

## Section 1 - CRA Performance Evaluation

# **PUBLIC DISCLOSURE**

April 10, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Washington County Bank  
Certificate Number: 12241

1523 Washington Street  
Blair, Nebraska 68008

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

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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

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## INSTITUTION RATING

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

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

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment areas' credit needs.
- Overall, a majority of small farm, small business, and home mortgage loans reviewed were located outside of the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels.
- The institution did not receive any Community Reinvestment Act (CRA) complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

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

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

## DESCRIPTION OF INSTITUTION

Washington County Bank is headquartered in Blair, Nebraska and continues to be wholly owned by Blair Holdings, Inc., a one-bank holding company. The bank received a CRA Rating of “Satisfactory” at the previous FDIC Performance Evaluation dated May 11, 2020, which followed Interagency Intermediate Small Bank Examination Procedures. Washington County Bank operates two additional full-service branches in Tekamah and Fort Calhoun, Nebraska.

Washington County Bank offers traditional loan products including agricultural, commercial, home mortgage, and consumer loans. The bank also purchases agricultural loans from affiliate Diversified Financial Services, Inc. (DFS) and originates and sells home mortgage loans to secondary market investors. The bank’s primary focus is on agricultural lending. The bank also offers basic deposit products including checking, savings, and certificate of deposit accounts. Additionally, the bank offers alternative banking services include internet banking, mobile banking, and three deposit-taking automated teller machines (ATMs).

The bank’s December 31, 2022, Consolidated Reports of Condition and Income reflected total assets of \$582,850,000, total deposits of \$481,805,000, and total loans of \$425,681,000. The table below reflects the bank’s loan portfolio composition.

<b>Loan Portfolio Distribution as of 12/31/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	12,624	3.0
Secured by Farmland	50,005	11.7
Secured by 1-4 Family Residential Properties	78,959	18.6
Secured by Multifamily (5 or more) Residential Properties	4,159	1.0
Secured by Nonfarm Nonresidential Properties	52,025	12.2
<b>Total Real Estate Loans</b>	<b>197,772</b>	<b>46.6</b>
Commercial and Industrial Loans	28,533	6.7
Agricultural Production and Other Loans to Farmers	191,665	45.0
Consumer Loans	6,151	1.4
Obligations of State and Political Subdivisions in the U.S.	1,065	0.3
Other Loans	495	0.1
Lease Financing Receivable (net of unearned income)	0	0
Less: Unearned Income	0	0
<b>Total Loans</b>	<b>425,681</b>	<b>100</b>
<i>Source: Reports of Condition and Income</i>		

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

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Washington County Bank has designated two assessment areas. The Blair Assessment Area and the Tekamah Assessment Area. There have been no changes to the assessment areas since the previous evaluation. Refer to each assessment area section for further details.

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the prior evaluation, dated May 11, 2020, to the current examination, dated April 10, 2023. Examiners used Interagency Intermediate Small Bank Examination Procedures to conduct the evaluation, which includes a Lending Test and a Community Development Test. Refer to the Appendices for a description of each test.

Examiners used full-scope examination procedures to evaluate Washington County Bank's performance in both assessment areas. The bank's performance in the Blair Assessment Area received more weight than its performance in the Tekamah Assessment Area because the majority of the bank's loans, deposits, and offices are located in the Blair Assessment Area.

### Activities Reviewed

Agricultural loans are the bank's primary business focus followed by home mortgage and commercial loans. Therefore, examiners selected small farm, small business, and home mortgage loans to evaluate the bank's performance. Other loan products, such as consumer loans, do not represent major product lines. Examiners did not review any other products, as they would not provide material support for conclusions or the rating.

Examiners selected calendar year 2022 as the review period for small farm and small business loans. Bank management indicated that 2022 lending activity was an accurate representation of the institution's lending activity throughout the evaluation period. 2022 D&B data provided a standard of comparison for small farm and small business lending performance.

For home mortgage loans, examiners reviewed loans reported on the 2020, 2021, and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. Examiners analyzed and presented all three years of data because the bank had varying performance across the evaluation period, the census tract income levels within the Blair Assessment Area changed during the evaluation period, and 2022 HMDA aggregate data was not available for comparison to 2022 performance. 2015 American Community Survey (ACS) data, 2020 U.S. Census data, and 2020 and 2021 HMDA aggregate data provided a standard of comparison for home mortgage lending. Examiners primarily focused on comparisons to aggregate data since this data is a better indicator of market conditions and loan demand.

For the Assessment Area Concentration analysis, examiners reviewed all small farm, small business, and home mortgage loans originated and purchased during the review period. For the Geographic Distribution analysis, examiners reviewed all small farm, small business, and home

mortgage loans originated within the Blair Assessment Area. There are no low- or moderate-income census tracts located within the Tekamah Assessment Area; therefore, no meaningful analysis could be conducted for Geographic Distribution in that assessment area. For the Borrower Profile analysis, examiners reviewed a sample of small farm and small business loans located inside each assessment area. For the Borrower Profile analysis of home mortgage loans, examiners reviewed all loans located inside each assessment area. See the following table for details on the loan universe and samples reviewed.

	Assessment Area Concentration		Geographic Distribution		Borrower Profile	
	#	\$(000's)	#	\$(000's)	#	\$(000's)
Small Farm	1,028	117,304	268	34,714	102	12,730
Small Business	285	39,637	156	21,939	87	9,806
Home Mortgage						
2020	109	18,703	49	8,922	64	10,202
2021	114	28,195	55	13,649	69	15,569
2022	126	30,781	51	9,507	71	12,686

*Source: Bank Data*

Small farm loans contributed more weight to overall conclusions than small business and home mortgage loans because agricultural loans are the bank's primary product and represent the majority of the loan portfolio composition. Furthermore, while examiners reviewed both the number and dollar volume of loans, and presented both figures throughout the evaluation, they emphasized performance by number of loans when conducting the Geographic Distribution and Borrower Profile analyses. This is because the number of loans is a better indicator of the number of farms, businesses, and individuals served.

For the Community Development Test, bank management provided examiners with data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated May 11, 2020.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Washington County Bank demonstrated satisfactory performance under the Lending Test. The bank's more than reasonable Loan-to-Deposit Ratio performance and reasonable Geographic Distribution and Borrower Profile performance supports this conclusion.

#### Loan-to-Deposit Ratio

Washington County Bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment areas' credit needs. The bank's net loan-to-ratio, calculated from Call Report data, averaged 83.3 percent over the past 11 quarters from June 30, 2020, to December 31, 2022. Examiners compared Washington County Bank's average net loan-to-deposit ratio to four other institutions. The comparable institutions were selected based on their asset size, lending focus, and geographic location. As shown in the following table, Washington County Bank's average net loan-to-

deposit ratio exceeds the ratios of all four comparable institutions, reflecting more than reasonable performance.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 12/31/2022 (\$000s)	Average Net LTD Ratio (%)
Washington County Bank, Blair, Nebraska	582,850	83.3
Midstates Bank National Association, Council Bluffs, Iowa	642,549	64.6
First Northeast Bank of Nebraska, Lyons, Nebraska	419,424	63.2
First Nebraska Bank, Valley, Nebraska	417,209	78.8
First State Bank & Trust, Fremont, Nebraska	368,894	66.1

*Source: Reports of Condition and Income 6/30/2020 – 12/31/2022*

### Assessment Area Concentration

Overall, a majority of loans reviewed, by number, were located outside of the assessment areas. However, a slight majority of loans, by dollar amount, were located inside the assessment areas. For small farm loans, which are the bank's primary product and received the most weight in the analysis, a majority of loans, by both number and dollar amount, were located outside of the assessment areas. A large portion of the small farm loans located outside of the assessment areas were purchases from the relationship with DFS. More specifically, DFS provides retail financing and leasing to agricultural borrowers throughout the county. Additionally, a majority of home mortgage loans in 2022, by dollar amount, were located outside of the assessment areas. Several high-dollar, multi-family loans located just outside the assessment areas in Nebraska and Iowa accounted for the majority, by dollar amount, of home mortgage loans being located outside the assessment areas in 2022. The following table provides details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	402	39.1	626	60.9	1,028	51,284	43.7	66,020	56.3	117,304
Small Business	220	77.2	65	22.8	285	28,848	72.8	10,789	27.2	39,637
Home Mortgage										
2020	64	58.7	45	41.3	109	10,201	54.5	8,501	45.5	18,702
2021	69	60.5	45	39.5	114	15,569	55.2	12,625	44.8	28,194
2022	71	56.3	55	43.7	126	12,685	41.2	18,095	58.8	30,780
Home Mortgage Subtotal	204	58.5	145	41.5	349	38,455	49.5	39,221	50.5	77,676
<b>Total</b>	<b>826</b>	<b>49.7</b>	<b>836</b>	<b>50.3</b>	<b>1,662</b>	<b>118,587</b>	<b>50.5</b>	<b>116,030</b>	<b>49.5</b>	<b>234,617</b>

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

### Geographic Distribution

The geographic distribution of loans reflects reasonable performance. Reasonable performance in the Blair Assessment Area is the basis for this conclusion. As previously mentioned, examiners did not conduct a Geographic Distribution analysis in the Tekamah Assessment Area due to the lack of



low- or moderate-income geographies. The Blair Assessment Area section of this evaluation provides details on the bank's performance.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. Reasonable performance in both assessment areas supports this conclusion. Examiners focused on the percentage of small farm and small business loans to farms and businesses with gross annual revenues of \$1 million or less and home mortgage loans to low- and moderate-income individuals. The Blair and Tekamah assessment area sections of this evaluation provide details on the bank's performance.

### **Response to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

Washington County Bank demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. The bank's performance in both assessment areas supports this conclusion. Examiners considered the institution's capacity and the need and availability of such opportunities when drawing this conclusion. Since the institution was responsive to the community development needs of its assessment areas, examiners also considered community development activities benefitting the broader statewide or regional areas in the analysis.

### **Community Development Loans**

Washington County Bank originated 616 community development loans totaling approximately \$28.6 million during the evaluation period. This includes 569 Paycheck Protection Program (PPP) loan totaling approximately \$16.8 million. The PPP, established by the Coronavirus Aid, Relief, and Economic Security Act, and implemented through the Small Business Administration, helped small farms and business maintain their payroll, hire back employees, and cover applicable overhead expenses during the COVID-19 pandemic. The bank's PPP loans financed farms and business and resulted in permanent job creation, retention, and/or improvement for low- and moderate-income individuals. The bank's community development lending was particularly responsive to the community development opportunities during the evaluation period.

Washington County Bank's volume of community development loans represented 4.9 percent of total assets and 6.8 percent of net loans as of December 31, 2022. Examiners compared the bank's level of community development lending to four comparable institutions. Washington County Bank's community development lending performance falls below the comparable institutions' performance, which ranged from 7.8 percent to 16.8 percent of total assets and from 10.1 percent to 25.4 percent of net loans. However, the comparable institutions had their entire portfolio of PPP loans included in the evaluation, while Washington County Bank made 281 PPP loans totaling approximately \$27 million that were originated in April and May 2020, during the prior evaluation period, and were not considered at the current evaluation. Had the entire PPP portfolio been

included at this evaluation, Washington County Bank's community development lending performance would have been in the middle of the range of comparable banks.

The bank originated 99 community development loans benefitting the broader statewide or regional area outside the bank's assessment areas, which included 92 PPP loans for approximately \$3.9 million.

The following tables illustrate the community development loans by purpose, year, and area.

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	2	2,092	0	0	36	946	3	2,796	41	5,834
2021	1	550	0	0	536	16,494	1	20	538	17,064
2022	1	550	0	0	21	3,057	10	1,493	32	5,100
YTD 2023	0	0	0	0	0	0	5	568	5	568
<b>Total</b>	<b>4</b>	<b>3,192</b>	<b>0</b>	<b>0</b>	<b>593</b>	<b>20,497</b>	<b>19</b>	<b>4,877</b>	<b>616</b>	<b>28,566</b>

*Source: Bank Data*

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Blair Assessment Area	1	1,950	0	0	339	13,604	0	0	340	15,554
Tekamah Assessment Area	1	142	0	0	157	2,443	19	4,877	177	7,462
Regional Area	2	1,100	0	0	97	4,450	0	0	99	5,550
<b>Total</b>	<b>4</b>	<b>3,192</b>	<b>0</b>	<b>0</b>	<b>593</b>	<b>20,497</b>	<b>19</b>	<b>4,877</b>	<b>616</b>	<b>28,566</b>

*Source: Bank Data*

### **Qualified Investments**

Washington County Bank made 84 qualified investments totaling \$839,000. The dollar amount of qualified investments represented 0.1 percent of total assets and 0.6 percent of total securities as of December 31, 2022. Examiners compared the bank's level of qualified investments to four comparable banks. The comparable banks' qualified investments ranged from 0.1 percent to 1.6 percent of total assets and from 0.8 percent to 7.4 percent of total securities. The bank's level of performance was in the lower end of comparable banks for total assets and fell below the comparable banks for net loans. However, the bank increased the number and dollar amount of qualified investments since the previous evaluation, when the bank's qualified investments only included donations. The bank's qualified investments were responsive to the opportunities available in the assessment areas with a majority of the qualified investments supporting community services and revitalization and stabilization.

The bank made one \$100 community development donation benefitting the broader statewide or regional area outside the bank's assessment areas.

The following table illustrates the bank's qualified investments by purpose and year.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2020 (Partial)	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	2	720	2	720
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>720</b>	<b>2</b>	<b>720</b>
Qualified Grants & Donations	4	8	40	18	12	52	26	41	82	119
<b>Total</b>	<b>4</b>	<b>8</b>	<b>40</b>	<b>18</b>	<b>12</b>	<b>52</b>	<b>28</b>	<b>761</b>	<b>84</b>	<b>839</b>

Source: Bank Data

**Community Development Services**

Washington County Bank personnel provided 87 instances of financial expertise or technical assistance to community development organizations during the evaluation period. These services were responsive to the opportunities available in the assessment areas. Examiners compared the bank’s performance to four comparable institutions. Washington County Bank’s performance exceeded the comparable banks’ performance, which had a range of 61 to 86 community development services.

The following table illustrates the bank’s community development services by purpose and year.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	5	4	8	6	23
2021	5	5	9	5	24
2022	5	3	10	5	23
2023 (YTD)	4	3	8	2	17
<b>Total</b>	<b>19</b>	<b>15</b>	<b>35</b>	<b>18</b>	<b>87</b>

Source: Bank Data

Washington County Bank offers retail-banking services that benefit low- or moderate-income individuals by operating one branch and one ATM in a moderate-income census tract.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## BLAIR ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE BLAIR ASSESSMENT AREA

The Blair Assessment Area consists of Washington County, Nebraska, Harrison County, Iowa, and three census tracts in the northern portion of Douglas County, Nebraska. The assessment area is located in the Omaha-Council Bluffs, NE-IA Metropolitan Statistical Area (MSA). The bank operates two locations in the Blair Assessment Area, one in Blair in a moderate-income census tract and one in Fort Calhoun in a middle-income census tract. Census tract 0501.02, located in Blair, changed from a middle-income to a moderate-income census tract in 2022.

#### Economic and Demographic Data

The following table provides select demographic data 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)	13	0.0	15.4	69.2	15.4	0.0
Population by Geography	53,305	0.0	14.6	58.9	26.5	0.0
Housing Units by Geography	21,108	0.0	17.6	62.2	20.2	0.0
Owner-Occupied Units by Geography	15,776	0.0	14.0	61.7	24.4	0.0
Occupied Rental Units by Geography	3,908	0.0	30.3	64.1	5.6	0.0
Vacant Units by Geography	1,424	0.0	23.7	62.3	14.0	0.0
Businesses by Geography	5,122	0.0	18.4	61.4	20.2	0.0
Farms by Geography	780	0.0	14.5	71.5	14.0	0.0
Family Distribution by Income Level	14,072	17.2	16.4	23.8	42.6	0.0
Household Distribution by Income Level	19,684	19.5	15.5	18.0	47.0	0.0
Median Family Income MSA - 36540 Omaha-Council Bluffs, NE-IA MSA		\$87,733	Median Housing Value			\$196,022
			Median Gross Rent			\$769
			Families Below Poverty Level			4.8%

*Source: 2020 U.S. Census and 2022 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 assessment area is mainly rural and the agricultural industry continues to drive the local economy. According to the 2020 U.S. Census, the assessment area has experienced some growth since the previous evaluation, with the population increasing by 6,550 residents and housing units increasing by 1,291. Additionally, the number of farms and businesses operating in the assessment area increased by 165 and 1,576, respectively, according to 2022 D&B data.

In early 2020, the COVID-19 pandemic began to spread across the nation resulting in numerous business closings. As a result, unemployment increased throughout the assessment area, peaking at a high in April 2020 at 6.6 percent and 7.7 percent, in Washington and Harrison counties, respectively. Unemployment has declined to normalized levels, which has helped stabilize the economy. As of March 2023, the unemployment rates for Washington and Harrison counties were 1.8 percent and 2.7 percent, respectively. These are in line with Nebraska’s unemployment rate for March 2023 at 2.0 percent.

Examiners used information from the FFIEC to analyze home mortgage loans under the Borrower Profile analysis. The following table reflects the FFIEC-estimated 2020, 2021, and 2022 median family income for the Omaha-Council Bluffs, NE-IA MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$86,900)	<\$43,450	\$43,450 to <\$69,520	\$69,520 to <\$104,280	≥\$104,280
2021 (\$87,700)	<\$43,850	\$43,850 to <\$70,160	\$70,160 to <\$105,240	≥\$105,240
2022 (\$95,100)	<\$47,550	\$47,550 to <\$76,080	\$76,080 to <\$114,120	≥\$114,120

*Source: FFIEC*

### **Competition**

The Blair Assessment Area has a moderate level of banking competition. According to the June 30, 2022 FDIC Summary of Deposits, there are 12 financial institutions operating 20 offices within the assessment area. Washington County Bank ranks 1<sup>st</sup> with a deposit market share of 35.6 percent. Agricultural financing competition also comes from non-bank entities with options for operating, machinery, and land loans.

### **Community Contact**

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

Examiners contacted a representative of local government within the assessment area familiar with the area’s credit needs and community development opportunities. The representative stated that the local economy, agricultural industry, and businesses in the county are strong and the area has handled the rise in inflation adequately. The contact said that the need for housing continues to be a concern in Blair due to the low number of new construction projects and builders. The contact mentioned that there are rural development funds available for housing needs; however, individuals who would qualify for the funds are not applying. The contact stated that first time homebuyer support in the form of education provided by financial institutions would be of great benefit to the community. Overall, the contact describes the performance of local financial institutions that serve the area as strong in meeting the credit needs of the area.

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

Considering information from bank management, demographic and economic data, and the community contact, examiners determined that agricultural, business, and home mortgage loans are

all primary credit needs in the assessment area. The assessment area also has community development needs and opportunities for affordable housing and economic development, although opportunities are limited because there are no low-income census tracts in the assessment area.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN THE BLAIR ASSESSMENT AREA

### LENDING TEST

Washington County Bank demonstrated reasonable performance under the Lending Test in the Blair Assessment Area. Reasonable performance under the Geographic Distribution and Borrower Profile criteria support this conclusion.

#### Geographic Distribution

The geographic distribution of loans in the Blair Assessment Area is reasonable. Reasonable small farm, excellent small business, and reasonable home mortgage lending performance supports this conclusion. There are no low-income census tracts located in the Blair Assessment Area.

#### *Small Farm Loans*

The geographic distribution of small farm loans reflects reasonable dispersion throughout the Blair Assessment Area. The bank's lending to farms located in moderate-income census tracts lagged slightly behind the percentage of farms located in these census tracts; however, the percentage is reasonably comparable. The following table provides details.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	14.5	26	9.7	2,483	7.2
Middle	71.5	182	67.9	24,159	69.6
Upper	14.0	60	22.4	8,072	23.3
<b>Totals</b>	<b>100.0</b>	<b>268</b>	<b>100.0</b>	<b>34,714</b>	<b>100.0</b>

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

#### *Small Business Loans*

The geographic distribution of small business loans reflects excellent dispersion throughout the Blair Assessment Area. The bank's lending to businesses located in moderate-income census tracts significantly exceeds the percentage of businesses located within these census tracts. The following table provides details.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	18.4	63	40.4	10,148	46.3
Middle	61.4	75	48.1	8,836	40.3
Upper	20.2	18	11.5	2,955	13.5
<b>Totals</b>	<b>100.0</b>	<b>156</b>	<b>100.0</b>	<b>21,939</b>	<b>100.0</b>

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

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Blair Assessment Area. The bank's lending in moderate-income census tracts had an upward trend throughout the three years. Although there were no loans originated in 2020, the bank's lending performance in 2021 exceeded the aggregate data and the percentage of owner-occupied housing units located in these tracts, by number. In 2022, the bank's performance greatly exceeded the comparable data, by number, of loans originated. The following table provides details.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Moderate</b>						
2020	5.6	1.2	0	0.0	0	0.0
2021	5.6	1.6	4	7.3	364	2.7
2022	14.0	--	12	23.5	1,641	17.3
<b>Middle</b>						
2020	67.0	45.0	43	87.8	8,069	90.4
2021	67.0	50.1	43	78.2	9,563	70.1
2022	61.7	--	33	64.7	6,280	66.1
<b>Upper</b>						
2020	27.4	53.8	6	12.2	852	9.6
2021	27.4	48.3	8	14.5	3,722	27.3
2022	24.4	--	6	11.8	1,586	16.7
<b>Totals</b>						
2020	100.0	100.0	49	100.0	8,922	100.0
2021	100.0	100.0	55	100.0	13,649	100.0
2022	100.0	--	51	100.0	9,507	100.0
<i>Source: 2015 ACS, 2020 U.S. Census; Bank Data; 2020, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. Reasonable small farm, small business, and home mortgage lending performance supports this conclusion.

### ***Small Farm Loans***

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

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.0	51	92.7	6,504	84.1
>\$1,000,000	0.8	4	7.3	1,230	15.9
Revenue Not Available	0.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>	<b>7,734</b>	<b>100.0</b>

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

### ***Small Business Loans***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The bank's lending activity was below the percentages of businesses with gross annual revenues of \$1 million or less, but is reasonably comparable. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	88.4	40	78.4	3,990	69.3
>\$1,000,000	3.3	11	21.6	1,765	30.7
Revenue Not Available	8.2	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>	<b>5,755</b>	<b>100.0</b>

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

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. The number of loans made to low-income borrowers in 2020 and 2021 significantly exceeded the aggregate data, with 2022 having similar performance as the prior two years. Although the bank's lending activity for moderate-income borrowers was slightly below the 2020 and 2021 aggregate data, the bank's performance is reasonably comparable. The following table provides details.



Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
<b>Low</b>						
2020	16.0	4.9	5	10.2	609	6.8
2021	16.0	5.6	6	10.9	518	3.8
2022	17.2	--	5	9.8	584	6.1
<b>Moderate</b>						
2020	18.1	13.9	5	10.2	534	6.0
2021	18.1	15.7	6	10.9	1,016	7.4
2022	16.4	--	6	11.8	1,016	10.7
<b>Middle</b>						
2020	22.4	23.0	10	20.4	1,789	20.1
2021	22.4	21.1	11	20.0	1,522	11.2
2022	23.8	--	9	17.6	1,492	15.7
<b>Upper</b>						
2020	43.4	41.6	18	36.7	2,817	31.6
2021	43.4	37.4	23	41.8	7,765	56.9
2022	42.6	--	23	45.1	5,390	56.7
<b>Not Available</b>						
2020	0.0	16.6	11	22.4	3,173	35.6
2021	0.0	20.2	9	16.4	2,828	20.7
2022	0.0	-	8	15.7	1,024	10.8
<b>Totals</b>						
2020	100.0	100.0	49	100.0	8,922	100.0
2021	100.0	100.0	55	100.0	13,649	100.0
2022	100.0	--	51	100.0	9,507	100.0

*Source: 2015 ACS, 2020 U.S.Census; Bank Data; 2020, 2021 HMDA Aggregate Data. "--" data not available.  
Due to rounding, totals may not equal 100.0%*

## COMMUNITY DEVELOPMENT TEST

Washington County Bank demonstrated adequate responsiveness to the community development needs in the Blair Assessment Area. The quantity and responsiveness of community development loans, qualified investments, and services supports this conclusion.

### Community Development Loans

The bank originated 340 community development loans totaling approximately \$15.6 million in the Blair Assessment Area. The loans were particularly responsive to the assessment area's economic development needs. The community development lending activities included 320 PPP loans totaling approximately \$10.5 million. The PPP loans helped farms and businesses impacted by the COVID-19 pandemic.

The following table illustrates the community development loans by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	1	1,950	0	0	28	265	0	0	29	2,215
2021	0	0	0	0	297	11,011	0	0	297	11,011
2022	0	0	0	0	14	2,328	0	0	14	2,328
YTD 2023	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>1,950</b>	<b>0</b>	<b>0</b>	<b>339</b>	<b>13,604</b>	<b>0</b>	<b>0</b>	<b>340</b>	<b>15,554</b>

*Source: Bank Data*

Below are notable examples of the bank’s community development loans in the Blair Assessment Area.

- The bank made a \$1.9 million loan to fund the development of affordable housing units.
- The bank made a \$110,000 loan to fund a small business purchase that created four jobs for low- and moderate-income individuals.

**Qualified Investments**

Washington County Bank made 47 qualified investments totaling \$73,000 in the Blair Assessment Area. All of the qualified investments were in the form of donations and grants. The donations and grants provided assistance for affordable housing, community services, economic development, and revitalization and stabilization of moderate-income census tracts. The bank made several donations in 2021 in census tract 0502.01, which became moderate-income in 2022, that did not qualify for the current evaluation due to the timing of the donation.

Qualified Investments										
	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Qualified Grants & Donations	4	8	29	14	10	50	4	1	47	73

*Source: Bank Data*

**Community Development Services**

Washington County Bank personnel provided 69 instances of financial expertise or technical assistance to community development organizations in the Blair Assessment Area. The community development services were responsive to affordable housing, community service, and economic development needs of the assessment area.

The following table illustrates the bank's community development services by year and purpose.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2020 (Partial)	5	4	8	0	17
2021	5	5	9	0	19
2022	5	3	10	0	18
YTD 2023	4	3	8	0	15
<b>Total</b>	<b>19</b>	<b>15</b>	<b>35</b>	<b>0</b>	<b>69</b>
<i>Source: Bank Data</i>					

Washington County Bank also operates one branch and one ATM in a moderate-income census tract. The branch and ATM improve the availability of banking services to moderate-income individuals.

## TEKAMAH ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE TEKAMAH ASSESSMENT AREA

The Tekamah Assessment Area includes all three middle-income census tracts that comprise Burt County, Nebraska. Washington County Bank operates one full-service branch, one deposit taking ATM, and one non-deposit taking ATM in Tekamah, Nebraska. All three census tracts in the assessment area were classified as distressed and underserved areas during the evaluation period.

#### Economic and Demographic Data

The following table provides select demographic data 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)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	6,722	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	3,469	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,187	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	694	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	588	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	701	0.0	0.0	100.0	0.0	0.0
Farms by Geography	197	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	1,845	20.1	19.0	24.2	36.8	0.0
Household Distribution by Income Level	2,881	25.0	19.8	15.9	39.3	0.0
Median Family Income Non-MSAs - NE		\$71,424	Median Housing Value			\$105,076
			Median Gross Rent			\$630
			Families Below Poverty Level			8.3%
<i>Source: 2020 U.S. Census and 2022 D&amp;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 assessment area is rural in nature and the agricultural industry continues to be the primary driver of the local economy. The area remained stable with population and housing units since the previous evaluation, with variations of approximately one percent for each. There has been a slight increase of farms (30) and business (157) in the assessment area since the previous evaluation.

The COVID-19 pandemic had a similar effect on businesses and unemployment in the Tekamah Assessment Area as in the Blair Assessment Area. Unemployment peaked at a high in March 2020 at 5.9 percent and has declined to normalized levels as of March 2023 at 2.4 percent.

Examiners used information from the FFIEC to analyze home mortgage loans under the Borrower Profile criterion. The following table reflects the FFIEC-estimated 2020, 2021, and 2022 median family income for the nonmetropolitan areas of Nebraska.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
2021 (\$70,000)	<\$35,000	\$35,000 to <\$56,000	\$56,000 to <\$84,000	≥\$84,000
2022 (\$80,900)	<\$40,450	\$40,450 to <\$64,720	\$64,720 to <\$97,080	≥\$97,080
<i>Source: FFIEC</i>				

### **Competition**

The Tekamah Assessment Area has a moderate level of banking competition. Per the June 30, 2022 FDIC Summary of Deposits, there were 3 financial institutions operating 6 offices within the assessment area. Washington County Bank ranks 2<sup>nd</sup> with a deposit market share of 28.1% percent. Agricultural financing competition also comes from non-bank entities with options for operating, machinery, and land loans.

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

Considering information from bank management and demographic and economic data, examiners determined that agricultural loans are the primary credit need in the assessment area. The assessment area also has community development needs and opportunities for affordable housing and revitalization and stabilization of distressed and underserved areas.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE TEKAMAH ASSESSMENT AREA**

### **LENDING TEST**

Washington County Bank's lending activities in the Tekamah Assessment Area reflect reasonable performance under the Lending Test. The bank's performance under the Borrower Profile analysis supports this conclusion.

### **Geographic Distribution**

The Tekamah Assessment Area does not have any low- or moderate-income census tracts, and a Geographic Distribution analysis would not result in a meaningful conclusions. Therefore, this criterion was not evaluated.

### **Borrower Profile**

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

### ***Small Farm Loans***

The distribution of borrowers reflects reasonable penetration among farms of different sizes. The bank's lending performance to farms with gross annual revenues of \$1 million or less reasonably compares to the percentage of farms reporting revenues in this category. The following table includes details.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	97.5	42	89.4	4,104	82.1
>\$1,000,000	2.0	5	10.6	892	17.9
Revenue Not Available	0.5	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>4,996</b>	<b>100.0</b>

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

### ***Small Business Loans***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The bank's lending performance to businesses with gross annual revenues of \$1 million or less reasonably compares to the percentage of businesses reporting revenues in this category. The following table provides details.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	83.2	28	77.8	1,856	45.8
>\$1,000,000	3.4	8	22.2	2,195	54.2
Revenue Not Available	13.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>4,051</b>	<b>100.0</b>

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

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. The number of loans made to low-income borrowers in 2020 slightly exceeds the 2020 aggregate data. The bank did not originate any loans to low-income borrowers in 2021; however, the bank increased home mortgage loans made to low-income borrowers in 2022. The number of loans made to moderate-income borrowers in 2020 trailed the aggregate data; however, in 2021 the bank's performance significantly exceeded the aggregate data. Overall, considering the low number of total home mortgage loans originated in the Tekamah Assessment Area, the bank's performance is reasonable. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
<b>Low</b>						
2020	15.8	6.5	1	6.7	24	1.8
2021	15.8	6.8	0	0.0	0	0.0
2022	20.1	--	2	10.0	265	8.3
<b>Moderate</b>						
2020	19.1	16.3	1	6.7	52	4.1
2021	19.1	19.1	4	28.6	409	21.3
2022	19.0	--	2	10.0	251	7.9
<b>Middle</b>						
2020	25.6	20.7	3	20.0	234	18.3
2021	25.6	26.4	3	21.4	572	29.8
2022	24.2	--	4	20.0	442	13.9
<b>Upper</b>						
2020	39.5	37.4	9	60.0	842	65.7
2021	39.5	31.1	6	42.9	515	26.8
2022	36.8	--	8	40.0	1,616	50.8
<b>Not Available</b>						
2020	0.0	19.1	1	6.7	129	10.1
2021	0.0	16.6	1	7.1	425	22.1
2022	0.0	--	4	20.0	605	19.0
<b>Totals</b>						
2020	100.0	100.0	15	100.0	1,280	100.0
2021	100.0	100.0	14	100.0	1,920	100.0
2022	100.0	--	20	100.0	3,179	100.0

*Source: 2015 ACS, 2020 U.S.Census; Bank Data: 2020, 2021 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

## COMMUNITY DEVELOPMENT TEST

Washington County Bank demonstrated adequate responsiveness to the community development needs in the Tekamah Assessment Area. The quantity and responsiveness of community development loans, qualified investments, and services supports this conclusion.

### Community Development Loans

The bank originated 177 community development loans totaling approximately \$7.5 million in the Tekamah Assessment Area. The loans were particularly responsive to the assessment area's economic development and revitalization and stabilization needs. The community development lending activities included 157 PPP loans totaling approximately \$2.4 million.

The following table illustrates the community development loans by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	1	142	0	0	4	34	3	2,796	8	2,972
2021	0	0	0	0	153	2,409	1	20	154	2,429
2022	0	0	0	0	0	0	10	1,493	10	1,493
YTD 2023	0	0	0	0	0	0	5	568	5	568
<b>Total</b>	<b>1</b>	<b>142</b>	<b>0</b>	<b>0</b>	<b>157</b>	<b>2,443</b>	<b>19</b>	<b>4,877</b>	<b>177</b>	<b>7,462</b>
<i>Source: Bank Data</i>										

Below are notable examples of the bank’s community development loans in the Tekamah Assessment Area.

- The bank made a \$2.5 million loan to repair vital road infrastructure damaged by flood erosion in a distressed and underserved area.
- The bank made a \$125,000 loan to refurbish a vacant building in a distressed and underserved downtown area that created retail space for 45 local vendors.

**Qualified Investments**

Washington County Bank made 36 qualified investments totaling approximately \$766,000 in the Tekamah Assessment Area. The bank made two qualified investments in the form of bonds in 2021 with the remaining 34 qualified investments being in the form of donations. The qualified investments were particularly responsive to the revitalization and stabilization needs of distressed and underserved areas.

The following table illustrates the qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	2	720	2	720
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>720</b>	<b>2</b>	<b>720</b>
Qualified Grants & Donations	0	0	10	4	2	2	22	40	34	46
<b>Total</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>24</b>	<b>760</b>	<b>36</b>	<b>766</b>
<i>Source: Bank Data</i>										



Below are notable examples of the bank’s qualified investments in the Tekamah Assessment Area.

- The bank purchased two county bonds to improve the electrical infrastructure of a distressed and underserved area.

**Community Development Services**

Washington County Bank personnel provided 18 instances of financial expertise or technical assistance to community development organizations in the Tekamah Assessment Area. The community development services were responsive to the revitalization and stabilization needs of the distressed and underserved areas of the assessment area.

The following table illustrates the bank’s community development services by year and purpose.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2020	0	0	0	6	6
2021	0	0	0	5	5
2022	0	0	0	5	5
YTD 2023	0	0	0	2	2
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>18</b>

*Source: Bank Data*

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

#### Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.