

PUBLIC DISCLOSURE

December 9, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Heritage Bank of Schaumburg
Certificate Number: 21721

1535 Schaumburg Road
Schaumburg, Illinois 60194

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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 following summarizes the bank's performance under the Lending Test.

- The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, poor penetration among businesses of different sizes.
- The bank did not receive any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test rating.

DESCRIPTION OF INSTITUTION

Heritage Bank of Schaumburg (Heritage Bank) is a \$137 million financial institution headquartered in Schaumburg, Illinois. The bank is a wholly-owned subsidiary of Schaumburg Bancshares, Inc. In addition to the main office, the bank operates one limited-service mobile branch at the Brookdale Plaza Senior Living Home in Hoffman Estates, Illinois. Both offices are located in middle-income census tracts approximately 30 miles northwest of downtown Chicago. The institution does not have any subsidiaries or affiliates. The FDIC assigned a Satisfactory rating at the prior CRA evaluation dated July 22, 2013, using the Interagency Small Institution Examination Procedures.

Heritage Bank provides mortgage financing for multifamily properties, commercial real estate loans and working capital loans. Home mortgage loans, closed- and open-end home equity loans, installment loans, and overdraft protection lines of credit are offered to consumers. The bank brokers long-term mortgage loans to third parties; however, volume is very low, with only eight originations during the review period.

Heritage Bank offers a traditional mix of deposit products and services to customers. Specifically, the bank offers checking accounts, savings accounts, and safe deposit boxes for personal or commercial use. Retail banking services include two automated teller machines, online and telephone banking, electronic statements, and mobile banking, which allow customers alternative banking capabilities such as viewing account balances, transferring funds, paying bills, and making deposits.

As of the September 30, 2019, Consolidated Report of Condition (Call Report), the bank reported approximately \$137 million in total assets, representing a subtle four percent increase since the prior evaluation. Net loans decreased approximately 6.8 percent to \$72.7 million. Multifamily lending and small business lending represent the primary lending focuses. Loan portfolio concentrations are detailed in the following table.

Loan Portfolio Distribution as of 09/30/2019		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	443	0.6
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	15,723	21.4
Secured by Multifamily (5 or more) Residential Properties	49,899	68.0
Secured by Nonfarm Nonresidential Properties	2,938	4.0
Total Real Estate Loans	69,003	94.0
Commercial and Industrial Loans	4,432	6.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	2	<0.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	3	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	73,440	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments inhibiting the bank's ability to meet assessment area credit needs during the review period.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its performance is evaluated. Heritage Bank's assessment area includes Cook, DuPage, and Kane Counties. Cook and DuPage counties are located within the Chicago-Naperville-Arlington Heights Metropolitan Statistical Area (MSA), while Kane County is located within the Elgin, Illinois Metropolitan Division (MD). The assessment area adheres to the requirements of the Act.

Economic and Demographic Data

Economic and demographic data illustrates important information regarding the credit opportunities of the designated assessment area and provide comparable factors for which examiners to base their conclusions. The following table outlines select assessment area demographic information.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,617	16.0	26.0	26.2	31.0	0.8
Population by Geography	6,691,691	11.7	26.6	28.9	32.5	0.3
Housing Units by Geography	2,716,949	11.9	25.0	28.6	34.2	0.4
Owner-Occupied Units by Geography	1,482,896	5.4	20.7	32.6	41.2	0.2
Occupied Rental Units by Geography	970,625	18.3	30.5	24.2	26.2	0.8
Vacant Units by Geography	263,428	24.8	29.2	21.6	23.9	0.5
Businesses by Geography	382,958	5.4	17.2	28.5	48.2	0.6
Farms by Geography	4,942	3.8	17.3	35.2	43.6	0.1
Family Distribution by Income Level	1,553,329	25.2	16.5	18.1	40.2	0.0
Household Distribution by Income Level	2,453,521	26.9	15.5	16.8	40.8	0.0
Median Family Income MSA - 16974 Chicago-Naperville-Arlington Heights, IL MD		\$75,350	Median Housing Value			\$249,860
Median Family Income MSA - 20994 Elgin, IL MD		\$79,687	Median Gross Rent			\$1,048
			Families Below Poverty Level			11.6%
<i>Source: 2015 ACS Census and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Per 2015 American Community Survey (ACS) data, the assessment area includes 259 low-income census tracts. The closest low-income tract is approximately 7 miles west of the branch, with at least 11 large national banks located in between. The next closest low-income census tract is 17 miles southeast of the main branch. The closest cluster of low-income tracts is approximately 20 miles southeast of the institution, much closer to downtown Chicago. Of the 420 moderate-income census tracts, four are located within a 2.5-mile radius of the bank and a larger cluster of tracts approximately 7 miles west. Given the bank's size, location in relation to low- and moderate-income census tracts, and financial competition, Heritage Bank has better access to moderate-income census tracts within its assessment area. This also suggests that the bank faces greater challenges in serving low-income census tracts.

Multifamily units present 30.2 percent of total housing units within the assessment area. Of these, 11.6 percent of the multifamily units are located in low-income census tracts, while 23.7 percent are located in moderate-income census tracts. Demographic data shows lower concentrations of businesses located within low- and moderate-income geographies (only 22.6 percent total).

The assessment area includes the city of Chicago as well as much of the surrounding metropolitan area. Area businesses are heavily focused on the Service industry, followed by Retail Trade and Finance, Insurance, and Real Estate. Approximately 80.5 percent of assessment area businesses have revenues of \$1 million or less.

Of area businesses, 83.7 percent operate with less than ten employees. These statistics illustrate the significant presence of small businesses within the area and suggest opportunities to provide financing.

Data obtained from the U.S. Bureau of Labor and Statistics indicates the March 2019 month end unemployment rate was 4.3 percent statewide. The 2018 annual average unemployment rates for each county in the assessment area were comparable to this figure and are noted in the following table.

County	2018 Annual Average Unemployment Rate
Cook County	4.0 %
DuPage County	3.1 %
Kane County	4.9 %

Unemployment rates have decreased during the review period suggesting a continued improving economy. Though the area is recovering from the most recent financial crisis, there remains a stark contrast between the high median housing values of the area and the median family incomes of individuals residing there, specifically low- and moderate-income individuals. The 11.6 percent poverty level further demonstrates the challenges of low- and moderate-income individuals for obtaining homeownership.

Competition

Heritage Bank's assessment area is a highly competitive financial services market. Per the FDIC Summary of Deposits Report as of June 30, 2019, there are 131 FDIC-insured depository institutions operating 1,804 offices within the three counties of the assessment area. Heritage Bank holds 0.04 percent of the deposit market share within its assessment area. Four large national banks maintain approximately 54.2 percent of the deposit market share of the assessment area.

The bank is not required to collect or report home mortgage or small business data. However, examiners reviewed the most recent aggregate data available to identify competitive challenges facing the institution and to understand demand. Aggregate small business data for 2017 shows that 204 reporting lenders originated 152,619 small business loans in the assessment area. Aggregate home mortgage data for 2018 shows that 43 reporting lenders originated 85 multifamily loans within the assessment area. This peer data shows that the assessment area has a high level of competition for multifamily and small business loans.

Community Contacts

Examiners reviewed four community contact interviews to assist in setting the scope of the evaluation. These include a community development agency, a housing agency, and an economic development agency operating in and serving Cook County. One economic development agency serving DuPage County was also reviewed. Interviews with community contacts provide information about local community development and credit needs to help examiners understand the opportunities for banks to meet those needs of area businesses and individuals.

All contacts discussed the local economy's high cost of living and its negative impact on low- and moderate-income individuals' ability to maintain housing. Specifically, one contact identified the need for affordable housing and capital infusion to finance small business and affordable housing projects. Another contact stated a need for start-up business financing, specifically in the village of Schaumburg.

Credit Needs

Considering information from the community contact and demographic and economic data, examiners determined that home mortgage loans, particularly those financing affordable rental units, and small business loans are the primary needs of the assessment area.

SCOPE OF EVALUATION

General Information

Examiners used the Interagency Small Institution Examination Procedures to evaluate Heritage Bank's CRA performance. The current evaluation analyzes activity occurring from the July 22, 2013, evaluation to the current evaluation dated December 9, 2019. The bank does not have any affiliates; therefore, affiliate activities were not considered.

Activities Reviewed

Examiners analyzed the Call Report, as well as loan originations to select the products for review, and determined that multifamily and small business lending represent the main product lines of the bank and provide the most impact on CRA performance. Call Report data shows that home mortgage loans make up 94 percent of total loans, however, a substantial majority of the home mortgage loans are related to multifamily properties. Only three 2018 home originations were for 1-4 family residential properties. Because of this low lending volume, 1-4 family residential lending was not included within the review as it has little impact on overall performance. The bank also originates a notable amount of commercial loans (ten percent of the loan portfolio). Multifamily lending performance carries more weight in arriving at overall conclusions because of the higher volume of loan originations during the review period.

Heritage Bank does not offer small farm lending. Consumer lending makes up an insignificant portion of the loan portfolio at less than one percent of total net loans. The bank's lending record of these products does not meaningfully reflect the overall lending performance of the bank. Consequently, these products are not considered major product lines and are not included within the analysis.

Examiners used 2015 ACS demographic data, as well as 2018 D&B data, as a comparison for the bank's performance. Although the bank is not required to collect and report home mortgage or small business data, examiners reviewed the most recent peer lending performance to determine the level of competition and demand within the assessment area.

Examiners reviewed the universe of multifamily lending. In 2018, Heritage Bank originated 22 multifamily loans totaling \$7.4 million. In 2017, the bank originated 14 multifamily loans totaling \$5,777. For the geographic distribution criterion, examiners compared the bank's record of multifamily lending to the percentage of multifamily units located within each census tract based on ACS data. This demographic provides insight to the level of opportunity for lending within the assessment area.

The bank originated 20 small business loans totaling \$1.6 million in 2018, and 10 small business loans in 2017 totaling \$1.3 million. The universe of small business loans was reviewed for this analysis. The geographic distribution analysis compares performance to the percentage of business operations within each census tract (particularly low- and moderate-income census tracts). The Borrower Profile criterion compares the bank's performance based on the revenues of the business.

Examiners noted consistent performance in the review of 2017 and 2018 lending data. Therefore, only 2018 lending performance is presented in the Geographic Distribution and Borrower Profile sections of this document in order to streamline the discussion. Further, 2018 lending data provides a more beneficial analysis because of high levels of lending.

Community development investment and service activity since the prior CRA evaluation was considered at the request of the institution.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Overall, Heritage Bank demonstrated reasonable performance under the Lending Test. Performance context factors mitigate areas of weaker performance.

Loan-to-Deposit Ratio

The loan-to-deposit ratio (LTD) is reasonable (taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs. Based on Call Report data, the average LTD in the prior 25 quarters was 61.16 percent. The average LTD ranged from a low of 51.6 percent in March 2018 to a high of 73.1 percent in December 2013. Throughout the review period, the LTD has generally decreased; however, examiners noted slight recovery in the most recent calendar year. Examiners also noted that Heritage Bank brokers mortgages to third parties; these mortgage loans are not reflected in the LTD because they are not captured by Call Report information. During the review period, the bank brokered eight loans totaling \$1.33 million.

Examiners compared the average LTD to five similarly-situated financial institutions based on asset size and area served. Further, these institutions have comparable lending focuses, with a relatively significant multi-family lending portfolio. The bank's LTD falls within range of comparable financial institutions, as shown in the following table.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 09/30/2019 (\$000s)	Average Net LTD Ratio (%)
Heritage Bank of Schaumburg	137,036	61.2
Similarly-Situated Institution #1	187,042	70.4
Similarly-Situated Institution #2	169,404	83.7
Similarly-Situated Institution #3	136,989	45.3
Similarly-Situated Institution #4	101,551	71.9
Similarly-Situated Institution #5	144,864	87.3
<i>Source: Reports of Condition and Income 09/30/2013-09/30/2019</i>		

Assessment Area Concentration

Heritage Bank originated a majority of loans within its designated assessment area. Refer to the following table for details regarding number and dollar amount of loans in and outside the assessment area.

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		
	#	%	#	%		\$	%	\$	%	
Multifamily										
2017	14	100.0	0	0.0	14	5,777	100.0	0	0.0	5,777
2018	22	100.0	0	0.0	22	7,363	100.0	0	0.0	7,363
Subtotal	36	100.0	0	0.0	36	13,140	100.0	0	0.0	13,140
Small Business										
2017	5	50.0	5	50.0	10	667	50.8	647	49.2	1,314
2018	13	65.0	7	35.0	20	1,021	62.7	607	37.3	1,628
Subtotal	18	60.0	12	40.0	30	1,688	57.4	1,254	42.6	2,942
Total	54	81.8	12	18.2	66	14,828	92.2	1,254	7.8	16,082
<i>Source: Evaluation Period: 1/1/2017 - 12/31/2018 Bank Data Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The analysis focuses on loans originated within the assessment area in low- and moderate-income census tracts. Examiners emphasize performance by number of loans, as this is a better indicator of the number of assessment area borrowers served.

Multifamily Loans

The bank did not originate any multifamily loans within low-income census tracts in 2018, though the demographic shows there are opportunities for multifamily lending in these geographies. The record of lending in moderate-income census tracts exceeds the comparable demographic. Overall, this performance is reasonable when factoring in the location of the branch in relation to low- and moderate-income census tracts. As discussed earlier, there are only a handful of sporadic low-income census tracts located within a 20-mile radius of the institution. The closest cluster of tracts is 20 miles southeast, located closer to the city of Chicago, where competition for financial services is high. The bank has more access to moderate-income census tracts based on distance and competition. Though the bank has designated a large assessment area, their lending footprint is closer around their main office. Strong lending penetrations in moderate-income tracts and consideration of location and lending penetrations mitigates weak penetrations in low-income census tracts resulting in overall reasonable performance. The following table outlines the number and dollar amount of loans originated.

Geographic Distribution of Multifamily Loans					
Tract Income Level	% of Multi-family units	#	%	\$(000s)	%
Low					
2018	11.6	0	0.0	0	0.0
Moderate					
2018	23.7	8	36.4	2,471	33.6
Middle					
2018	26.5	11	50.0	3,980	54.0
Upper					
2018	37.1	3	13.6	912	12.4
Not Available					
2018	1.1	0	0.0	0	0.0
Total					
2018	100.0	22	100.0	7,363	100.0

*Source: 2015 ACS Data, 1/1/2018 - 12/31/2018 Bank Data; "-" data not available.
Due to rounding, totals may not equal 100.0*

Small Business Loans

Overall, the geographic distribution of small business loans is reasonable relative to demographic data. Heritage Bank's small business lending portfolio consists of repeat commercial customers to which the bank originates multiple loans to finance their operations. The record of lending in low-income census tracts exceeds the demographic, however, it is based on a low number of originations. No loans were originated to moderate-income census tracts, however, as previously noted, the nearest cluster of moderate-income tracts is located approximately seven miles away from the bank location.

Examiners consider particularly strong lending penetrations in low-income geographies to mitigate the weak performance to moderate-income census tracts. Refer to the following table for information regarding the specific number and dollar amount of loans.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2018	5.4	3	23.1	165	16.2
Moderate					
2018	17.2	0	0.0	0	0.0
Middle					
2018	28.5	1	7.7	19	1.9
Upper					
2018	48.2	9	69.2	837	82.0
Not Available					
2018	0.6	0	0.0	0	0.0
Totals					
2018	100.0	13	100.0	1,021	100.0

*Source: 2018 D&B Data; 1/1/2018 - 12/31/2018 Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0*

Borrower Profile

The distribution of loans to borrowers of different income levels is poor. The conclusion is supported by poor penetration among businesses with revenues of \$1 million or less. The analysis focuses on those loans originated within the designated assessment area.

Multifamily Loans

The income relied upon to make credit decisions for multifamily loans do not have a reasonable comparison to available demographic data. Therefore, there is no analysis of borrower profile related to this loan product. Examiners did note that the multifamily loan activity offered several units of affordable housing to the tenants of these properties, which benefits low- and moderate-income people residing in the assessment area. Refer to the Community Development Lending summary below for additional information.

Small Business Loans

The distribution of loans to businesses of different sizes is poor. The bank did not originate any loans to businesses with less than \$1 million in revenues, although opportunities exist based on the percentage of such businesses within the assessment area.

As stated previously, the small business loan portfolio consists of repeat commercial customers to which the bank originates multiple loans to finance their operations. The commercial customers all have gross annual revenues over \$1 million. Refer to the following table for information regarding the specific number and dollar amount of loans.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2018	80.5	0	0.0	0	0.0
>\$1,000,000					
2018	8.4	13	100.0	1,021	100.0
Revenue Not Available					
2018	11.1	0	0.0	0	0.0
Total					
	100.0	13	100.0	1,021	100.0
<i>Source: 2018 D&B Data; 1/1/2018 - 12/31/2018 Bank Data; "-" data not available. Due to rounding, totals may not equal 100.0</i>					

Response to Complaints

Heritage Bank has not received any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the rating.

NOTEWORTHY COMMUNITY DEVELOPMENT ACTIVITIES

Community Development Lending

In 2019, Heritage Bank originated four loans totaling \$1.5 million that offer support to low- or moderate-income individuals in the form of Section 8 housing or Housing Assistance Payments subsidized by the Department of Housing and Urban Development (HUD). In 2018, the bank financed 14 multifamily loans, providing 103 affordable housing units to individuals within the assessment area. Specifically, these units offer rents below county-level fair market rates as determined by HUD. Community development is not a separately analyzed criterion for small institutions; however, the bank's involvement with affordable housing reflects positively on its ability to meet the credit needs of its assessment area. It also demonstrates the bank's record of serving a community need stated by several community contacts.

QUALIFIED INVESTMENTS AND SERVICES

Heritage Bank maintains qualified investments that promote community development that were reviewed at the bank's option; however, the bank's level of qualified activities did not result in a change in the overall rating. During the review period, the bank opened six Certificates of Deposit totaling approximately \$1.2 million at minority-owned depository institutions.

These investments promote revitalization and stabilization by providing funds to allow minority-owned depository institutions to meet the credit needs of the local communities in which they are chartered.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs; therefore, this criterion did not affect the overall rating.

APPENDICES

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 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;
- 4) The geographic distribution of the bank's loans; 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).

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.

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.

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.

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.

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.

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 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.

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.