RATINGS SYSTEMS

IN THIS APPENDIX

RATINGS SYSTEMS

The Federal Financial Institutions Examination Council (FFIEC) developed and recommended to the member agencies for adoption a uniform interagency consumer compliance rating system. This rating system was adopted by the FDIC which, in addition, has devised a three dimensional component rating system designed to assist examiners in arriving at a more meaningful analysis of a financial institution's compliance posture prior to the assignment of the composite consumer compliance rating under the uniform FFIEC system. The purpose of the rating system is to reflect in a comprehensive and uniform fashion the nature and extent of an institution's compliance with consumer protection and civil rights laws and regulations.

Also, the rating system does not consider a financial institution's record of lending performance under the Community Reinvestment Act (CRA) or its compliance with the applicable provisions of the implementing regulation. Financial institutions are rated separately for CRA purposes, utilizing a unique rating system also developed and recommended by the FFIEC. This rating system was likewise adopted by the FDIC.

OVERVIEW OF RATINGS SYSTEMS (cont'd)

It is the FDIC's view that disclosure of the composite consumer compliance and CRA rating to financial institution management is appropriate. Beginning with examinations conducted on and after July 1, 1990, CRA Performance Evaluations and ratings are publicly available. Therefore, the examiner should disclose and discuss in the Examiner's Comments and Conclusions (page one) the recommended composite consumer compliance and CRA ratings.

Ordinarily, the comments on the page one after the discussion of the assigned ratings must be sufficient to support the particular ratings assigned. However, with respect to an institution rated "3", "4" or "5" for consumer compliance, or "Needs to Improve" or "Substantial Noncompliance" for CRA, comments should appropriately elaborate on the particular deficiencies noted in the institution's compliance or CRA posture and program to further support the ratings assigned.

It should be noted that only the composite consumer compliance and CRA ratings are to be disclosed and not the individual component ratings. The examiner should disclose both the recommended composite consumer compliance and CRA rating to institution management at the time of the examination along with a comment that the Regional Office must concur in these ratings and may, in some instances, change them before the examination report is sent to the institution.

CONSUMER COMPLIANCE RATING SYSTEM

Overview

The primary purpose of the rating system is to help identify those institutions whose compliance with consumer protection and civil rights laws and regulations display weaknesses requiring special supervisory attention and which are cause for more than a normal degree of supervisory concern.

To accomplish this objective, the rating system identifies an initial category of institutions that have compliance deficiencies that warrant more than normal supervisory concern. These institutions are not deemed to present a significant risk of financial or other harm to consumers but do require a higher than normal level of supervisory attention. Institutions in this category are generally rated composite "3."

The rating system also identifies certain institutions whose weaknesses are so severe as to represent, in essence, a substantial or general disregard for the law. These institutions are, depending upon the nature and degree of their weaknesses, rated a composite "4" or "5".

CONSUMER COMPLIANCE RATING SYSTEM (cont'd)

General

In assigning the composite rating, all relevant factors must be evaluated and weighed. In general, these factors include:

- Nature and extent of present compliance with consumer protection and civil rights laws and regulations
- Commitment of management to compliance and its ability and willingness to take the necessary steps to assure compliance
- Adequacy of operating systems, including internal procedures, controls, and audit activities designed to ensure compliance on a routine and consistent basis.

The assignment of the composite compliance rating may incorporate other factors that impact significantly on the overall effectiveness of an institution's compliance efforts.

Component Ratings

The FDIC has devised a three component rating scheme to assist examiners in arriving at a more meaningful analysis of the institution's compliance posture prior to assigning the composite consumer compliance rating. The specific components are "MVP":

- M Management
- V Violations
- P Program

All ratings are assigned on a scale of 1 through 5 in ascending order of supervisory concern. Thus, "1" represents the highest rating and consequently the lowest level of supervisory concern; while "5" represents the lowest, most critically deficient level of performance, and therefore the highest degree of supervisory concern. Each institution is accorded a composite consumer compliance rating which reflects the overall performance of the institution on the basis of the three dimensions.

The MVP individual ratings are to be assigned on the basis of the following specific guidelines. <u>These guidelines, however, do not preclude consideration of other factors which, in the judgment of the examiner, are deemed relevant to accurately portray the rating of the individual dimension.</u>

CONSUMER COMPLIANCE RATING SYSTEM (cont'd)

Component Ratings (cont'd)

MANAGEMENT

One

Management displays a positive attitude toward compliance and is capably administering an effective compliance program. Changes in consumer laws and regulations are promptly addressed in the institution's policies, and violations and deficiencies receive immediate corrective action.

Two

Management is adequately overseeing the institution's compliance program. Problem areas are few in number and easily corrected. Review of prior reports indicates a willingness to effect correction of violations. If required, reimbursements are made voluntarily.

Three

Management is not devoting sufficient time to the administration of the institution's compliance program and previously identified violations remain uncorrected. Although knowledgeable of the requirements of the various laws and regulations, increased efforts are required to effectuate compliance.

Four

Management has not exerted sufficient effort to ensure compliance with the various laws and regulations. There is a lack of interest or capability in administering a compliance program which has resulted in numerous repeat violations.

Five

Management has demonstrated an unwillingness or inability to operate within the scope of consumer laws and regulations. Serious problems remain uncorrected and management's attitude towards compliance is poor.

VIOLATIONS

One

Violations, if any, are technical and easily corrected. There is no evidence of discriminatory acts or practices and there are no repeat violations.

Two

Any violations noted involve technical aspects of the law, or result from oversight or clerical error on the part of operating personnel. There is no evidence of discriminatory acts or practices and no reimbursable violations. Any repeat violations are few in number and technical in nature.

CONSUMER COMPLIANCE RATING SYSTEM (cont'd)

Component Ratings (cont'd)

Three

Reimbursements, if present, involve several customers and are minimal in amount. There is no evidence of discrimination; however, violations may be numerous. Patterns of repeat violations may exist.

Four

Numerous violations are present and reimbursements, if any, affect a significant number of customers and are substantial in amount. Discriminatory acts or practices may be in evidence. Practices resulting in violations cited at previous examinations remain uncorrected.

Five

The institution is in substantial noncompliance with most consumer laws and regulations. Discrimination, numerous reimbursements, and/or practices resulting in repeat violations are present.

PROGRAM

One

An effective compliance program, including a system of internal procedures and controls, has been established. Recordkeeping systems and employee training arrangements are good. Changes in laws and regulations are promptly reflected in the institution's compliance program and procedures for handling consumer complaints are in place.

Two

Although a system of internal controls and operating procedures has been established to ensure compliance, violations have nonetheless occurred. Modifications in the institution's compliance program and/or establishment of additional review/audit procedures may be warranted. Personnel appear knowledgeable of compliance matters and training is satisfactory.

Three

Operating controls and procedures have not proven effective and require strengthening. Training is inconsistent and knowledge of regulations is weak in some areas. Management is not sufficiently involved in the compliance program to effect favorable changes.

Four

The compliance program is not effective and internal procedures and controls are seriously deficient. Personnel lack knowledge in several critical areas and there is no formal training. Management is not actively involved in administering the very rudimentary compliance program in place.

CONSUMER COMPLIANCE RATING SYSTEM (cont'd)

Component Ratings (cont'd)

Five

There is no compliance program, written or oral. Knowledge of the laws and regulations is extremely limited and problem areas remain uncorrected.

NOTE: For convenient reference, a chart depicting the characteristics of each rating dimension is provided on the following page.

CONSUMER COMPLIANCE RATING SYSTEM CHART					
	ONE	TWO	THREE	FOUR	FIVE
MANAGEMENT	Positive attitude Capable Immediate correction	Adequate oversight Willing correction	Capable but increased effort necessary	Apathetic Insufficient effort	Unwilling Incapable Poor attitude
VIOLATIONS Type/Volume	Technical/Few	Technical/Isolated or not numerous	Substantive/ May be numerous	Substantive/ Numerous	Substantial/ Most regulations
Repeat	None	Few and technical	One or more patterns may exist	Patterns exist	Patterns exist
Reimbursable	None	None	Several customers Minimal amounts	Significant number of customers Substantial amounts	Numerous patterns Substantial amounts
Apparent Discrimination	None	None	None	May be evident	Evident
PROGRAM	Effective	Some exceptions occur	Limited effectiveness	Seriously deficient	None

CONSUMER COMPLIANCE RATING SYSTEM (cont'd)

Taking into consideration the MVP ratings, and other factors as warranted, a composite consumer compliance rating will be accorded. These ratings are defined and distinguished as follows:

Composite Rating

One
An institution in this category is in a strong compliance position.

Management is capable of and staff is sufficient for effectuating compliance. An effective compliance program, including an efficient system of internal procedures and controls, has been established. Changes in consumer statutes and regulations are promptly reflected in the institution's policies, procedures, and compliance training. The institution provides adequate training for its employees. If any violations are noted, they relate to relatively minor deficiencies in forms or practices that are easily corrected. There is no evidence of discriminatory acts or practices, reimbursable violations, or practices resulting in repeat violations. Violations are promptly corrected by management. As a result, the institution gives no cause for supervisory concern.

Two
An institution in this category is in a generally strong compliance position.

Management is capable of administering an effective compliance program. Although a system of internal operating procedures and controls has been established to ensure compliance, violations have nonetheless occurred. These violations, however, involve technical aspects of the law or result from oversight on the part of operating personnel. Modifications in the institution's compliance program and/or the establishment of additional review/audit procedures may eliminate many of the violations. Compliance training is satisfactory. There is no evidence of discriminatory acts or practices, reimbursable violations, or practices resulting in well-defined patterns of repeat violations.

Three
Generally, an institution in this category is in a less than satisfactory compliance position.

Institutions in this category are a cause for supervisory concern and require more than normal supervision to remedy deficiencies. Violations may be numerous. In addition, previously identified practices resulting in violations may remain uncorrected. Overcharges, if present, involve a few consumers and are minimal in amount. There is no evidence of discriminatory acts or practices. Although management may have the ability to effectuate compliance, increased efforts are necessary. The numerous violations discovered are an indication that management has not devoted sufficient time and attention to consumer compliance. Operating procedures and controls

CONSUMER COMPLIANCE RATING SYSTEM (cont'd)

have not proven effective and require strengthening. This may be accomplished by, among other things, designating a compliance officer and developing and implementing a comprehensive and effective compliance program. By identifying an institution with marginal compliance early, additional supervisory measures may be employed to eliminate violations and prevent further deterioration in the institution's less than satisfactory compliance position.

Composite Rating (cont'd)

Four
An institution in this category requires close supervisory attention and monitoring to promptly correct the serious compliance problems disclosed.

Numerous violations are present. Overcharges, if any, affect a significant number of consumers and involve a substantial amount of money. Often practices resulting in violations cited at previous examinations remain uncorrected. Discriminatory acts or practices may be in evidence. Clearly, management has not exerted sufficient efforts to ensure compliance. Its attitude may indicate a lack of interest in administering an effective compliance program which may have contributed to the seriousness of the institution's compliance problem. Internal procedures and controls have not proven effective and are seriously deficient. Prompt action on the part of the supervisory agency may enable the institution to correct its deficiencies and improve its compliance position.

Five
An institution in this category is in need of the strongest supervisory attention and monitoring.

It is substantially in noncompliance with the consumer laws and regulations. Management has demonstrated its unwillingness or inability to operate within the scope of consumer laws and regulations. Previous efforts on the part of the regulatory authority to obtain voluntary compliance have been unproductive. Discrimination, substantial overcharges, and/or practices resulting in serious repeat violations are present.

CRA RATINGS

Overview

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.

General

The revised CRA Regulation is in effect for all banks. 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);

CRA RATINGS (cont'd)

Banks Evaluated under the Lending, Investment, and Service Tests (cont'd)

- 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.

CRA RATINGS (cont'd)

Banks Evaluated under the Lending, Investment, and Service Tests (cont'd)

- **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;

CRA RATINGS (cont'd)

Banks Evaluated under the Lending, Investment, and Service Tests (cont'd)

- -- 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.

CRA RATINGS (cont'd)

Banks Evaluated under the Lending, Investment, and Service Tests (cont'd)

- **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);

CRA RATINGS (cont'd)

Banks Evaluated under the Lending, Investment, and Service Tests (cont'd)

- 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;

CRA RATINGS (cont'd)

Banks Evaluated under the Lending, Investment, and Service Tests (cont'd)

-- 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).

CRA RATINGS (cont'd)

Wholesale or Limited-Purpose Banks (cont'd)

- **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

The FDIC rates the performance of each bank evaluated under the small bank performance standards as follows:

- Eligibility for a **satisfactory** rating. The FDIC rates a bank's performance "satisfactory" if, in general, the bank demonstrates:

CRA RATINGS (cont'd)

Banks Evaluated under the Small Bank Performance Standards (cont'd)

-- 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, lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments;

-- A majority of its loans and, as appropriate, other lending-related activities are in its assessment area(s);

-- A distribution of loans to and, as appropriate, other lending related-activities for individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes that is reasonable given the demographics of the bank's assessment area(s);

-- A record of taking appropriate action, as warranted, in response to written complaints, if any, about the bank's performance in helping to meet the credit needs of its assessment area(s); and

-- A reasonable geographic distribution of loans given the bank's assessment area(s).

- Eligibility for an **outstanding** rating. A bank that meets each of the standards for a "satisfactory" rating under this paragraph and exceeds some or all of those standards may warrant consideration for an overall rating of "outstanding." In assessing whether a bank's performance is "outstanding," the FDIC considers the extent to which the bank exceeds each of the performance standards for a "satisfactory" rating and its performance in making qualified investments and its performance in providing branches and other services and delivery systems that enhance credit availability in its assessment area(s).

- Needs to improve or substantial noncompliance ratings. A bank also may receive a rating of "needs to improve" or "substantial noncompliance" depending on the degree to which its performance has failed to meet the standards for a "satisfactory" rating.

Strategic Plan Assessments

The FDIC assesses the performance of a bank operating under an approved plan to determine if the bank has met its plan goals:

- Satisfactory. If the bank substantially achieves its plan goals for a satisfactory rating, the FDIC will rate the bank's performance as "satisfactory."

- Outstanding. If the bank exceeds it plan goals for a satisfactory rating and substantially achieves it plan goals for an outstanding rating, the FDIC will rate the bank's performance under the plan as "outstanding."

CRA RATINGS (cont'd)

Strategic Plan Assessments (cont'd)

- If the bank fails to meet substantially its plan goals for a satisfactory rating, the FDIC will rate the bank as either "needs to improve" or "substantial noncompliance," depending on the extent to which it falls short of its plan goals, unless the bank elected in its plan to be rated otherwise, as provided in Section 345.27(f)(4).

LENDING TEST MATRIX

CHARACTERISTIC	**OUTSTANDING**	**HIGH SATISFACTORY**	**LOW SATISFACTORY**	**NEEDS TO IMPROVE**	**SUBSTANTIAL NON-COMPLIANCE**
Lending Activity	Lending levels reflect excellent responsiveness to assessment area credit needs.	Lending levels reflect good responsiveness to assessment area credit needs.	Lending levels reflect adequate responsiveness to assessment area credit needs.	Lending levels reflect poor responsiveness to assessment area credit needs.	Lending levels reflect very poor responsiveness to assessment area credit needs.
Assessment area(s) concentration	A substantial majority of loans are made in the institution's assessment area(s).	A high percentage of loans are made in the institutions' assessments area(s).	An adequate percentage of loans are made in the institution's assessment area(s).	A small percentage of loans are made in the institution's assessments area(s).	A very small percentage of loans are made in the institutions assessment area(s).
Geographic distributions of loans	The geographic distribution of loans reflects excellent penetration throughout the assessment area(s).	The geographic distribution of loans reflects good penetration throughout the assessment area(s).	The geographic distribution of loans reflects adequate penetration throughout the assessment area(s).	The geographic distribution of loans reflects poor penetration throughout the assessment area(s), particularly to low- or moderate-income geographies in the assessment area(s).	The geographic distribution of loans reflects very poor penetration throughout the assessment area(s), particularly to low- or moderate-income geographies in the assessment area(s).
Borrowers' profile	The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different size.	The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size.	The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size.	The distribution of borrowers reflects, given the product lines offered by the institution, poor penetration among retail customers of different income levels and business customers of different size.	The distribution of borrowers reflects, given the product lines offered by the institution, very poor penetration among retail customers of different income levels and business customers of different size.

LENDING TEST MATRIX (continued)

Responsiveness to credit needs of highly economically disadvantaged geographies and low-income persons, small business	The institution exhibits an excellent record of serving the credit needs of the most economically disadvantaged area(s) of its assessment area(s), low-income individuals, and/or very small businesses, consistent with safe and sound banking practices.	The institution exhibits a good record of serving the credit needs of the most economically disadvantaged area(s) of its assessment area(s), low-income individuals, and/or very small businesses, consistent with safe and sound banking practices.	The institution exhibits adequate record of serving the credit needs of the most economically disadvantaged area(s) of its assessment area(s), low-income individuals, and/or very small businesses, consistent with safe and sound banking practices.	The institution exhibits a poor record of serving the credit needs of the most economically disadvantaged area(s) of its assessment area(s), low-income individuals, and/or very small businesses, consistent with safe and sound banking practices.	The institution exhibits a very poor record of serving the credit needs of the most economically disadvantaged area of its assessment area(s), low-income individuals, and/or very small businesses, consistent with safe and sound banking practices.
Community development lending activities	The institution is a leader in making community development loans.	The institution has made a relatively high level of community development loans.	The institution has made an adequate level of community development loans.	The institution has made a low level of community development loans.	The institution has made few, if any, community development loans.
Product Innovation	The institution makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs.	The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs.	The institution makes limited use of innovative and/or flexible lending practices in order to serve assessment area credit needs.	The institution makes little use of innovative and/or flexible lending practices in order to serve assessment area credit needs.	The institution makes no use of innovative and/or flexible lending practices in order to serve assessment area credit needs.

SERVICE TEST MATRIX

CHARACTERISTIC	OUTSTANDING	HIGH SATISFACTORY	LOW SATISFACTORY	NEEDS TO IMPROVE	SUBSTANTIAL NON-COMPLIANCE
Accessibility of Delivery systems	Delivery systems are readily accessible to all portions of the institution's assessment area(s).	Delivery systems are accessible to essentially all portions of the institution's assessment area(s).	Delivery systems are reasonably accessible to essentially all portions of the institutions assessment area(s).	Delivery systems are accessible to limited portions of the institution's assessment area(s).	Delivery systems are inaccessible to significant portions of the assessment area(s), particularly low- and moderate-income geographies and/or low- and moderate-income individuals.
Changes in Branch Locations	To the extent changes have been made, the institution's record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- and moderate- income geographies and/or to low- and moderate-income individuals.	To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.	To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.	To the extent changes have been made, the institution's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.	To the extent changes have been made, the institution's opening and closing of branches has significantly adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
Reasonableness of business hours and services in meeting assessment area(s) needs	Services (including where appropriate, business hours) are tailored to the convenience and needs of the assessment area(s), particularly low- and moderate- income geographies and/or individuals.	Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area(s), particularly low- and moderate-income geographies and/or individuals.	Services (including, where appropriate, business hours) do not vary in a way that inconveniences portions of the assessment area(s), particularly low- and moderate-income geographies and/or individuals.	Services (including, where appropriate, business hours) vary in a way that inconveniences certain portions of the assessment area(s), particularly low- and moderate-income geographies and/or individuals.	Services (including, where appropriate, business hours) vary in a way that significantly inconveniences many portions of the assessment area(s), particularly low- and moderate-income geographies and/or individuals.
Community development services	The institution is a leader in providing community development services.	The institution provides a relatively high level of community development services.	The institution provides an adequate level of community development services.	The institution provides a limited level of community development services.	The institution provides few, if any, community development services.

INVESTMENT TEST MATRIX

CHARACTERISTIC	OUTSTANDING	HIGH SATISFACTORY	LOW SATISFACTORY	NEEDS TO IMPROVE	SUBSTANTIAL NON-COMPLIANCE
Investment and Grant Activity	The institution has an excellent level of qualified community development investment and grants, often in a leadership position, particularly those that are not routinely provided by private investors.	The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.	The institution has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.	The institution has a poor level of qualified community development investments and grants, but not in a leadership position, particularly those that are not routinely provided by private investors.	The institution has a few, if any, qualified community development investments or grants, particularly those that are not routinely provided by private investors.
Responsiveness to Credit and Community Development Needs	The institution exhibits excellent responsiveness to credit and community economic development needs.	The institution exhibits good responsiveness to credit and community economic development needs.	The institution exhibits adequate responsiveness to credit and community economic development needs.	The institution exhibits poor responsiveness to credit and community economic development needs.	The institution exhibits very poor responsiveness to credit and community economic development needs.
Community Development Initiatives	The institution makes extensive use of innovative and/or complex investments to support community development initiatives.	The institution makes significant use of innovative and/or complex investments to support community development initiatives.	The institution occasionally uses innovative and/or complex investments to support community development initiatives.	The institution rarely uses innovative and/or complex investments to support community development initiatives.	The institution does not use innovative and/or complex investments to support community development initiatives.

CRA RATINGS MATRIX – SMALL INSTITUTIONS

CHARACTERISTIC	OUTSTANDING	SATISFACTORY	NEEDS TO IMPROVE	SUBSTANTIAL NONCOMPLIANCE
Loan-to-deposit ratio	The loan-to-deposit ratio is more than reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.	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.	The loan-to-deposit ratio is less than reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.	The loan-to-deposit ratio is unreasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
Assessment area(s) concentration	A substantial majority of loans and other lending related activities are in the institution's assessment area(s).	A majority of loans and other lending related activities are in the institution's assessment area(s).	A majority of loans and other lending related activities are outside the institution's assessment area(s).	A substantial majority of loans and other lending related activities are outside the institution's assessment area(s).
Geographic distribution of loans	The geographic distribution of loans reflects excellent dispersion throughout the assessment area(s).	The geographic distribution of loans reflects reasonable dispersion throughout the assessment area(s).	The geographic distribution of loans reflects poor dispersion throughout the assessment area(s).	The geographic distribution of loans reflects very poor dispersion throughout the assessment area(s).
Borrowers' profile	The distribution of borrowers reflects, given the demographics of the assessment area(s), excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.	The distribution of borrowers reflects, given the demographics of the assessment area(s), reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.	The distribution of borrowers reflects, given the demographics of the assessment area(s), poor penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.	The distribution of borrowers reflects, given the demographics of the assessment area(s), very poor penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
Response to substantiated complaints	The institution has taken noteworthy, creative action in response to substantiated complaints about its performance in meeting assessment area credit needs.	The institution has taken appropriate action in response to substantiated complaints about its performance in meeting assessment area credit needs.	The institution has taken inadequate action in response to substantiated complaints about its performance in meeting assessment area credit needs.	The institution is unresponsive to substantiated complaints about its performance in meeting assessment area credit needs.
Investments	The institution's investment record enhances credit availability in its assessment area.	N/A	N/A	N/A
Services	The institution's record of providing branches, ATMs, loan production offices, and/or other services and delivery systems enhances credit availability in its assessment area(s).	N/A	N/A	N/A