

# **PUBLIC DISCLOSURE**

January 26, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

### **Farmers and Merchants Bank**

Certificate Number: 5716

4 North Carter Street  
Lakeland, Georgia 31635

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

10 10th Street NE, Suite 900  
Atlanta, Georgia 30309-3849

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

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## INSTITUTION RATING

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

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

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- The bank originated a majority of its small business, home mortgage, and small farm loans in its assessment areas.
- The geographic distribution of small business, home mortgage, and small farm loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among businesses and farms of different sizes and individuals of different income levels (including low- and moderate-income).
- The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test rating.

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

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

## DESCRIPTION OF INSTITUTION

Farmers and Merchants Bank is headquartered in Lakeland, Lanier County, Georgia (GA), and remains wholly owned by FMB Bancshares, Inc., a one-bank holding company, also located in Lakeland, GA. The bank does not have any other subsidiaries or affiliates. The institution received a Satisfactory CRA rating at the previous FDIC CRA evaluation, dated November 16, 2020, which was based on the Interagency Intermediate Small Institution Examination Procedures.

Farmers and Merchants Bank operates five full-service locations and one limited-service drive-thru facility throughout five counties in GA. The main office is located in Lakeland (Lanier County), and the other four branches, one each, are located in Nashville (Berrien County), Homerville (Clinch County), Valdosta (Lowndes County), and Conyers (Rockdale County). The limited-service drive-thru facility is located in Valdosta. No locations have been closed since the prior evaluation.

Farmers and Merchants Bank offers a variety of loan products with a primary focus on commercial lending. Loan products include commercial and business purpose, residential mortgage, construction, farm and agricultural, home equity, and consumer installment loans. The bank offers a variety of deposit products, which include checking, savings, money market, and certificates of deposit accounts. Alternative systems offered for delivering retail-banking services include automated teller machines (ATMs), online banking, mobile banking, bill pay, and telephone banking.

As of September 30, 2023, the Consolidated Reports of Condition and Income (Call Report) indicate that Farmers and Merchants Bank had total assets of \$646.8 million, total deposits of \$591.8 million, and total loans of \$473.2 million. As shown in the following table, commercial loans (loans secured by nonfarm, nonresidential properties and commercial and industrial loans) represent the largest portion of the loan portfolio at 42.2 percent. Residential loans (loans secured by 1-4 family and multifamily residential properties) represent the second largest portion at 20.8 percent. Construction and land development loans (1-4 family residential construction and other construction loans and all land development and other land loans) represent the third largest portion at 16.1 percent, followed by farmland loans (including loan to finance agricultural production) at 14.9 percent.

<b>Loan Portfolio Distribution as of 9/30/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	76,086	16.1
Secured by Farmland	54,850	11.6
Secured by 1-4 Family Residential Properties	95,152	20.1
Secured by Multifamily (5 or more) Residential Properties	3,451	0.7
Secured by Nonfarm Nonresidential Properties	115,553	24.4
<b>Total Real Estate Loans</b>	<b>345,092</b>	<b>72.9</b>
Commercial and Industrial Loans	83,880	17.8
Agricultural Production and Other Loans to Farmers	15,554	3.3
Consumer Loans	27,804	5.9

Obligations of State and Political Subdivisions in the U.S.	830	0.1
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	-	-
<b>Total Loans</b>	<b>473,160</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income as of September 30, 2023</i>		

Examiners did not identify any financial or legal impediments, other than legal lending limits, that would restrict the bank’s ability to meet the credit needs of the assessment areas.

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The FDIC evaluates the bank’s CRA performance based on an institution’s activity within the defined assessment areas. Bank management continues to delineate three assessment areas in the State of Georgia: a Non-Metropolitan Statistical Area (NMSA), which will be referred to as the GA NMSA assessment area, a portion of the Valdosta, GA MSA, which will be referred to as the Valdosta MSA assessment area, and a portion of the Atlanta-Sandy Springs-Roswell, GA MSA, which will be referred to as the Atlanta MSA assessment area. The counties in the GA NMSA assessment area are contiguous and have similar characters and demographics, so they have been combined into one assessment area for this evaluation. The bank’s defined assessment areas have not changed since the previous evaluation.

Assessment area delineations are based on available census data. Specifically, the 2015 American Community Survey (ACS) Census data was used at the previous evaluation to delineate the bank’s assessment areas. In 2022, the Federal Financial Interagency Examination Council (FFIEC) released updates to the MSA and Metropolitan Divisions, states, counties, census tracts, and income-level indicators based on information collected during the 2020 United States (U.S.) Census. As a result of the 2020 U.S. Census, the number of census tracts and income classifications changed, which impacted the bank’s assessment areas. The following tables detail the counties, number of census tracts, and branches in each assessment area for the current evaluation. Refer to each assessment area section of this performance evaluation for additional information.

Description of Assessment Areas				
Assessment Area	Counties in Assessment Area	# of Census Tracts 2015 ACS	# of Census Tracts 2020 U.S. Census	# of Branches
Atlanta MSA	Rockdale	15	24	1
Valdosta MSA	Lanier and Lowndes	27	32	3
GA NMSA	Berrien and Clinch	8	8	2
<b>Total</b>		<b>50</b>	<b>64</b>	<b>5</b>
<i>Source: Bank Data; 2015 ACS Data; and 2020 U.S. Census Data</i>				

Tract Income Level	# of Census Tracts 2015 ACS	# of Census Tracts 2020 U.S. Census
Low	3	6
Moderate	15	14
Middle	23	30
Upper	9	12
Income Level Not Assigned	0	2
<b>Total</b>	<b>50</b>	<b>64</b>

*Source: Bank Data; 2015 ACS Data; and 2020 U.S. Census Data*

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the prior evaluation, dated November 16, 2020, to the current evaluation, dated January 26, 2024. Examiners used the Interagency Intermediate Small Institution Examiner Procedures to evaluate Farmers and Merchants Bank’s CRA performance. These procedures include the Lending Test and the Community Development Test. Refer to the *Appendices* section for additional information regarding each test.

The majority of the bank’s lending activity occurred in the Valdosta MSA and GA NMSA assessment areas. Therefore, full-scope analyses were conducted for both assessment areas, and a limited-scope review was conducted for the Atlanta MSA assessment area. Further, examiners gave equal weight to bank activities in the Valdosta MSA and GA NMSA assessment areas due to the number of branches and the volume of lending and community development activity. The following table details the breakdown of loans, deposits, and offices by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
GA NMSA	42,656	32.4	268,787	44.6	2	33.3
Valdosta MSA	88,467	67.1	272,152	45.1	2	50.0
Atlanta MSA	727	0.6	61,841	10.3	1	16.7
<b>Total</b>	<b>131,851</b>	<b>100.0</b>	<b>602,780</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>

*Source: 2020, 2021, and 2022 HMDA Reported Data, Bank Data, and FDIC Summary of Deposits (June 30, 2023))*

### Activities Reviewed

Examiners determined that Farmers and Merchants Bank’s major product lines are home mortgage, small business, and small farm loans. This conclusion considered the bank’s business strategy and the distribution of the loan portfolio during the evaluation period. No other loan types, such as consumer non-residential lending, represent a major product line. Therefore, they provide no material support for conclusions or ratings and are not presented. Farmers and Merchants Bank is subject to the Home Mortgage Disclosure Act (HMDA) reporting requirements. Examiners considered all home mortgage loans reported on the 2020, 2021, and 2022 Loan Application

Registers as part of the lending analysis. In 2020, the bank reported 324 loans totaling \$35.8 million. In 2021, the bank reported 275 loans totaling \$30.8 million. In 2022, the bank reported 327 loans totaling \$36.7 million. In addition to aggregate HMDA data, the 2020 U.S. Census demographic data (owner-occupied housing units by geography and the distribution of families by income level) provided a standard of comparison for home mortgage loans. Examiners only presented 2022 HMDA data in the tables within the conclusions sections (*Geographic Distribution* and *Borrower Profile* performance criteria), as it is the most recent year that aggregate data is available. In addition, there were no significant trends identified between 2020, 2021, and 2022 home mortgage lending that materially affected conclusions.

The CRA evaluation also included an analysis of small business and small farm loans, as defined in the *Glossary*. Farmers and Merchants Bank is not required to collect and report small business and small farm data. Therefore, the evaluation period for originated small business and small farm lending was from January 1, 2023 through December 31, 2023. Based on bank records, during this time period (evaluation period), the bank originated 694 small business loans totaling \$57.1 million, and 207 small farm loans totaling \$19.1 million. The universe of small business and small farm loans were evaluated for the *Assessment Area Concentration* and *Geographic Distribution* performance. However, gross annual revenue information was not readily available for the universe of small business and small farm loans. Therefore, a sample of 213 small business loans totaling \$13.8 and a sample of 143 small farm loans totaling \$13.5 was selected from the loans originated within the assessment areas for review of the *Borrower Profile* criterion. In addition, 2023 Dun & Bradstreet, Inc. (D&B) data provided a standard of comparison for small business and small farm loans.

While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans, because the number of loans is a better indicator of the number of individuals, businesses, and farms served. Home mortgage and small business loans account for the majority of the bank's lending activity; therefore, home mortgage and small business lending received equal weight in determining the overall rating and conclusions. Small farm loans received less weight.

For the Community Development Test, examiners reviewed information provided by bank management on community development loans, qualified investments, and community development services from November 16, 2020, through December 31, 2023. Qualified investments included new investments and donations, as well as qualified investments from the prior evaluation that were still outstanding as of the current evaluation date.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Overall, Farmers and Merchants Bank demonstrated satisfactory performance under the Lending Test. The bank's reasonable Loan-to-Deposit Ratio, Assessment Area Concentration, Borrower Profile, and Geographic Distribution performance supports this conclusion. In addition, the bank received no CRA-related consumer complaint since the previous evaluation.

## Loan-to-Deposit Ratio

Farmers and Merchants Bank’s net loan-to-deposit (NLTD) ratio is reasonable given the institution’s size, financial condition, and assessment areas’ credit needs. The bank’s NLTD ratio, calculated from Call Report data, averaged 71.6 percent over the past 12 calendar quarters from December 31, 2020, to September 30, 2023. The ratio fluctuated from a low of 67.5 percent, as of March 31, 2022, to a high of 79.0 percent, as of September 30, 2020.

Farmers and Merchants Bank’s NLTD ratios were compared to three similarly situated institutions. These institutions typically operate within a bank’s assessment areas and share similar attributes, such as size, lending focus, branching structure, and product offerings. As reflected in the following table, Farmers and Merchants Bank’s NLTD ratio over the previous 12 calendar quarters exceeded the similar situated institutions.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 9/30/2023 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Farmers and Merchants Bank, Lakeland, GA</b>	<b>646,846</b>	<b>71.6</b>
South Georgia Banking Company, Omega, GA	583,995	63.0
Guardian Bank, Valdosta, GA	537,388	67.8
Commercial Banking Company, Valdosta, GA	345,849	66.4

*Source: Reports of Condition and Income 12/31/2020 – 9/30/2023*

## Assessment Area Concentration

Farmers and Merchants Bank originated a majority of loans reviewed inside the assessment areas. This performance demonstrates the bank’s efforts to provide credit to individuals, businesses, and farms inside the bank-wide assessment area. The following table details lending inside and outside of the assessment areas.

<b>Lending Inside and Outside of the Assessment Areas</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2020	264	81.5	60	18.5	324	27,920	78.1	7,830	21.9	35,751
2021	224	81.5	51	18.5	275	21,807	70.6	9,072	29.4	30,879
2022	266	81.3	61	18.7	327	25,225	68.7	11,490	31.3	36,714
<b>Subtotal</b>	<b>754</b>	<b>81.4</b>	<b>172</b>	<b>18.6</b>	<b>926</b>	<b>74,952</b>	<b>72.5</b>	<b>28,392</b>	<b>27.5</b>	<b>103,344</b>



Small Business										
2023	563	81.1	131	18.9	694	40,602	71.1	16,533	28.9	57,135
Small Farm										
2023	178	86.0	29	14.0	207	16,295	85.4	2,797	14.6	19,091
<b>Total</b>	<b>1,495</b>	<b>81.8</b>	<b>332</b>	<b>18.2</b>	<b>1,827</b>	<b>131,850</b>	<b>73.4</b>	<b>47,722</b>	<b>26.6</b>	<b>179,570</b>
<i>Source: 2020, 2021, and 2022 HMDA Reported Data and Bank Data. Due to rounding, totals may not equal 100.0%.</i>										

### **Geographic Distribution**

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Conclusions regarding the bank’s performance is consistent throughout the assessment areas. Refer to the *Geographic Distribution* sections of each assessment area for further comment of the bank’s lending performance.

### **Borrower Profile**

Overall, the distribution of loans to borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses and farms of different sizes. Conclusions regarding the bank’s performance is consistent throughout the assessment areas. Refer to the *Borrower Profile* sections of each assessment area for further comment of the bank’s lending performance.

### **Response to Complaints**

Farmers and Merchants Bank has not received any CRA-related complaints since the previous evaluation. Therefore, this criterion did not affect the Lending Test rating.

## **COMMUNITY DEVELOPMENT TEST**

Farmers and Merchants Bank’s community development performance demonstrates an overall adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institutions capacity and the need and availability of such opportunities for community development in the institution’s assessment areas.

### **Community Development Loans**

Farmers and Merchants Bank originated, renewed, or refinanced 494 community development loans totaling \$44.9 million. This level of activity represents 7.1 percent of the average total assets and 10.6 percent of the average total loans since the previous CRA evaluation. The bank’s community development lending performance reasonably compared to similarity-situated banks, whose community development loans ranged from 4.5 percent to 7.0 percent of total loans. It is noted that of the 494 community development loans originated since the previous evaluation, 439 loans totaling \$16.9 million were originated through the Small Business Administration’s Paycheck Protection Program (PPP). The level of PPP lending accounts for 88.9 percent, by number, and

37.6 percent, by dollar volume, of total community development loans. The PPP is a temporary program implemented through the Coronavirus Aid, Relief, and Economic Security Act to provide economic relief to small businesses adversely impacted by the Coronavirus Disease 2019 (COVID-19) Emergency Declaration issued on March 13, 2020. When excluding all PPP loans, the bank originated, renewed, or refinanced 55 community development loans totaling \$28.0 million. This represents an increase, by number and dollar volume, since the previous evaluation where there were 22 community development loans totaling \$14.5 million.

Given that Farmers and Merchants Bank met the needs of its assessment areas, the aggregate of community development loans includes 86 loans, including 76 PPP loans, totaling \$9.2 million that were originated outside in a broader statewide area, which includes the bank’s assessment areas.

The community development loans primarily supports revitalization or stabilization efforts in low, moderate-, and distressed and/or underserved middle-income census tracts. The following tables detail the bank’s community development lending activity by year, purpose, and rated area during the evaluation period. The assessment areas of each rated area includes a detailed discussion of community development lending activities.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2020 (Partial)	-	-	-	-	-	-	-	-	-	-
2021	-	-	5	535	163	6,926	290	18,612	<b>458</b>	<b>26,073</b>
2022	1	1,573	2	212	2	1,489	16	6,817	<b>21</b>	<b>10,091</b>
2023	1	3,330	5	1,090	1	357	8	3,978	<b>15</b>	<b>8,755</b>
<b>Total</b>	<b>2</b>	<b>4,903</b>	<b>12</b>	<b>1,837</b>	<b>166</b>	<b>8,772</b>	<b>314</b>	<b>29,407</b>	<b>494</b>	<b>44,919</b>

*Source: Bank Records \* From 11/16/2020 to 12/31/2023*

<b>Community Development Lending by Assessment Area</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Total</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Valdosta MSA	2	4,903	5	1,101	69	3,896	18	3,966	<b>94</b>	<b>13,866</b>
GA NMSA	-	-	7	736	59	2,438	237	18,004	<b>303</b>	<b>21,178</b>
Atlanta MSA	-	-	-	-	7	485	4	153	<b>11</b>	<b>638</b>
Statewide	-	-	-	-	31	1,953	55	7,284	<b>86</b>	<b>9,237</b>
<b>Total</b>	<b>2</b>	<b>4,903</b>	<b>12</b>	<b>1,837</b>	<b>166</b>	<b>8,772</b>	<b>314</b>	<b>29,407</b>	<b>494</b>	<b>44,919</b>

*Source: Bank Records*

Below are examples of the community development loans originated in the broader-statewide area that includes the bank’s assessment areas:

- In 2022, the bank originated a \$980,056 SBA guaranteed loan to convert a warehouse into an asphalt plant, which is located in a moderate-income census tract. The business venture

created 27 new positions with salaries within the low- and moderate-income range.

- In 2021, the bank originated a \$680,000 loan for the development of a new facility located in a distressed middle-income census tract. The facility created four new positions with salaries within the low- and moderate-income range.

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

### **Qualified Investments**

During the evaluation period, Farmers and Merchants Bank made seven qualified investments totaling \$5.6 million and 92 donations totaling \$110,000 that primarily related to the provision of affordable housing and community services, compared to no qualified investments and 255 qualified grants and donations totaling \$111,000 at the previous evaluation. This level of qualified investments and donations, by dollar volume, reflects a significant increase, since the previous evaluation. The current total qualified investments and donations equate to 5.7 percent of total securities and 0.8 percent of total assets. The following tables detail the bank’s qualified investments and donation activity by year, purpose, and rated area during the evaluation period.

<b>Qualified Investments</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	-	-	-	-	-	-	-	-	-	-
2020 (Partial)	-	-	-	-	-	-	-	-	-	-
2021	-	-	1	750	-	-	-	-	1	750
2022	2	2,500	1	560	-	-	-	-	3	3,060
2023	2	1,559	-	-	-	-	-	-	2	1,559
2024	1	260	-	-	-	-	-	-	1	260
<b>Subtotal</b>	<b>5</b>	<b>4,319</b>	<b>2</b>	<b>1,310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>5,629</b>
Qualified Grants & Donations	-	-	91	109	1	1	-	-	92	110
<b>Total</b>	<b>5</b>	<b>4,319</b>	<b>93</b>	<b>1,420</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>99</b>	<b>5,739</b>

*Source: Bank Records*

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
GA NMSA	-	-	1	560	-	-	-	-	1	560
Valdosta MSA	1	1,500	1	750	-	-	-	-	2	2,250
Atlanta MSA	1	260	-	-	-	-	-	-	1	260
Statewide Activities	3	2,559	-	-	-	-	-	-	3	2,559
<b>Total</b>	<b>5</b>	<b>4,319</b>	<b>2</b>	<b>1,310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>5,629</b>
<i>Source: Bank Records</i>										

Given that Farmers and Merchants Bank met the needs of its assessment areas, favorable consideration was given to qualified investments totaling \$2.6 million and donations totaling \$5,587 that were made in a broader-statewide area, which includes the bank’s assessment areas. The following are examples of statewide community development investments or donations that were extended outside of the bank's assessment areas.

- In 2022, the bank invested \$1.0 million in a Freddie Mac Multifamily bond that provided affordable housing to low- and moderate-income senior citizens residing in Covington County, GA.
- In 2023, the bank invested \$900,000 in a Fannie Mae Multifamily bond that provided affordable housing to low- and moderate-income individuals residing in Chatham County, GA.
- In 2023, the bank invested \$659,000 in a Fannie Mae Multifamily bond that provided affordable housing to low- and moderate-income individuals residing in Bullock County, GA.

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

### **Community Development Services**

During the evaluation period, Farmers and Merchants Bank’s directors, members of management and staff used their financial expertise and technical assistance to provide 70 community development services to various organizations. This level of community development services equates to approximately 4.7 services per branch per year. The level of community development services provided by the bank has increased significantly since the previous examination, where bank representatives provided 32 or approximately 2.1 community development services per branch per year. The community development services primarily support community services within the assessment areas. The following tables illustrate the community development services by year, purpose and assessment areas.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	-	-	-	-	-
2021	-	15	-	-	15
2022	-	20	-	-	20
2023	-	35	-	-	35
<b>Total</b>	-	<b>70</b>	-	-	<b>70</b>

*Source: Bank Records*

Community Development Services by Assessment Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
NMSA	-	33	-	-	33
Valdosta MSA	-	26	-	-	26
Atlanta MSA	-	-	-	-	-
Statewide Activities	-	11	-	-	11
<b>Total</b>	-	<b>70</b>	-	-	<b>70</b>

*Source: Bank Records*

Given that Farmers and Merchants Bank met the needs of its assessment areas, favorable consideration was given towards qualified community development services provided within the broader-statewide area, including the bank’s assessment areas. The following are examples of community development services that were extended outside of the bank’s assessment areas.

- In 2021, a bank employee served on the Board of Director (Board) of an organization that provides well water loans to low- and moderate-income families and small farms in the State of GA.
- In 2023, a bank employee provided financial literacy education to an elementary school where the majority of the students were from low- and moderate- income families.

Refer to the full-scope assessment areas for examples of community development services.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## VALDOSTA MSA ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE VALDOSTA MSA ASSESSMENT AREA

The Valdosta MSA assessment area consists of 32 census tracts in Lanier and Lowndes counties. These counties are part of the Valdosta, GA MSA, which also includes Brooks and Echols counties. Farmers and Merchants Bank operates two full-service branches and one limited-service (drive-thru) branch in this assessment area. The bank’s main office is located in Lanier County in an “unknown” or “unassigned” income census tract (9502.01). The other full-service office is located in an upper-income census tract, and the limited-service office is in a low-income census tract. Both of the aforementioned offices are located in Lowndes County. By dollar volume, the assessment area accounts for 67.1 percent of bank-wide loans and 45.1 percent of bank-wide deposits.

#### Economic and Demographic Data

The following table presents select demographic information from the 2020 US Census and 2023 D&B data.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Valdosta MSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	32	12.5	21.9	28.1	31.3	6.3
Population by Geography	128,128	10.1	20.6	30.7	34.2	4.4
Housing Units by Geography	52,965	12.2	21.7	29.0	32.4	4.7
Owner-Occupied Units by Geography	24,851	6.7	12.7	36.7	40.4	3.5
Occupied Rental Units by Geography	21,729	17.1	31.7	21.6	23.7	5.9
Vacant Units by Geography	6,385	16.6	22.6	24.2	30.6	6.0
Businesses by Geography	15,998	13.8	24.6	20.6	37.6	3.3
Farms by Geography	598	5.5	17.9	36.8	34.8	5.0
Family Distribution by Income Level	29,410	25.0	14.6	18.1	42.3	0.0
Household Distribution by Income Level	46,580	27.7	14.3	13.3	44.6	0.0
Median Family Income MSA - 46660 Valdosta, GA MSA		\$59,281	Median Housing Value Median Gross Rent Families Below Poverty Level			\$130,625 \$833 17.3%

*Source: 2020 U.S. Census and 2023 D&B Data. Due to rounding, totals may not equal 100.0%. (\*) The NA category consists of geographies that have not been assigned an income classification.*

According to the 2023 D&B data, there are 15,998 businesses and 598 farms operating in the assessment area. Of the total businesses and farms, 90.5 percent and 97.7 percent, respectively, reported operating with gross annual revenues of \$1.0 million or less. Further, of the total 16,596

businesses and farms, 61.4 percent reported having four or fewer employees, and 93.1 percent reported operating from a single location.

According to the Standard Industrial Classification System, the services industry represents the largest percentage of businesses at 32.0 percent; followed by non-classifiable establishments at 25.1 percent; finance, insurance, and real estate at 12.4 percent; and retail trade at 11.7 percent. According to the Georgia Department of Labor, major employers include (and in no particular order): Affinity Building Systems, LLC, Big Creek, Inc., Farmers and Merchants Bank, Georgia Department of Corrections, Packing Corp of America, Parkwood Development Center, South Georgia Pecan Co., Valdosta State University, Walmart, Inc., and Wild Adventures.

The FFIEC’s estimated median family income levels were used to analyze home mortgage loans for the *Borrower Profile* criterion. The low-, moderate-, middle-, and upper-income ranges and categories are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Valdosta, GA MSA Median Family Income (46660)</b>				
2020 (\$55,400)	<\$27,700	\$27,700 to <\$44,320	\$44,320 to <\$66,480	≥\$66,480
2021 (\$58,100)	<\$29,050	\$29,050 to <\$46,480	\$46,480 to <\$69,720	≥\$69,720
2022 (\$63,700)	<\$31,850	\$31,850 to <\$50,960	\$50,960 to <\$76,440	≥\$76,440
<i>Source: FFIEC</i>				

Data obtained from the U.S. Bureau of Labor Statistics indicates a decline in the unemployment rate for the nation, state, and all counties within the assessment area from 2020 to 2023. The decline is largely attributed to the labor market’s recovery from COVID-19 pandemic-related job losses. During 2022, the unemployment rates for Lanier and Lowndes counties was higher than the state, but lower than the national average. Through October 31, 2023, the unemployment rate in Lanier County was higher than both the state and national averages, and Lowndes County was higher than the state, but comparable to the national average. The following table reflects the annual employment rates and trends for the Valdosta MSA assessment area based on county, state, and the nation.

<b>Unemployment</b>				
<b>Area</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023*</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Lanier	5.2	3.9	3.4	4.1
Lowndes	6.0	4.1	3.3	3.7
Georgia	6.5	3.9	3.0	3.4
National Average	8.1	5.4	3.6	3.7
<i>Source: Bureau of Labor Statistics, *Average as of October 31, 2023</i>				

## **Competition**

The Valdosta MSA assessment area has a high level of competition in the financial services market. According to the FDIC's June 30, 2023 *Summary of Deposit Report*, there are 14 FDIC-insured financial institutions operating 32 offices in the Valdosta MSA assessment area. Of these institutions, Farmers and Merchants Bank ranked fourth and held a deposit market share of 9.3 percent.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2022, 270 lenders originated 4,212 home mortgage loans totaling \$915.6 million, with the top five lenders originating 28.6 percent of the loans in the Valdosta MSA assessment area. Farmers and Merchants Bank ranked seventh with 3.9 percent of the market share by number of loans.

Farmers and Merchants Bank is not required to collect or report its small business or small farm loan data, and therefore, has elected to not report such data. As a result, the analysis of small business and small farm loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the level of demand for small business and small farm loans and is, therefore, included for context. Aggregate data for small business and small farm loans is not available for 2022 or 2023.

There is a high level of competition for small business loans in the assessment area. In 2021, aggregate data reflects 70 lenders originated or purchased 2,821 small business loans totaling \$102.6 million. The top five small business loan originators (by number of loans) were American Express National Bank, Citibank, N.A., The First, N.A., Bank of America N.A., and Synovus Bank. Collectively, these lending institutions accounted for 46.9 percent of the total market share.

There is a high level of competition for small farm loans in the assessment area. In 2021, aggregate data reflects 13 farm lenders originated 64 small farm loans totaling \$3.3 million. The top five small farm loan originators (by number of loans) were Wells Fargo Bank, N.A., Colony Bank, JP Morgan Chase Bank, N.A., The First, N.A., and John Deere Financial FSB. Collectively, these lending institutions accounted for 76.6 percent of the total market share.

## **Community Contact**

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

Examiners conducted one community contact with an organization that focuses on economic development. The contact stated that the assessment area has experienced economic growth through the establishment of new, and the expansion of existing, businesses. The contact stated that large employers are migrating to the assessment area. The contact further stated that the establishment of large businesses and the expansion of existing businesses are creating job opportunities. The contact identified business purpose financing as a credit need.



**Credit and Community Development Needs and Opportunities**

Considering information obtained from the community contact, demographic data, and economic data, examiners determined that affordable housing represents a primary credit need for the assessment area, as 39.6 percent of the families are low-and moderate-income and 17.3 percent of the families are below the poverty level. Additionally, small business and small farm lending represents a significant credit need, as the percentage of businesses and farms with gross annual revenues of \$1.0 million or less is 90.5 and 97.7 percent, respectively. The number of businesses and farms with four or fewer employees at 61.4 percent further supports the conclusion.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN VALDOSTA MSA ASSESSMENT AREA**

**LENDING TEST**

Farmers and Merchants Bank’s lending performance in the Valdosta MSA assessment area reflects reasonable responsiveness to the assessment area’s credit needs. The geographic distribution of loans reflects reasonable penetration throughout the assessment area, and the distribution of loans reflects reasonable penetration among individuals of different incomes and small businesses and small farms of different sizes. Only loans originated within the assessment area were included in the analysis.

**Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank’s reasonable home mortgage, small business, and small farm lending performance supports this conclusion.

*Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank’s home mortgage lending in low-income census tracts exceeded both aggregate lending and demographics performance. Lending in the moderate-income geographies was in line with aggregate lending and slightly exceeded demographics. The following table reflects the distribution of home mortgage loans within the assessment area.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Valdosta MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2022	6.7	3.8	14	8.5	855	4.6
Moderate						
2022	12.7	13.8	22	13.3	1,898	10.3

Middle						
2022	36.7	36.4	57	34.5	5,979	32.5
Upper						
2022	40.4	43.4	40	24.2	6,969	37.9
Not Available						
2022	3.5	2.6	32	19.4	2,688	14.6
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>165</b>	<b>100.0</b>	<b>18,388</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, 2023 HMDA Aggregate Data not available. Due to rounding, totals may not equal 100.0%*

### *Small Business Loans*

The geographic distribution of small business loans reflects reasonable dispersion. The bank’s small business lending in low-income census tracts is below demographics, but considered acceptable performance. Similarly, the bank’s lending performance in moderate-income census tracts is below demographics, but is mitigated by the high level of competition for small business loans. Refer to the following table for additional details.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Valdosta MSA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	13.8	22	7.5	2,656	9.7
Moderate	24.6	28	9.6	4,161	15.2
Middle	20.6	112	38.2	5,553	20.3
Upper	37.6	91	31.1	12,667	46.4
Not Available	3.3	40	13.7	2,284	8.4
<b>Totals</b>	<b>100.0</b>	<b>293</b>	<b>100.0</b>	<b>27,322</b>	<b>100.0</b>

*Source: 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%*

### *Small Farm Loans*

The geographic distribution of small farm lending reflects poor dispersion throughout the assessment area. The bank did not originate any small farm loans in low-income census tracts. For moderate-income census tracts, the bank’s small farm lending performance was significantly below demographics (by 13.6 percent). The following table reflects the distribution of small farm loans within the assessment area.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Assessment Area: Valdosta MSA</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	5.5	-	-	-	-
Moderate	17.9	2	4.3	169	4.5
Middle	36.8	27	58.7	1,579	42.3
Upper	34.8	3	6.5	105	2.8
Not Available	5.0	14	30.4	1,881	50.4
<b>Totals</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>3,734</b>	<b>100.0</b>

*Source: 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%*

### **Borrower Profile**

The borrower distribution reflects, given the demographics of the assessment area, and overall reasonable penetration among individuals of different income levels, including low- and moderate-income individuals and businesses and farms of different sizes. Only loans originated inside the assessment area are included in this analysis.

#### *Home Mortgage Loans*

The distribution of home mortgage loans is reasonable among individuals of different income levels. Home mortgage lending to low-income borrowers significantly exceeds aggregate lending performance, but is below demographics. Lending to moderate-income borrowers is reasonable in comparison to demographics and aggregate lending performance. The following table reflects the distribution of home mortgage loans by borrower income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Valdosta MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2022	25.0	3.7	22	13.3	1,223	6.7
Moderate						
2022	14.6	12.2	22	13.3	1,225	6.7
Middle						
2022	18.1	22.6	20	12.1	2,759	15.0
Upper						
2022	42.3	36.6	40	24.2	5,915	32.2

Not Available						
2022	0.0	25.0	61	37.0	7,266	39.5
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>165</b>	<b>100.0</b>	<b>18,388</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, 2023 HMDA Aggregate Data not available. Due to rounding, totals may not equal 100.0%</i>						

### *Small Business Loans*

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Lending to small businesses was below demographics by 39.2 percentage points. Although the bank's performance is below the demographics, the D&B data reflects the level of businesses operating in the assessment area, but not the level of demand for small business loans by small businesses. To gain a better understanding of credit needs and demand in the assessment area, examiners reviewed aggregate market data from institutions that collect and report data on small business loans. The 2021 aggregate business data reflects that institutions that reported data on small business lending shows 43.7 percent of all loans reported were originated to small businesses, indicating a lower level of demand for such loans. The following table reflects the distribution of small business loans among businesses of different sizes.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	90.5	59	51.3	4,070	45.4
>1,000,000	2.4	21	18.3	2,986	33.2
Revenue Not Available	7.1	35	30.4	1,926	21.4
<b>Total</b>	<b>100.0</b>	<b>115</b>	<b>100.0</b>	<b>8,982</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### *Small Farm Loans*

The distribution of small farm loans reflects reasonable penetration to farms of different sizes. Lending to small farms is significantly below demographics. Although the bank's performance is below the demographics, D&B data reflects the level of small farms operating in the assessment area, but does not reflect the level of demand for small farm loans from those small farms. To gain a better understanding of credit needs and demand in the assessment area, examiners reviewed aggregate market data from institutions that collect and report data on small farm loans. The 2021 aggregate data reflects that institutions that reported data on small farm lending shows 51.7 percent of all loans reported were originated to small farms indicating a lower level of demand for such loans.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	97.7	18	46.2	1,944	58.3
>1,000,000	1.2	5	12.8	723	21.7
Revenue Not Available	1.1	16	41.0	668	20.0
<b>Total</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>3,335</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

## **COMMUNITY DEVELOPMENT TEST**

Farmers and Merchants Bank’s community development performance demonstrates adequate responsiveness to community development needs in the Valdosta MSA assessment area through community development loans, investments/donations, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment areas.

### **Community Development Loans**

Farmers and Merchant Bank originated and/or renewed 94 community development loans totaling \$13.9 million in the Valdosta MSA assessment area. This represents 19.0 percent, by number, and 30.9 percent, by dollar volume, of total community development loans originated and/or renewed during the review period. Community development loans primarily promoted revitalization and stabilization.

Excluding PPP loans, the bank originated and/or renewed 9 community development loans totaling \$8.6 million in the assessment area, which slightly increased by both number and dollar volume from the previous evaluation when 7 loans were originated totaling \$2.8 million.

Below are examples of community development loans in the Valdosta MSA assessment area:

- In 2020, the bank renewed a 2.3 million loan for improvements to a 20-unit housing complex located in a moderate-income census tract. The rental costs for all 20 units were below the 2020 Estimated HUD Fair Market Rents.
- In 2022, the bank originated a \$1.6 million loan to purchase, renovate, and convert a vacant hotel into a multi-family property consisting of 100 percent efficiency rental units. The apartments will primarily serve as transitional housing for low- and moderate-income individuals and families.
- In 2023, the bank originated a \$625,000 SBA-guaranteed loan to an organization for a new restaurant creating 30 to 50 new jobs with salaries in the low- and moderate-income range.

## **Qualified Investments**

During the evaluation period, the bank made two qualified investments totaling \$2.3 million and 24 donations totaling \$59,150 within the assessment area. The level of qualified investments and donations in this assessment area represents 26.3 percent by number and 41.1 percent by dollar volume of the total qualified investments made during the evaluation period. The investments and donations were to community service and affordable housing organizations. The following are notable examples of donations provided in the assessment area.

- In 2021, the bank invested \$750,000 in a municipal bond for Valdosta-Lowndes County Hospital Authority that provides health services and offers free and low cost health care, programs, screenings, classes, and support groups to help address essential health needs specific to Lowndes County and surrounding areas.
- In 2022, the bank donated \$3,500 to a non-profit organization that provides shelter, food, and support services to at-risk youths.
- In 2022, the bank donated \$1,000 to a non-profit organization that provides food targeted to children from low- and moderate-income families who attend Title 1 schools.

## **Community Development Services**

Bank representatives conducted 26 community development services that benefited the Valdosta MSA assessment area during the evaluation period, which primarily supported community services. This represents 37.1 percent of the total number of community development services provided during the evaluation period. The following are notable examples of the bank's community development services in the assessment area.

- During 2021, a bank representative served on the Board of a civic organization that provides literacy programs, mental health support groups, and parenting forums for families in need within the assessment area.
- During 2022 and 2023, bank employees presented various financial education segments to multiple public schools within the assessment area. These financial education segments were geared toward teaching students to save, become a community banker, and overall general banking knowledge. A majority of the students in attendance were from low- and moderate-income families.
- During 2023, a bank representative assisted a civic organization with fundraising for an organization that provides eye exams and eye glasses to low- income individuals.

## GA NMSA ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE GA NMSA ASSESSMENT AREA

The GA NMSA assessment area consists of Berrien and Clinch counties, in their entireties. Farmers and Merchants Bank operates two, or 40 percent, of its branches in the GA NMSA assessment area. The Nashville, Berrien County branch is located in a moderate-income census tract. The Homerville, Clinch County branch is located in a distressed and underserved middle-income census tract. By dollar volume, the assessment area accounts for 32.4 percent of the rated area loans and 44.6 percent of the rated area deposits.

The FFIEC has designated certain GA NMSA assessment area’s middle-income census tracts as distressed and/or underserved. The distressed designation is based on high unemployment rates, poverty rates, and/or population losses. The underserved designation is based on areas being rural and remote. In 2022 and 2023, two of the seven middle-income census tracts in the GA NMSA assessment area were designated as distressed based on high poverty rates and underserved based on being rural and remote.

#### **Economic and Demographic Data**

The following table presents select demographic information from the 2020 US Census and 2023 D&B data.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: NMSA Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	8	0.0	12.5	87.5	0.0	0.0
Population by Geography	24,909	0.0	11.6	88.4	0.0	0.0
Housing Units by Geography	11,819	0.0	10.5	89.5	0.0	0.0
Owner-Occupied Units by Geography	6,742	0.0	10.2	89.8	0.0	0.0
Occupied Rental Units by Geography	3,036	0.0	14.5	85.5	0.0	0.0
Vacant Units by Geography	2,041	0.0	5.6	94.4	0.0	0.0
Businesses by Geography	2,340	0.0	14.7	85.3	0.0	0.0
Farms by Geography	283	0.0	14.1	85.9	0.0	0.0
Family Distribution by Income Level	6,609	26.5	16.4	20.2	36.9	0.0

Household Distribution by Income Level	9,778	29.1	14.9	15.8	40.1	0.0
Median Family Income Non-MSAs - GA		\$55,969	Median Housing Value			\$85,649
			Median Gross Rent			\$619
			Families Below Poverty Level			18.6%
<i>Source: 2020 U.S. Census and 2023 D&amp;B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to the 2023 D&B data, there are 2,340 businesses and 283 farms operating in the assessment area. Of the total businesses and farms, 90.4 percent and 97.5 percent, respectively, reported operating with gross annual revenues of \$1.0 million or less. Further, of the total 2,623 businesses and farms, 63.8 percent reported having four or fewer employees, and 93.9 percent reported operating from a single location.

According to the Standard Industrial Classification System, the services industry represents the largest percentage of businesses at 26.7 percent; followed by non-classifiable establishments at 25.7 percent; retail trade at 11.1 percent; and agriculture, forestry, and fishing at 10.4 percent. According to the Georgia Department of Labor, major employers include (and in no particular order): Berrien Nursing Center, Bway Corporation, Inc., Chaparral Boats, Conner Holdings, LLC, Coyote MFG, Co., Dupont Pine Products, LLC, Lee Container Corps, Mulch Manufacturing, Inc., Nashville Quality Cargo, LLC, and Obc Packing, LLC.

The FFIEC’s estimated median family income levels were used to analyze home mortgage loans for the *Borrower Profile* criterion. The low-, moderate-, middle-, and upper-income ranges and categories are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>GA NA Median Family Income (99999)</b>				
2020 (\$51,800)	<\$25,900	\$25,900 to <\$41,440	\$41,440 to <\$62,160	≥\$62,160
2021 (\$53,400)	<\$26,700	\$26,700 to <\$42,720	\$42,720 to <\$64,080	≥\$64,080
2022 (\$64,100)	<\$32,050	\$32,050 to <\$51,280	\$51,280 to <\$76,920	≥\$76,920
<i>Source: FFIEC</i>				

Data obtained from the U.S. Bureau of Labor Statistics indicates an overall decline in the unemployment rate for the nation, state, and all counties within the assessment area from 2020 to 2023. The decline is largely attributed to the labor market’s recovery from COVID-19 pandemic-related job losses. During 2022 and 2023, the unemployment rate for Berrien County was higher than the state, but lower or in-line than the national rate, while the unemployment rate for Clinch County was lower than both the state and national rates. The following table reflects the annual employment rates and trends for the NMSA based on county, state, and the nation.



Unemployment				
Area	2020	2021	2022	2023*
	%	%	%	%
Berrien	5.7	3.8	3.2	3.8
Clinch	3.9	3.0	2.8	3.1
Georgia	6.5	3.9	3.0	3.4
National Average	8.1	5.4	3.6	3.7

*Source: Bureau of Labor Statistics, \*Average as of October 31, 2023*

## **Competition**

The GA NMSA assessment area has a moderately high level of competition in the financial services market. According to the FDIC’s June 30, 2023 *Summary of Deposit Report*, there are three FDIC-insured financial institutions operating six offices in the assessment area. Of these institutions, Farmers and Merchants Bank ranked first and held a deposit market share of 62.1 percent.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2022, 99 lenders originated 513 loans totaling \$81.6 million, with the top five lenders originating 42.7 percent of the loans in the GA NMSA assessment area. Farmers and Merchants Bank ranked first with 19.7 percent of the market share by number of loans.

Farmers and Merchants Bank is not required to collect or report its small business or small farm loan data; and therefore, has elected to not report such data. As a result, the analysis of small business and small farm loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the level of demand for small business and small farm loans and is, therefore, included for context. Aggregate data for small business and small farm loans is not available for 2022 or 2023.

There is a high level of competition for small business loans. In 2021, aggregate data reflects 34 lenders originated or purchased 267 small business loans totaling \$6.6 million. The top five small business loan originators (by number of loans) were American Express National Bank, Synchrony Bank, Citibank, N.A, Cross River Bank, and The First, N.A. Collectively, these lending institutions accounted for 50.3 percent of the total market share.

There is a moderately-high level of competition for small farm loans. In 2021, aggregate data reflects 12 farm lenders originated 51 small farm loans totaling \$2.3 million. The top five small farm loan originators (by number of loans) were John Deere Financial, F.S.B, Colony Bank, Wells Fargo Bank, N.A, Capital One Bank, N.A., and Ameris Bank. Collectively, these lending institutions accounted for 80.4 percent of the total market share.

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

Considering information obtained from bank management, demographic data, and economic data, examiners determined that affordable housing represents a primary credit need for the assessment area, as 42.9 percent of the families are low-and moderate-income and 18.6 percent of the families are below the poverty level. Additionally, small business and small farm lending represents a

significant credit need, as the percentage of businesses and farms with gross annual revenues of \$1.0 million or less is 90.4 and 97.5 percent, respectively. The number of businesses and farms with four or fewer employees at 63.8 percent further supports the conclusion.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN GA NMSA ASSESSMENT AREA

### LENDING TEST

Lending levels in the GA NMSA assessment area reflect reasonable responsiveness to the assessment area’s credit needs. The geographic distribution of loans reflects reasonable penetration throughout the assessment area, and the borrower distribution of loans reflects reasonable penetration among individuals of different incomes and small businesses and small farms of different sizes. Only loans originated within the assessment area were included in the analysis.

### Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable home mortgage, small business, and small farm lending performance supports this conclusion. Examiners emphasized loans originated by number in the moderate-income census tracts as this assessment area does not contain low-income geographies.

#### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank’s home mortgage lending in moderate-income census tracts was below both aggregate lending and demographics performance; however, considered acceptable performance. The following table reflects the distribution of home mortgage loans within the assessment area.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: GA NMSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2022	10.2	13.3	9	8.9	1,367	20.0
Middle						
2022	89.8	86.7	92	91.1	5,470	80.0

Not Available						
2022	0.0	0.0	-	-	-	-
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>101</b>	<b>100.0</b>	<b>6,837</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, 2023 HMDA Aggregate Data not available. Due to rounding, totals may not equal 100.0%.</i>						

### *Small Business Loans*

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Lending performance in moderate-income census tracts is in line with demographics. The following table reflects the distribution of small business loans within the assessment area.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: GA NMSA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	14.7	38	14.1	2,209	16.6
Middle	85.3	232	85.9	11,072	83.4
Upper	0.0	-	-	-	-
Not Available	0.0	-	-	-	-
<b>Totals</b>	<b>100.0</b>	<b>270</b>	<b>100.0</b>	<b>13,281</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

### *Small Farm Loans*

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. Lending performance in moderate-income census tracts is in line with demographics. The following table reflects the distribution of small farm loans within the assessment area.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Assessment Area: GA NMSA</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	14.1	19	14.4	2,677	21.3
Middle	85.9	113	85.6	9,885	78.7
Upper	0.0	-	-	-	-
Not Available	0.0	-	-	-	-
<b>Totals</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>	<b>12,561</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

**Borrower Profile**

The borrower distribution reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels, including low- and moderate-income individuals, and businesses and farms of different sizes. Only loans originated inside the assessment area are included in this analysis.

*Home Mortgage Loans*

Farmers and Merchant Bank’s home mortgage lending to borrowers of different income levels reflects reasonable performance. Home mortgage lending to low-income borrowers exceeds aggregate lending performance, but is significantly below demographics. Lending to moderate-income borrowers is in line with aggregate lending performance and exceeded demographics. The following table reflects the distribution of home mortgage loans by borrower income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: GA NMSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2022	26.5	6.6	12	11.9	917	13.4
Moderate						
2022	16.4	18.1	19	18.8	1,061	15.5
Middle						
2022	20.2	23.0	23	22.8	1,252	18.3
Upper						
2022	36.9	32.6	33	32.7	2,979	43.6
Not Available						
2022	0.0	19.7	14	13.9	628	9.2
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>101</b>	<b>100.0</b>	<b>6,837</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, 2023 HMDA Aggregate Data not available Due to rounding, totals may not equal 100.0% .*

*Small Business Loans*

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Lending to small businesses was below demographics. Although the bank’s small business lending performance is below demographics, D&B data reflects the level of businesses operating in the assessment area, but not the level of demand for small business loans by small businesses. To gain a better understanding of credit needs and demand in the assessment area, examiners reviewed aggregate market data from institutions that collect and report data on small business loans. The 2021 aggregate business data reflects that institutions that reported data on

small business lending shows 48.9 percent of all loans reported were originated to small businesses. The following table reflects the distribution of small business loans among businesses of different sizes.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: GA NMSA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	89.0	37	37.8	1,733	35.9
>1,000,000	2.3	2	2.0	884	18.4
Revenue Not Available	8.7	59	60.2	2,200	45.7
<b>Total</b>	<b>100.0</b>	<b>98</b>	<b>100.0</b>	<b>4,817</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data, Bank Data</i>					

### *Small Farm Loans*

The distribution of small farm loans reflects reasonable penetration to farms of different sizes. Lending to small farms is significantly below demographics. Although the bank’s performance is below the demographic comparative data, the D&B reflects the level of small farms operating in the assessment area, but does not reflect the level of demand for small farm loans from those small farms. To gain a better understanding of credit needs and demand in the assessment area, examiners reviewed aggregate market data from institutions that collect and report data on small farm loans. The 2021 aggregate data reflects that institutions that reported data on small farm lending shows 45.1 percent of all loans reported were originated to small farms indicating a lower level of demand.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: GA NMSA</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	97.0	54	51.9	5,253	51.8
> \$1,000,000	1.3	8	7.7	2,228	22.0
Revenue Not Available	1.7	42	40.4	2,652	26.2
<b>Total</b>	<b>100.0</b>	<b>104</b>	<b>100.0</b>	<b>10,133</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data and Bank Data</i>					

## **COMMUNITY DEVELOPMENT TEST**

Farmers and Merchants Bank’s community development performance demonstrates excellent responsiveness to community development needs in the GA NMSA assessment area through community development loans, investments or donations, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment areas.

## **Community Development Loans**

Farmers and Merchant Bank originated and/or renewed 303 community development loans totaling \$21.1 million in the assessment area. This represents 61.3 percent, by number, and 47.1 percent, by dollar volume, of total community development loans originated and/or renewed during the review period. Community development loans promoted revitalization and stabilization.

Excluding PPP loans, the bank originated and/or renewed 36 community development loans totaling \$13.1 million in the assessment area, which increased by number and by dollar volume from the previous evaluation when 15 loans were originated and/or renewed totaling \$11.7 million.

Below are examples of community development loans in the Georgia NMSA assessment area:

- In 2021, the bank originated a line of credit for \$850,000 to fund operations for a small farm located in a moderate-income census tract. The funding of this loan provided revitalization and stabilization to the area. The line of credit was renewed in 2022 for \$850,000 and in 2023 for 1.7 million.
- In 2022, the bank originated a line of credit for \$819,000 to fund operations for a farm located in a distressed middle-income census tract. The funding of this loan provided revitalization and stabilization to the area. The line of credit was renewed in 2023 for \$910,000.

## **Qualified Investments**

During the evaluation period, the bank made one qualified investment totaling \$560,000 and 57 donations totaling \$44,663 within the assessment area. The level of qualified investments and donations in this assessment area represents 58.6 percent by number and 10.5 percent by dollar volume of the total qualified investments made during the evaluation period. The investments and donations primarily were to community service organizations. The following are notable examples of donations provided in the assessment area.

- In 2022, the bank invested \$560,000 in a municipal bond for Clinch County, Georgia School District, which is located in a distressed and underserved area. The funds were used for infrastructure improvement and construction of Clinch County High School, where the majority of students receive free or reduced lunch.
- In 2023, the bank donated \$25,000 to Clinch Memorial Hospital that provides health services in a rural area. The hospital is located in a distressed and underserved area.
- In 2021, the bank donated \$500 to a non-profit organization that provides food and support service to children from low- and moderate-income families that live in a distressed and underserved area.

**Community Development Services**

Bank representatives conducted 33 community development services that benefited the assessment area during the evaluation period, which primarily supported community services. This represents 47.1 percent of the total number of community development services provided during the evaluation period. The following are notable examples of the bank’s community development services in the assessment area.

- During 2021, a bank representative served on the Board of the Berrien County Planning Commission. The Commission makes plans and zoning for the development of the county.
- During 2022, three bank representatives provided financial education to a high school in Clinch County where a majority of the students receive free or reduced lunch.
- During 2021, a bank representative served on the Loan Committee of the Berrien County Development Authority. The bank representative used their financial expertise to review and assess loan applications and conduct financial analyses.

**ATLANTA MSA ASSESSMENT AREA – Limited-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN ATLANTA MSA**

The Atlanta MSA assessment area consists of Rockdale County. This county is part of the Atlanta-Sandy Springs-Alpharetta, GA MSA. Farmers and Merchants Bank operates one full-service branch in this this assessment area. By dollar volume, the assessment area accounts for 0.6 percent of bank-wide loans and 10.3 percent of bank-wide deposits.

**Economic and Demographic Data**

The following table presents select demographic information from the 2020 US Census and 2023 D&B data.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Atlanta MSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	24	8.3	25.0	58.3	8.3	0.0
Population by Geography	93,570	7.4	27.6	60.4	4.6	0.0
Housing Units by Geography	33,858	8.9	28.0	57.7	5.3	0.0
Owner-Occupied Units by Geography	20,936	5.9	20.4	65.5	8.2	0.0
Occupied Rental Units by Geography	10,529	15.4	42.3	41.8	0.5	0.0
Vacant Units by Geography	2,393	6.6	32.1	60.2	1.0	0.0
Businesses by Geography	22,680	11.2	20.4	64.9	3.5	0.0

Farms by Geography	399	6.3	20.6	66.7	6.5	0.0
Family Distribution by Income Level	22,677	26.2	22.0	20.5	31.3	0.0
Household Distribution by Income Level	31,465	26.5	18.9	19.8	34.8	0.0
Median Family Income MSA - 12060 Atlanta-Sandy Springs-Alpharetta, GA MSA		\$84,791	Median Housing Value			\$171,366
			Median Gross Rent			\$1,100
			Families Below Poverty Level			9.9%
<i>Source: 2020 U.S. Census and 2023 D&amp;B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## **Competition**

The Atlanta MSA assessment area has a moderately-high level of competition in the financial services market. According to the FDIC’s June 30, 2023 *Summary of Deposit Report*, there are 11 FDIC-insured financial institutions operating 13 offices in the assessment area. Of these institutions, Farmers and Merchants Bank ranked eighth and held a deposit market share of 3.4 percent. The top five financial institutions operating offices in the assessment area were Truist Bank, Wells Fargo Bank, N.A., Bank of America, N.A., United Community Bank, and Synovus Bank. Collectively, these financial institutions account for 82.7 percent of the total deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2022, 276 lenders originated 3,423 home mortgage loans totaling \$878.9 million, with the top five lenders originating 25.8 percent of the loans in the assessment area.

Farmers and Merchants Bank is not required to collect or report its small business or small farm loan data; and therefore has elected not to report such data. As a result, the analysis of small business and small farm loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the level of demand for small business and small farm loans and is, therefore, included for context. Aggregate data for small business and small farm loans is not available for 2022 or 2023.

There is a high level of competition for small business loans. In 2021, aggregate data reflects 90 lenders originated or purchased 4,002 small business loans totaling \$99.5 million. The top five small business loan originators (by number of loans) were American Express National Bank, Wells Fargo Bank, N.A., Bank of America N.A., Cross River Bank, and Capital One Bank, N.A. Collectively, these lending institutions accounted for 53.2 percent of the total market share.

There is a low level of competition for small farm loans as demographics reflects extremely limited number of farm operating within the assessment area. In 2021, aggregate data reflects that only one lender originated one loan totaling \$9,000.



## **LENDING TEST**

Farmers and Merchants Bank's lending performance within the Atlanta MSA assessment area represents a very small portion of the bank's overall lending. The bank's lending performance is below the assessment areas' performance where full-scope examination procedures were conducted. However, it does not change the conclusion for the overall rating.

Specifically, during 2022, the bank did not originate any home mortgage loans within this assessment area. In 2023, the bank did originate any small business or small farm loans within this assessment area. Therefore, the bank's performance in this assessment area provided no material conclusions for consideration in the overall rating.

## **COMMUNITY DEVELOPMENT TEST**

Farmers and Merchants Bank's community development performance in the Atlanta MSA assessment area is below the performance of the assessment areas that were reviewed using full-scope examination procedures. However, it does not change the institution's rating.

During the evaluation period, the bank originated 11 community development loans totaling \$638,000; all were originated through the SBA PPP. The bank made one qualified investment totaling \$260,000 and two qualified donations totaling \$600 within the assessment area. No qualified community development services were provided during the evaluation period within this assessment area.

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

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

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

#### **Community Development Test**

The Community Development Test considers the following criteria:

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

## GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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