CRA Ratings System

Introduction

In assigning a rating, the FDIC evaluates a bank's performance under the applicable performance criteria in the regulation, in accordance with Section 345.21 and Section 345.28, which provides for adjustments on the basis of evidence of discriminatory or other illegal credit practices. A bank's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The bank's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate profile as follows.

Ratings Definitions

The following ratings definitions are to be used.

"Outstanding" An institution in this group has an outstanding 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.

"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.

"Needs to Improve" An institution in this group needs to improve its overall 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.

"Substantial Noncompliance" An institution in this group has a substantially deficient 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.

Banks Evaluated under the Lending, Investment, and Service Tests

Lending Performance Rating. The FDIC assigns each bank's lending performance one of the five following ratings:

- **Outstanding**. The FDIC rates a bank's lending performance "outstanding" if, in general, it demonstrates:
  - Excellent responsiveness to credit needs in its assessment area(s), taking into account the number and amount of home mortgage, small business, small farm, and consumer loans, if applicable, in its assessment area(s);
  - A substantial majority of its loans are made in its assessment area(s);
  - An excellent geographic distribution of loans in its assessment area(s);
  - An excellent distribution, particularly in its assessment area(s), of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the bank;
  - An excellent record of serving the credit needs of highly economically disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of $1 million or less, consistent with safe and sound operations;
  - Extensive use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies; and
  - It is a leader in making community development loans.
- **High Satisfactory**. The FDIC rates a bank's lending performance "high satisfactory" if, in general, it demonstrates:
  - Good responsiveness to credit needs in its assessment area(s), taking into account the number and amount of home mortgage, small business, small farm, and consumer loans (as applicable) in its assessment area(s);
  - A high percentage of its loans are made in its assessment area(s);
  - A good geographic distribution of loans in its assessment area(s);
  - A good distribution, particularly in its assessment area(s), of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the bank;
  - A good record of serving the credit needs of highly economically disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of $1 million or less, consistent with safe and sound operations;
  - Use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies; and
  - It has made a relatively high level of community development loans.
- **Low Satisfactory**. The FDIC rates a bank's lending performance "low satisfactory" if, in general, it demonstrates:
  - Adequate responsiveness to credit needs in its assessment area(s), taking into account the number and

amount of home mortgage, small business, small farm, and consumer loans, if applicable, in its assessment area(s);
   - An adequate percentage of its loans are made in its assessment area(s);
   - An adequate geographic distribution of loans in its assessment area(s);
   - An adequate distribution, particularly in its assessment area(s), of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the bank;
   - An adequate record of serving the credit needs of highly economically disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of $1 million or less, consistent with safe and sound operations;
   - Limited use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies; and
   - It has made an adequate level of community development loans.

- **Needs to Improve**. The FDIC rates a bank's lending performance "needs to improve" if, in general, it demonstrates:
   - Poor responsiveness to credit needs in its assessment area(s), taking into account the number and amount of home mortgage, small business, small farm, and consumer loans (as applicable) in its assessment area(s);
   - A small percentage of its loans are made in its assessment area(s);
   - A poor geographic distribution of loans, particularly to low- or moderate-income geographies, in its assessment area(s);
   - A poor distribution, particularly in its assessment area(s), of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the bank;
   - A poor record of serving the credit needs of highly economically disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of $1 million or less, consistent with safe and sound operations;
   - Little use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies; and
   - It has made a limited number of community development loans.

- **Substantial Noncompliance**. The FDIC rates a bank's lending performance as being in "substantial noncompliance" if, in general, it demonstrates:
   - A very poor responsiveness to credit needs in its assessment area(s), taking into account the number and amount of home mortgage, small business, small farm, and consumer loans, if applicable, in its assessment area(s);
   - A very small percentage of its loans are made in its assessment area(s);
   - A very poor geographic distribution of loans, particularly to low- or moderate-income geographies, in its assessment area(s);
   - A very poor distribution, particularly in its assessment area(s), of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the bank;
   - A very poor record of serving the credit needs of highly economically disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of $1 million or less, consistent with safe and sound operations;
   - No use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies; and
   - It has made few, if any, community development loans.

Investment Performance Rating.

The FDIC assigns each bank's investment performance one of the five following ratings.

- **Outstanding**. The FDIC rates a bank's investment performance "outstanding" if, in general, it demonstrates:
   - An excellent level of qualified investments, particularly those that are not routinely provided by private investors, often in a leadership position;
   - Extensive use of innovative or complex qualified investments; and
   - Excellent responsiveness to credit and community development needs.

- **High Satisfactory**. The FDIC rates a bank's investment performance "high satisfactory" if, in general, it demonstrates:
   - A significant level of qualified investments, particularly those that are not routinely provided by private investors, occasionally in a leadership position;

- Significant use of innovative or complex qualified investments; and
- Good responsiveness to credit and community development needs.

- **Low Satisfactory**. The FDIC rates a bank's investment performance "low satisfactory" if, in general, it demonstrates:
  - An adequate level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position;
  - Occasional use of innovative or complex qualified investments; and
  - Adequate responsiveness to credit and community development needs.
- **Needs to Improve**. The FDIC rates a bank's investment performance "needs to improve" if, in general, it demonstrates:
  - A poor level of qualified investments, particularly those that are not routinely provided by private investors;
  - Rare use of innovative or complex qualified investments; and
  - Poor responsiveness to credit and community development needs.
- **Substantial Noncompliance**. The FDIC rates a bank's investment performance as being in "substantial noncompliance" if, in general, it demonstrates:
  - Few, if any, qualified investments, particularly those that are not routinely provided by private investors;
  - No use of innovative or complex qualified investments; and
  - Very poor responsiveness to credit and community development needs.

Service Performance Rating.

The FDIC assigns each bank's service performance one of the five following ratings:

- **Outstanding**. The FDIC rates a bank's service performance "outstanding" if, in general, the bank demonstrates:
  - Its service delivery systems are readily accessible to geographies and individuals of different income levels in its assessment area(s);
  - To the extent changes have been made, its record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals;
  - Its services (including, where appropriate, business hours) are tailored to the convenience and needs of its assessment area(s), particularly low- or moderate-income geographies or low- or moderate-income individuals; and
  - It is a leader in providing community development services.
- **High Satisfactory**. The FDIC rates a bank's service performance "high satisfactory" if, in general, the bank demonstrates:
  - Its service delivery systems are accessible to geographies and individuals of different income levels in its assessment area(s);
  - To the extent changes have been made, its record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals;
  - Its services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment area(s), particularly low- and moderate-income geographies and low- and moderate-income individuals; and
  - It provides a relatively high level of community development services.
- **Low Satisfactory**. The FDIC rates a bank's service performance "low satisfactory" if, in general, the bank demonstrates:
  - Its service delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment area(s);
  - To the extent changes have been made, its record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals;
  - Its services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment area(s), particularly low- and moderate-income geographies and low- and moderate-income individuals; and
  - It provides an adequate level of community development services.
- **Needs to Improve**. The FDIC rates a bank's service performance "needs to improve" if, in general, the bank demonstrates:
  - Its service delivery systems are unreasonably inaccessible to portions of its assessment area(s), particularly to low- or moderate-income geographies or to low- or moderate-income individuals;

  - To the extent changes have been made, its record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals;
  - Its services (including, where appropriate, business hours) vary in a way that inconveniences its assessment area(s), particularly low- or moderate- income geographies or low- or moderate-income individuals; and
  - It provides a limited level of community development services.

- **Substantial Noncompliance**. The FDIC rates a bank's service performance as being in "substantial noncompliance" if, in general, the bank demonstrates:
  - Its service delivery systems are unreasonably inaccessible to significant portions of its assessment area(s), particularly to low- or moderate-income geographies or to low- or moderate-income individuals;
  - To the extent changes have been made, its record of opening and closing branches has significantly adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals;
  - Its services (including, where appropriate, business hours) vary in a way that significantly inconveniences its assessment area(s), particularly low- or moderate-income geographies or low- or moderate-income individuals; and
  - It provides few, if any, community development services.

Wholesale or Limited-Purpose Banks

The FDIC assigns each wholesale or limited-purpose bank's community development performance one of the four following ratings:

- **Outstanding**. The FDIC rates a wholesale or limited-purpose bank's community development performance "outstanding" if, in general, it demonstrates:
  - A high level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;
  - Extensive use of innovative or complex qualified investments, community development loans, or community development services; and
  - Excellent responsiveness to credit and community development needs in its assessment area(s).
- **Satisfactory**. The FDIC rates a wholesale or limited-purpose bank's community development performance "satisfactory" if, in general, it demonstrates:
  - An adequate level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;
  - Occasional use of innovative or complex qualified investments, community development loans, or community development services; and
  - Adequate responsiveness to credit and community development needs in its assessment area(s).
- **Needs to Improve**. The FDIC rates a wholesale or limited-purpose bank's community development performance as "needs to improve" if, in general, it demonstrates:
  - A poor level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;
  - Rare use of innovative or complex qualified investments, community development loans, or community development services; and
  - Poor responsiveness to credit and community development needs in its assessment area(s).
- **Substantial Noncompliance**. The FDIC rates a wholesale or limited-purpose bank's community development performance in "substantial noncompliance" if, in general, it demonstrates:
  - Few, if any, community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;
  - No use of innovative or complex qualified investments, community development loans, or community development services; and
  - Very poor responsiveness to credit and community development needs in its assessment area(s).

Banks Evaluated under the Small Bank Performance Standards

Lending Test Ratings.

- Eligibility for a ***Satisfactory*** lending test rating. The FDIC rates a small bank's lending performance "satisfactory" if, in general, the bank demonstrates:
  - A reasonable loan-to-deposit ratio (considering seasonal variations) given the bank's size, financial condition, the credit needs of its assessment area(s), and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the