.

For the Lending Test, this evaluation considered all small business loans originated in 2021 and home mortgage loans originated in 2020 and 2021. The institution is not required to collect or report its small business loan data and has elected not to do so. Therefore, examiners reviewed the universe of small business lending based on 2021 loan data. In 2021, the bank originated 188 small business loans totaling approximately \$27.5 million. Small business lending was compared to 2021 Dun & Bradstreet, Inc. (D&B) data.

Effective January 1, 2020, the bank was subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA); thus, the home mortgage lending universe for 2020 and 2021 were analyzed. In 2020, the bank reported 138 home mortgage loans totaling approximately \$49.7 million. In 2021, the bank reported 156 home mortgage loans totaling approximately \$42.8 million. Examiners did not identify any trends between 2020 and 2021 for home mortgage lending that materially affected conclusions. Therefore, this evaluation presents home mortgage lending information for calendar year 2020, which is the most recent year that aggregate HMDA data is available. However, any observed anomalies are discussed under the *Geographic Distribution* and *Borrower Profile* criterion under each assessment area. In addition to aggregate HMDA data, the 2015 American Community Survey (ACS) demographic data provided a standard of comparison for home mortgage loans. The demographic data includes the percent of owner-occupied housing units

to evaluate the *Geographic Distribution* and percent of families to evaluate the *Borrower Profile* criterion.

While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans, because the number of loans is a better indicator of the number of businesses and individuals served. Small business loans were given more weight when compared to home mortgage lending. Examiners determined the weight based on the volume of loans, as well as the bank's lending focus and portfolio composition.

For the Community Development Test, community development lending, qualified investments, and community development services were reviewed. The evaluation period for community development lending and service activities is March 20, 2019 through May 10, 2022. Qualified investments identified since the previous evaluation, as well as qualified investments that were either purchased prior to, but still outstanding as of this evaluation date or purchased during the evaluation period, are included.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Overall, First Bank of Alabama demonstrated reasonable performance under the Lending Test. The reasonable Loan-to-Deposit ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile support this conclusion.

Loan-to-Deposit Ratio

First Bank of Alabama's average net loan-to-deposit (NLTD) ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs. The NLTD, calculated from Call Report data, averaged 70.1 percent over the past 13 calendar quarters from March 31, 2019 to March 31, 2022. The ratio ranged from a low of 65.3 percent, as of December 31, 2021, to a high of 75.3 percent, as of September 30, 2019. The NLTD ratio has been relatively stable since the previous evaluation, when the average was 68.9 percent.

Although the bank faces competition from numerous financial institutions operating in the assessment areas, there are no banks that are considered similarly situated in terms of size, branching network, and product offerings. As a result, examiners used the Uniform Bank Performance Report data to compare the bank's lending performance. First Bank of Alabama is categorized in Peer Group 5, which consists of insured commercial banks having assets between \$300.0 million and \$1.0 billion. The peer group's average NLTD ratio of 76.7 percent was calculated over the same 13 quarters, which was above the bank's performance, but comparable.

Assessment Area Concentration

The bank originated a majority of home mortgage and small business loans, by number, inside the assessment areas. By dollar amount, only 38.8 percent of home mortgage loans were originated inside the assessment areas. However, it is important to note that the dollar volume of home

mortgage lending within the assessment areas was significantly impacted by the bank's origination of the ten largest loans totaling \$23.3 million in 2021, which were extended in adjacent counties and were mostly for multi-family investment properties with very high origination amounts. Additionally, other loans extended outside of the bank's assessment areas were in adjacent areas that generally have higher property values. The following table provides further details regarding the assessment areas' lending concentration.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	62	44.9	76	55.1	138	23,838	47.9	25,885	52.1	49,723
2021	98	62.8	58	37.2	156	12,067	28.2	30,762	71.8	42,829
Subtotal	160	54.4	134	45.6	294	35,905	38.8	56,647	61.2	92,552
Small Business										
2021	119	63.3	69	36.7	188	17,061	62.0	10,473	38.0	27,534
<i>Source: Bank Data</i>										

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Lending performance is generally consistent throughout the Non-MSA and Calhoun County MSA assessment areas.

Borrower Profile

Overall, the distribution of loans reflects reasonable penetration among businesses of different sizes and individuals of different income levels. Lending performance is generally consistent throughout the Non-MSA and the Calhoun County assessment areas.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

First Bank of Alabama demonstrated adequate responsiveness to the community development needs of the assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities within its assessment areas.

Community Development Loans

During the evaluation period, First Bank of Alabama originated 35 community development loans totaling approximately \$27.7 million. Based on dollar volume, the bank’s current level of community development loans represents 5.2 percent of net loans and 3.2 percent of total assets. Of the 35 community development loans, 13 loans, or 37.1 percent, totaling approximately \$1.3 million, or 4.6 percent, were extended outside of the assessment areas, but within a broader statewide area that includes the bank's assessment areas. The loans extended in a broader statewide area were included in the analysis since the bank adequately served the needs of its assessment areas. The following tables detail the bank’s community development lending activity by year, assessment area, and purpose during the evaluation period.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019*	5	393	-	-	-	-	4	2,850	9	3,243
2020	5	1,230	-	-	1	1,650	6	6,354	12	9,234
2021	9	2,060	1	100	2	370	2	12,734	14	15,264
Total	19	3,683	1	100	3	2,020	12	21,938	35	27,741

*Source: Bank Data; *3/20/2019 through 12/31/2019*

Community Development Lending by Assessment Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA	2	356	1	100	1	1,650	5	2,210	9	4,316
Calhoun County	5	2,213	-	-	2	370	6	19,555	13	22,138
Total	7	2,569	1	100	3	2,020	11	21,765	22	26,454
Statewide Activities	12	1,114	-	-	-	-	1	173	13	1,287
Total	19	3,683	1	100	3	2,020	12	21,938	35	27,741

Source: Bank Data

The following are examples of community development loans that were extended outside of the bank’s assessment areas, but within the broader statewide area that includes the bank’s assessment areas.

- In 2020, the bank originated a \$173,000 working capital loan to a business that operates in two moderate-income census tracts that revitalizes/stabilizes the areas by maintaining employment opportunities for low- and moderate-income individuals.
- In 2020, the bank originated a \$554,000 loan to repair and renovate a mobile home community that provides affordable housing to low- and moderate-income individuals.
- In 2021, the bank originated a \$140,000 loan to finance the purchase of an apartment complex targeted to low- and moderate-income individuals.

Refer to the *Community Development Test* section of each assessment area for further details of the community development loans.

In addition, the bank participates in the Alabama Multi-Family Loan Consortium (AMLC). The AMLC is a non-profit organization that provides financing for affordable housing throughout Alabama. During the evaluation period, the bank purchased participations in nine loans totaling \$119,000.

Further, on March 23, 2022, First Bank of Alabama established an Affordable Home Loan Program to better serve the needs of low- and moderate-income borrowers, census tracts, and underserved/distressed areas. The program waives the origination fee, processing fee, and appraisal fee for applicants. Due to the recent establishment of the program, there have been no loan originations under this program.

Qualified Investments

First Bank of Alabama made 296 qualified investments and donations totaling approximately \$13.7 million. This dollar amount of qualified investments represents 1.6 percent of total assets and 6.0 percent of total securities. The bank implements its community development objectives through mediums such as municipal securities. In addition, donations are provided to various organizations primarily in the community services category, which provide services to low- and moderate-income individuals.

The following tables detail the qualified investments by year and assessment area.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	-	-	6	1,431	10	3,075	16	4,506
2019*	-	-	-	-	2	810	-	-	2	810
2020	-	-	-	-	-	-	5	2,190	5	2,190
2021	-	-	-	-	-	-	7	5,860	7	5,860
Subtotal	-	-	-	-	8	2,241	22	11,125	30	13,366
Qualified Grants & Donations	7	5	232	234	22	45	5	4	266	288
Total	7	5	232	234	30	2,286	27	11,129	296	13,654

*Source: Bank Data, *3/20/2019 through 12/31/2019*

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA	6	4	208	190	23	2,276	24	10,169	261	12,639
Calhoun County	1	1	19	29	3	9	3	960	26	999
Statewide Activities	-	-	5	15	4	1	-	-	9	16
Total	7	5	232	234	30	2,286	27	11,129	296	13,654
<i>Source: Bank Data</i>										

The bank made numerous donations to qualified community development organizations. Most were for the purpose of community services and included donations to organizations that fund scholarships based on financial need, various programs to provide food for the hungry, youth programs targeted to low-income families, and medical services to the uninsured.

The following are examples of the statewide qualified donations benefiting the assessment areas.

- In 2021, various donations were made to an organization that provides services to small businesses and farms for economic development purposes.
- In 2020, a donation was made to a non-profit humanitarian organization that provides emergency assistance, disaster relief, and disaster preparedness education that directly benefitted the bank's assessment areas.

Refer to the full-scope assessment areas for more examples of qualified investments.

Community Development Services

First Bank of Alabama’s directors, management, and staff serve on multiple Boards and committees or provide other financial services to various community development organizations. The institution’s personnel loaned their knowledge and skills to different organizations and contributed 34 community development services during the review period. Statewide community development activities accounted for 32.4 percent of total community development services.

The following tables detail the community development service activity by year, assessment area, and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019*	-	5	1	-	6
2020	-	8	1	-	9
2021	-	9	1	-	10
YTD 2022	-	6	3	-	9
Total	-	28	6	-	34
<i>Source: Bank Data; *3/20/2019 through 12/31/2019</i>					

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Non-MSA	-	21	-	-	21
Calhoun County	-	-	2	-	2
Statewide Activities	-	7	4	-	11
Total	-	28	6	-	34
<i>Source: Bank Data</i>					

Below are examples of community development services that were included within the broader statewide area that includes the bank’s assessment areas.

- From 2019 to 2021, an employee served as a Board member and financial committee member for a non-profit organization that provides job training and opportunities for low- and moderate-income individuals.
- From 2019 to 2021, an employee served on the Board and as a financial advisor for a non-profit organization that provides various types of support for low- and moderate-income individuals, such as providing counseling and social services, income assistance, health care, and education alternatives.
- In 2021 and 2022, an employee served on the Board and assisted with grant applications and fund allocation for a non-profit organization that provides services for low- and moderate-income individuals, such as health, education, and financial stability.

Refer to the *Community Development Test* section of each assessment area for further details of the community development services.

In addition, First Bank of Alabama operates two branches and two deposit-taking ATMs in moderate-income census tracts. The bank also operates one branch and one deposit-taking ATM in an underserved middle-income census tract. Branches in the moderate-income and underserved census tracts represent 30.0 percent of total operating locations.

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 evidence of discriminatory or other illegal credit practices.

NON-MSA ASSESSMENT AREA – Full-Scope Review

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

First Bank of Alabama’s Non-MSA assessment area consists of 35 census tracts across all of Talladega, Randolph, Clay, and Coosa counties. All three middle-income census tracts in Clay County are designated as underserved because of the remote and rural nature of the census tracts. At the prior evaluation, this assessment area consisted of 14 census tracts within Talladega County and Clay and Randolph counties in their entirety.

As previously noted, the branching network within this assessment area has changed since the previous evaluation. With the acquisition of SouthFirst Bank, two additional branch locations were added in Talladega County. However, one location subsequently closed on July 9, 2021. As a result, First Bank of Alabama operates eight (80.0 percent) full-service locations, including the main office, within this assessment area. Of the eight locations, one is in a moderate-income census tract, six are in middle-income census tracts, which includes one underserved middle-income census tract, and one is in an upper-income census tract.

Economic and Demographic Data

The following table presents demographic information for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	35	2.9	8.6	71.4	17.1	0.0
Population by Geography	128,649	2.2	8.5	69.1	20.1	0.0
Housing Units by Geography	62,297	2.5	8.4	70.0	19.1	0.0
Owner-Occupied Units by Geography	36,241	1.2	6.2	71.6	21.1	0.0
Occupied Rental Units by Geography	13,967	6.6	16.8	63.6	13.0	0.0
Vacant Units by Geography	12,089	1.6	5.3	72.8	20.2	0.0
Businesses by Geography	6,203	1.5	13.2	66.5	18.8	0.0
Farms by Geography	250	0.0	6.4	75.6	18.0	0.0
Family Distribution by Income Level	34,158	22.8	17.9	19.4	39.9	0.0
Household Distribution by Income Level	50,208	25.5	15.9	16.5	42.2	0.0
Median Family Income Non-MSAs - AL		\$45,454	Median Housing Value			\$92,696
			Median Gross Rent			\$560
			Families Below Poverty Level			17.7%
<i>Source: 2015 ACS and 2021 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.</i>						

The *Geographic Distribution* criterion compares small business loans to the percentage of businesses and home mortgage loans to the distribution of owner-occupied housing units located in low-, moderate-, middle-, and upper-income census tracts. The majority of businesses and owner-occupied housing units are located in middle- and upper-income census tracts. The demographics reflect limited businesses and owner-occupied housing units in the low-income census tract, which could impact lending opportunities in that area.

The 2020 and 2021 Federal Financial Institutions Examination Council’s (FFIEC) estimated median family incomes (MFI) for the Non-MSA assessment area were used to analyze home mortgage loans under the *Borrower Profile* criterion. The low-, moderate- middle- and upper-income ranges and categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$51,700)	<\$25,850	\$25,850 to <\$41,360	\$41,360 to <\$62,040	≥62,040
2021 (\$53,400)	<\$26,700	\$26,700 to <\$42,720	\$42,720 to <\$64,080	≥\$64,080
<i>Source: FFIEC</i>				

The analysis of small business loans under the *Borrower Profile* criterion compares the distribution of businesses by gross annual revenue level. According to 2021 D&B data, there were 6,203 businesses in the assessment area. The following are the gross annual revenues for these businesses:

- 80.7 percent have \$1.0 million or less;
- 4.5 percent have more than \$1.0 million; and
- 14.8 percent have unknown revenues.

Further, of the total 6,453 businesses and farms located in the assessment area, 59.3 percent reported having four or fewer employees and 86.1 percent reported operating from a single location.

According to the Standard Industrial Classification system, service industries represent the largest percentage of businesses at 34.1 percent, followed by non-classifiable establishments and retail trade at 17.7 percent and 15.7 percent, respectively.

Unemployment data indicates that in prior years, Randolph, Clay, and Coosa counties’ unemployment rates remained below state averages. Talladega County's unemployment rate remained slightly above state averages. All four counties in the assessment area had unemployment rates below national averages.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Talladega	3.4	7.0	4.0
Randolph	3.1	4.7	2.5
Clay	3.0	4.0	2.5
Coosa	3.0	5.5	2.9
State of Alabama	3.2	6.5	3.4
National Average	3.7	8.1	5.3

Source: Bureau of Labor Statistics

According to Alabama Works, major employers in Talladega County are Honda Manufacturing of AL LLC; Nemak; Coosa Valley Medical Center; Legacy Cabinets LLC; and Walmart Supercenter. Major employers in Randolph County are Dixie Group, Inc.; Walmart Supercenter; Steelfab, Inc.; Southern Union College; and Rehab Center. Major employers in Clay County are Wellborn Cabinet Inc.-Woodyard; Tru Cabinetry; Lineville Nursing Facility; Central High School – Clay County; and Goodwater Healthcare Center. Major employers in Coosa County are Madix, Inc.; Coosa County Commissioner Office; Central Elementary School; Wingfield Engineering Co.; and Pursell Farms.

Competition

There is a high level of competition within this assessment area. According to FDIC Deposit Market Share data, as of June 30, 2021, 11 FDIC-insured financial institutions operated 31 offices within the Non-MSA assessment area. Of these institutions, First Bank of Alabama ranked first with a 38.4 percent deposit market share.

Community Contacts

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

Examiners conducted two community contact interviews: one with an economic development organization and one with a community-based, non-profit organization. The contacts stated that there is a need for temporary business financing for start-ups, job opportunities, and financial literacy programs.

Credit and Community Development Needs and Opportunities

Considering the community contacts, demographics, and economic data, examiners determined small business and affordable home mortgage loans represent primary credit needs of the assessment area. The significant percentage of businesses with GARs of \$1.0 million or less (80.7 percent); the number of businesses with four or fewer employees (59.3 percent); and the

information obtained from the community contacts support the conclusion that there is a need for small business lending. Further, the relatively high number of low- and moderate-income families (40.7 percent) combined with the assessment area's poverty rate (17.7 percent) indicates a need for affordable housing.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-MSA ASSESSMENT AREA

LENDING TEST

First Bank of Alabama demonstrated reasonable performance under the Lending Test in the Non-MSA assessment area. This performance was based on the institution's reasonable dispersion of loans throughout the assessment area and a reasonable penetration of loans to borrowers of different income levels and businesses of different sizes.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Non-MSA assessment area for home mortgage and small business loans.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As noted in the following table, by number, the level of home mortgage lending in low- and moderate-income census tracts exceeds both the percent of owner-occupied housing units and aggregate performance data. Refer to the following table for details.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	1.7	0.2	2	3.4	72	0.4
Moderate						
2020	2.4	1.3	3	5.2	202	1.0
Middle						
2020	64.7	54.7	37	63.8	3,409	17.3
Upper						
2020	31.2	43.9	16	27.6	16,055	81.3
Totals						
2020	100.0	100.0	58	100.0	19,738	100.0
<i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business lending reflects reasonable performance. There were no loans originated within the low-income census tract; however, demographic data reflects limited lending opportunities within these census tracts. Lending performance in moderate-income census tracts is below the percent of businesses within these geographies. However, given the high level of competition and the small number of businesses that operate within moderate-income census tracts, lending performance is considered reasonable. Refer to the following table for details.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	1.5	0	0.0	0	0.0
Moderate	13.2	3	3.1	273	2.0
Middle	66.5	75	77.3	10,516	75.4
Upper	18.8	19	19.6	3,150	22.6
Totals	100.0	97	100.0	13,939	100.0

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

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels, including low- and moderate-income individuals and businesses of different sizes.

Home Mortgage Loans

The bank's dispersion of home mortgage lending to borrowers of different income levels reflects reasonable performance. Home mortgage lending to low-income and moderate income borrowers is significantly below demographics, but exceeds aggregate performance. Refer to the following table for details.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	21.2	2.9	2	3.4	129	0.7
Moderate						
2020	17.4	10.6	7	12.1	336	1.7
Middle						
2020	19.7	20.0	10	17.2	579	2.9
Upper						
2020	41.7	47.5	26	44.8	2,530	12.8
Not Available						
2020	0.0	19.1	13	22.4	16,164	81.9
Totals						
2020	100.0	100.0	58	100.0	19,738	100.0
<i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. The bank's penetration level of businesses with GARs of \$1.0 million or less was below demographics. As the table indicates, there are loans with no revenue data available, which impacts the analysis. Of the loans with no revenue available, nine are PPP loans for which revenue was not required. Considering the loans for which no revenue is available, the analysis reflects that 67 loans, or 77.0 percent of the 87 loans with revenue data available, were made to small businesses, which is considered reasonable. Refer to the following table for details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	80.7	67	69.1	5,389	38.7
>\$1,000,000	4.5	20	20.6	5,804	41.6
Revenue Not Available	14.8	10	10.3	2,746	19.7
Total	100.0	97	100.0	13,939	100.0
<i>Source: 2021 D&B Data, Bank Data; Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

First Bank of Alabama demonstrated reasonable responsiveness to the community development needs of the Non-MSA assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities in the assessment area.

Community Development Loans

The bank originated nine community development loans totaling \$4.3 million within the Non-MSA assessment area. This performance represents 25.7 percent by number and 15.5 percent by dollar volume of bank-wide community development loans originated during the evaluation period.

Below are examples of community development loans originated in the assessment area.

- In 2019, the bank originated a \$400,000 loan to finish the construction of two businesses in a distressed/underserved middle-income census tract, which helps revitalize and stabilize the area by creating job opportunities for low- and moderate-income individuals.
- In 2020, the bank originated a \$1.7 million farm loan to construct and expand farming operations, thereby providing job opportunities and promoting economic development within the assessment area.
- In 2021, the bank originated a \$100,000 loan to a non-profit organization that serves impoverished and low-income families throughout the assessment area.

Qualified Investments

First Bank of Alabama provided 261 qualified investments and donations totaling approximately \$12.6 million in the Non-MSA assessment area. This level of lending represents 88.2 percent by number and 92.0 percent by dollar volume of bank-wide qualified investments and donations.

Below are examples of qualified investments and donations within this assessment area.

- One municipal bond for \$530,000 for the purchase of capital improvements that are used by low- and moderate-income individuals living within Randolph County.
- A \$150,000 investment for capital improvements to a facility located within the City of Talladega's Enterprise Zone that will stabilize or revitalize low- and moderate-income geographies by maintaining employment opportunities for individuals located within these geographies.
- Several large donations were made to purchase a financial literacy program that is used in various schools within this assessment area, with a majority of the students eligible to receive free or reduced lunch.

Community Development Services

The bank participated in 21 community development services within the Non-MSA assessment area. This represents 61.8 percent of the total community development service activities during the review period.

Below are examples of community development services in the assessment area.

- In 2019 and 2021, an employee served as a Treasurer of a non-profit organization that provides services to low- and moderate-income individuals, such as providing meals, scholarships, and promoting literacy and education.
- In 2021 and 2022, an employee provided financial literacy training to individuals in underserved middle-income census tracts. The classes include subjects such as managing checking and savings accounts, establishing credit, and identity theft protection.
- In 2021 and 2022, an employee served as a Board member and provided financial advice for a non-profit organization that provides community services for low- and moderate-income individuals, such as providing assistance with medical bills, utilities, clothing, and food pantry items.

CALHOUN COUNTY ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE CALHOUN COUNTY ASSESSMENT AREA

Calhoun County is located within the Anniston-Oxford, AL MSA. This assessment area consists of a portion of Calhoun County. Specifically, the assessment area consists of nine census tracts within southern Calhoun County. The bank operates one full-service branch (10 percent) within this assessment area, which is located in a middle-income census tract.

Economic and Demographic Data

The following table presents demographic information for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	11.1	22.2	44.4	22.2	0.0
Population by Geography	34,443	5.7	13.4	58.6	22.3	0.0
Housing Units by Geography	15,670	5.9	14.3	56.9	22.8	0.0
Owner-Occupied Units by Geography	8,958	2.9	9.0	62.1	26.0	0.0
Occupied Rental Units by Geography	4,550	9.2	21.2	51.8	17.9	0.0
Vacant Units by Geography	2,162	11.7	22.2	46.3	19.8	0.0
Businesses by Geography	2,837	2.5	33.9	51.5	12.0	0.0
Farms by Geography	45	0.0	28.9	57.8	13.3	0.0
Family Distribution by Income Level	9,124	21.6	15.9	22.3	40.2	0.0
Household Distribution by Income Level	13,508	23.1	16.5	16.0	44.4	0.0
Median Family Income MSA - 11500 Anniston-Oxford, AL MSA		\$52,300	Median Housing Value			\$114,338
			Median Gross Rent			\$630
			Families Below Poverty Level			15.0%

Source: 2015 ACS and 2021 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.

The *Geographic Distribution* criterion compares small business loans to the percentage of businesses and home mortgage loans to the distribution of owner-occupied housing units located in low-, moderate-, middle-, and upper-income census tracts. The majority of businesses are located in moderate- and middle-income census tracts. The majority of owner-occupied housing units are located in middle- and upper-income census tracts. The demographics reflect limited businesses and owner-occupied housing units in the low-income census tract, which could impact lending opportunities in that area.

The 2020 and 2021 FFIEC estimated MFIs for the Anniston-Oxford, AL MSA were used to analyze home mortgage loans under the *Borrower Profile* criterion. The low-, moderate- middle- and upper-income ranges and categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$61,500)	<\$30,750	\$30,750 to <\$49,200	\$49,200 to <\$73,800	≥\$73,800
2021 (\$63,700)	<\$31,850	\$31,850 to <\$50,960	\$50,960 to <\$76,440	≥\$76,440
<i>Source: FFIEC</i>				

The analysis of small business loans under the *Borrower Profile* criterion compares the distribution of businesses by gross annual revenue level. According to 2021 D&B data, there were 2,837 businesses in the assessment area. The following are the gross annual revenues for these businesses:

- 74.6 percent have \$1.0 million or less;
- 7.0 percent have more than \$1.0 million; and
- 18.4 percent have unknown revenues.

Further, of the 2,882 businesses and farms located in the assessment area, 56.6 percent reported having four or fewer employees and 80.8 percent reported operating from a single location.

According to the Standard Industrial Classification system, service industries represent the largest percentage of businesses at 39.6 percent, followed by retail trade and non-classifiable establishments at 17.7 percent and 12.6 percent, respectively.

Unemployment data indicates that in prior years, Calhoun County’s unemployment rates remained above state averages. Conversely, unemployment rates remained below national averages. Refer to the following table for details.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Calhoun County	3.6	7.1	3.9
State of Alabama	3.2	6.5	3.4
National Average	3.7	8.1	5.3
<i>Source: Bureau of Labor Statistics</i>			

According to Alabama Works, major employers in Calhoun County are Federal-Mogul Corp.; New Flyer Industries; BAE Systems PLC; Oxford City Board of Education; and Walmart Supercenter. The following table provides select demographic information of the assessment area.

Competition

There is a high level of competition within this assessment area. According to FDIC Deposit Market Share data, as of June 30, 2021, 10 FDIC-insured financial institutions operated 31 offices within the Calhoun County assessment area. Of these institutions, First Bank of Alabama ranked ninth with a 1.6 percent deposit market share.

Credit and Community Development Needs and Opportunities

Considering the demographic and economic data, examiners determined small business loans represent a primary credit need of the assessment area. The significant percentage of businesses with GARs of \$1.0 million or less (74.6 percent) and the number of businesses with four or fewer employees (56.6 percent) support the conclusion that there is a need for small business lending. Further, the relatively high number of low- and moderate-income families (37.5 percent) combined with the assessment area's poverty rate (15.0 percent) indicates a need for affordable housing.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CALHOUN COUNTY ASSESSMENT AREA

LENDING TEST

First Bank of Alabama demonstrated reasonable performance under the Lending Test in the Calhoun County assessment area. This performance is based on the institution's reasonable dispersion of loans throughout the assessment area and reasonable penetration of loan to borrowers of different income levels and businesses of different sizes.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Calhoun County assessment area for home mortgage and small business loans.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. In 2020, the bank only originated four loans totaling approximately \$4.1 million within the assessment area, and none were originated in low- or moderate-income census tracts. In 2021, the bank's lending increased to 15 home mortgage loans totaling approximately \$3.1 million within the assessment area. Zero loans were extended in low-income census tracts, which is in line with demographics of 2.9 percent, and six loans or 40.0 percent were extended within moderate-income census tracts, which is significantly above demographics of 9.0 percent.

Small Business Loans

The geographic distribution of small business lending reflects reasonable performance. There were no loans originated within the low-income census tract; however, demographic data reflects limited lending opportunities. Lending performance in moderate-income census tracts is significantly below the percent of businesses within these geographies. However, lending concerns are mitigated by the high level of competition within this assessment area long with the bank's recent entrance into the

market, which limited the bank's lending opportunities within this assessment area. Refer to the following table for details.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	2.5	0	0.0	0	0.0
Moderate	33.9	2	9.1	113	3.6
Middle	51.5	19	86.4	2,909	93.2
Upper	12.0	1	4.5	100	3.2
Totals	100.0	22	100.0	3,122	100.0

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

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels, including low- and moderate-income individuals and businesses.

Home Mortgage Loans

Due to the limited number of loans that were originated in 2020, meaningful conclusions could not be reached. In 2020, the bank originated four home mortgage loans totaling approximately \$4.1 million in this assessment area, with none to low- or moderate-income borrowers. In 2021, lending increased to 15 loans totaling approximately \$3.1 million. However, zero loans were originated to low- and moderate-income individuals. Poor lending performance is mitigated by the bank's recent entrance into the market and a high-level of competition.

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. The bank's penetration level of businesses with GARs of \$1.0 million or less is below the percent of businesses. However, lending performance is mitigated by the level of competition within the assessment area and the bank's recent entrance into this assessment area, which has impacted its lending penetration within this assessment area. Refer to the following table for details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	74.6	12	54.5	1,877	60.1
>\$1,000,000	7.0	10	45.5	1,245	39.9
Revenue Not Available	18.4	0	0.0	0	0.0
Total	100.0	22	100.0	3,122	100.0

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

COMMUNITY DEVELOPMENT TEST

First Bank of Alabama demonstrated adequate responsiveness to the community development needs of the Calhoun County assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities in the assessment area.

Community Development Loans

The bank originated 13 community development loans totaling \$22.1 million within the Calhoun County assessment area. This performance represents 37.1 percent by number and 79.8 percent by dollar volume of bank-wide community development loans originated during the evaluation period.

Below are examples of community development loans originated in the assessment area.

- In 2020, the bank originated a \$2.2 million loan to a manufacturer that revitalizes and stabilizes low- and moderate-income census tracts by providing job opportunities for low- and moderate-income individuals.
- In 2020, the bank originated a \$3.2 million loan to construct a facility that revitalizes and stabilizes low- and moderate-income census tracts by providing long-term job opportunities for low- and moderate- income individuals.
- In 2021, the bank originated a \$480,000 loan to finance the purchase of an apartment complex located in a moderate-income census tract that provides affordable housing targeted towards low- and moderate-income individuals.

Qualified Investments

First Bank of Alabama provided 26 qualified investments, which included donations totaling \$999,000 in the Calhoun County assessment area. This level of investments represents 8.8 percent by number and 7.3 percent by dollar volume of bank-wide qualified investments.

Below are examples of qualified investments.

- A \$960,000 municipal bond for essential infrastructure improvements benefitting low- and moderate-income residents within Calhoun County.
- Several donations were made throughout the review period to a non-profit organization that targets its services toward low- and moderate-income families by providing them with eye examinations, glasses, and other eye care/treatment.
- Various donations, during the review period, were made to a non-profit organization that provides financial assistance to low- and moderate-income individuals with a goal to help these individuals obtain income stability.

Community Development Services

The bank participated in two community development services within the Calhoun County assessment area. This represents 5.9 percent of the total community development service activities during the review period.

Below is a description of the community development services in the assessment area.

- An employee served as the Vice Chair of Business Development for an organization that provides support to various businesses in the assessment area.
- An employee helped promote small business development by hosting educational workshops and classes.

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 withformed).

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.