

# **PUBLIC DISCLOSURE**

October 10, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Town & Country Bank and Trust Company  
Certificate Number: 15703

201 North 3rd Street  
Bardstown, Kentucky 40004

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

300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606

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

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## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Town & Country Bank and Trust Company's (Town & Country) Community Reinvestment Act (CRA) performance under the Lending Test and Community Development (CD) Test supports the overall rating, as summarized below.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and the AA credit needs.
- The majority of loans are in the institution's AA.
- The AA does not include any low- or moderate-income geographies; therefore, examiners did not analyze or consider the institution's performance under the "Geographic Distribution of Loans" criterion when assessing the institution's overall performance.
- The distribution of loans to borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes and individuals of different income levels.
- The institution 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 institution's CD performance demonstrates adequate responsiveness to CD needs in its AA through CD loans, qualified investments and donations, and CD services. Examiners considered the institution's capacity, and the need and availability of such opportunities for CD in the AA.

## DESCRIPTION OF INSTITUTION

Town & Country is a \$438.2 million institution headquartered in Bardstown, Kentucky. The institution is a wholly owned subsidiary of First Farmers Bank Holding Company, a one-bank holding company also located in Bardstown, Kentucky. Town & Country received a Satisfactory rating at the previous FDIC Performance Evaluation dated September 9, 2020, based on Interagency Small Institution Examination Procedures.

### **Operations**

Town & Country operates five full-service branches in central Kentucky in Nelson and Anderson Counties. Since the previous evaluation, the institution did not open or close any branches, and no merger or acquisition activity occurred.

Town & Country offers a range of banking products and services. Deposit products include consumer and business checking and savings accounts, money market deposit accounts, certificates of deposit, and debit cards. Alternative delivery systems for retail banking services include

automated teller machines (ATMs): mobile, telephone, and online banking; electric bill pay: and mobile wallet. The institution is also a member of the Alliance One ATM Network that provides nationwide ATM access to customers. Town & Country's primary lending focus is commercial loans and owner-occupied single-family residential real estate loans; however, the institution also offers multi-family, farm and agricultural, construction and development, and consumer loans. Town & Country offers Small Business Administration (SBA) loans to its commercial customers. In addition to portfolio originations, Town & Country facilitates the origination of home mortgage loans on the secondary market and participates in special loan programs through Veterans Affairs and Federal Housing Administration. The institution also offers wealth management services to include investments, financial planning, and trust and estate administration.

On March 27, 2020, lawmakers signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and authorized the SBA to guarantee \$349.0 billion in loans under a new Paycheck Protection Program (PPP). The intent of the CARES Act was for the SBA to provide relief to America's small businesses expeditiously by giving all lenders delegated authority and streamlining the requirements of the 7(a) loan program. In addition, the PPP and Health Care Enhancement Act became law on April 24, 2020, and authorized an additional \$310.0 billion for guarantees of PPP loans. Although the institution originated loans in 2020, they were included in the previous evaluation. In 2021, the institution originated 436 PPP loans totaling \$8.8 million that are included in this evaluation. The institution's PPP lending demonstrates a willingness to meet the credit needs of its community by moving quickly to provide small businesses relief during the COVID-19 pandemic.

### **Ability and Capacity**

As reported in the June 30, 2023, Consolidated Reports of Condition and Income (Call Report), the institution's assets totaled approximately \$438.2 million, loans totaled \$269.2 million, deposits totaled \$354.8 million, and securities totaled \$135.5 million. The following table provides a breakdown of the institution's loan portfolio.

<b>Loan Portfolio Distribution as of June 30, 2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	29,346	10.9
Secured by Farmland	3,983	1.5
Secured by 1-4 Family Residential Properties	99,988	37.2
Secured by Multifamily (5 or more) Residential Properties	3,346	1.2
Secured by Nonfarm Nonresidential Properties	113,033	42.0
<b>Total Real Estate Loans</b>	<b>249,696</b>	<b>92.8</b>
Commercial and Industrial Loans	15,429	5.7
Agricultural Production and Other Loans to Farmers	596	0.2
Consumer Loans	3,501	1.3
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	13	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>269,235</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the institution’s ability to meet the credit needs of the AA.

## **DESCRIPTION OF AA**

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. Town & Country defines its AA as the contiguous Kentucky Counties of Nelson and Anderson. Both counties are in Non-Metropolitan Statistical Areas (Non-MSAs), with similar demographic and economic characteristics. This evaluation will include a full-scope analysis of both counties as a single AA. The institution’s AA designation is in conformance with CRA requirements, as it consists of whole, contiguous census tracts and does not arbitrarily exclude low- or moderate-income geographies.

Town & Country operates its main office and four branches within the AA. The main office and three branches are located in Nelson County and one branch is located in Anderson County. All locations offer a full range of products and services.

### **Economic and Demographic Data**

Examiners relied upon 2020 U.S. Census data to evaluate the institution’s performance in 2022. Based on the 2020 U.S. Census data, the institution’s AA consists of 17 census tracts with the following income designations: no low- or moderate-income, 4 middle-income, and 13 upper-income. The AA does not include any distressed or underserved designated middle-income census tracts. Disaster designations were made in 2021 for both Nelson and Anderson Counties due to severe ice storms and flooding, in addition to the COVID-19 pandemic. The following table illustrates relevant demographic characteristics of the AA considered within the evaluation.

Demographic Information of the AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	17	0.0	0.0	23.5	76.5	0.0
Population by Geography	70,590	0.0	0.0	20.9	79.1	0.0
Housing Units by Geography	28,694	0.0	0.0	22.2	77.8	0.0
Owner-Occupied Units by Geography	20,653	0.0	0.0	18.6	81.4	0.0
Occupied Rental Units by Geography	6,095	0.0	0.0	34.6	65.4	0.0
Vacant Units by Geography	1,946	0.0	0.0	22.3	77.7	0.0
Businesses by Geography	5,942	0.0	0.0	24.3	75.7	0.0
Farms by Geography	394	0.0	0.0	21.3	78.7	0.0
Family Distribution by Income Level	18,223	12.4	12.1	18.9	56.6	0.0
Household Distribution by Income Level	26,748	13.8	12.5	16.4	57.3	0.0
Median Family Income FFIEC-Estimated Median Family Income for 2022		\$72,208 \$61,700	Median Housing Value Median Gross Rent Families Below Poverty Level			\$164,169 \$761 9.9%

*Source: 2020 U.S. Census Data; 2022 D&B Data; FFIEC Estimated Median Family Income; (\*) The NA category consists of geographies that have not been assigned an income classification.*

The analysis of small business loans under the Borrower Profile compares the distribution of lending by the borrower’s gross annual revenue (GAR). According to 2022 D&B data, there were 5,942 small businesses in the AA. Approximately 89.5 percent of the businesses had GARs of \$1 million or less, 2.6 percent had GARs over \$1 million, and 7.9 percent had unknown revenues. Of these businesses, 92.8 percent operate from a single location, and 64.4 percent have four or fewer employees, indicating increased opportunity to lend to small businesses.

The services industry represents the largest portion of businesses at 31.7 percent, followed by non-classifiable establishments at 22.0 percent and retail trade at 10.1 percent. Major employers in Nelson County include American Fuji Seal, Inc.; Heaven Hill Distilleries; Sazerac Distilleries; and Tower International, LLC. Major employers in Anderson County include Florida Tile, General Cable, Wild Turkey Bourbon, and YKK USA.

Examiners used the FFIEC median family income (MFI) estimates to analyze home mortgage lending under the Borrower Profile criterion. The following table outlines the ranges for the AA.

MFI Ranges				
MFI	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022: \$61,700	<\$30,850	\$30,850 to <\$49,360	\$49,360 to <\$74,040	≥\$74,040

*Source: FFIEC*

Examiners considered unemployment data when evaluating the institution’s ability to lend within the AA. According to the U.S. Bureau of Labor Statistics, the unemployment rates for Nelson and Anderson Counties trended below both the state and national levels throughout most of the evaluation period, indicating a strong labor market in the AA. The higher unemployment rates in 2020 were due to the COVID-19 pandemic.

Unemployment Rates				
Area	2020	2021	2022	August 2023
	%	%	%	%
Nelson County	6.8	4.1	3.8	3.5
Anderson County	5.9	3.8	3.2	3.5
State of Kentucky	6.5	4.4	3.9	4.3
National Average	8.1	5.3	3.6	3.8
<i>Source: Bureau of Labor Statistics</i>				

### **Competition**

Town and Country operates in a moderately competitive market for financial services when considering the size and population of the AA. According to the June 30, 2023 FDIC Deposit Market Share data, eight financial institutions operate 21 full-service branches within the AA. Of these institutions, Town & Country ranks first with 25.6 percent of the deposit market share.

Although Town & Country is not required to report small business lending activity under CRA or home mortgage lending activity under the Home Mortgage Disclosure Act (HMDA), aggregate data provides some insight into the level of competition for lending in the AA. According to 2021 Peer Small Business data, the most current year available, 50 lenders reported 1,071 small business originations and purchases throughout the AA. The top three lenders, primarily credit card lenders, originated 39.0 percent of the business loans with an average loan size of \$13,000, illustrating a high level of competition for small business loans.

According to the 2022 Peer Mortgage data, the most current available, 154 lenders reported 2,285 home mortgage originations or purchases throughout the AA. The top three lenders originated 14.5 percent of the loans with an average loan size of approximately \$161,000, illustrating a moderate level of competition for homes priced at or below the median housing value.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying credit and CD needs and opportunities, including the institution's responsiveness to those needs.

Examiners reviewed a recent community contact with a representative from an economic development agency in Bardstown, Kentucky. The contact stated the area continues to grow in the business and industry areas. The primary industries are automotive suppliers and bourbon distillers. The demographics of the AA include a growing number of retirees, and an increase in middle-aged workers who are attracted to corporate positions available in the area. Affordable housing and multifamily developments are the primary credit needs of the AA. The contact specifically stated that Town & Country supports and participates in community initiatives, and is a leader in meeting the credit needs of the AA.

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

Considering information from the community contact, institution management, demographic, and economic data, examiners determined that small business and home mortgage loans, specifically affordable housing, represent the primary credit needs of the AA.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation uses the Interagency Intermediate Small Institution Examination Procedures and covers the period from the previous evaluation dated September 9, 2020, to the current evaluation dated October 10 2023. Examiners evaluated the institution's performance under the criteria noted in the Appendix. Institutions must achieve at least a "Satisfactory" rating under both the Lending and CD Tests to obtain an overall "Satisfactory" or higher rating. Examiners conducted a full-scope review of the institution's AA. Examiners did not consider affiliate or subsidiary activities during the current evaluation.

### **Activities Reviewed**

Based on the June 30, 2023 Call Report data, examiners determined the institution's major product lines continue to be small business and home mortgage lending. Examiners considered the institution's business strategy, loan portfolio composition, and number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm or consumer lending, represent a major product line; therefore, examiners did not analyze these products, as they do not provide material support for conclusions or ratings. Examiners weighted home mortgage loans slightly more than small business loans when drawing overall conclusions based on business strategy, loan portfolio composition, secondary market volumes, and the number and dollar volume of loans originated during the evaluation period.

Using institution records, examiners analyzed a sample of small business loans originated from January 1, 2022, through December 31, 2022. Town & Country originated or renewed 162 small business loans totaling \$34.0 million in 2022, of which examiners sampled 51 loans totaling approximately \$10.0 million. Examiners confirmed that 2022 is representative of the institution's small business lending throughout the evaluation period. D&B data for 2022 provided a standard of comparison for sampled business loans.

Because Town & Country is not required to report home mortgage lending data pursuant to HMDA, examiners reviewed a sample of home mortgage loans originated or renewed from January 1, 2022, through December 31, 2022. The institution originated or renewed 195 home mortgage loans totaling \$27.8 million in 2022, of which examiners sampled 51 loans totaling \$6.8 million. Examiners confirmed that 2022 is representative of the institution's home mortgage lending throughout the evaluation period. The 2020 U.S. Census data served as a standard of comparison in analyzing home mortgage lending. In addition, the institution originates home mortgage loans for the secondary market, which are not included in the institution's loan portfolio. In 2022, Town & Country facilitated the origination of 45 home mortgage loans totaling \$8.9 million.

For the Lending Test, examiners analyzed and presented both the number and dollar volume of small business and home mortgage loans. However, examiners emphasized performance relative to



the number of loans, as this is a better indicator of the number of small businesses and individuals served. In evaluating the Borrower Profile criteria, examiners only evaluate loans extended within the AA.

For the CD Test, examiners considered all CD loans, qualified investments and donations, and CD services since the previous CRA evaluation.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Town & Country demonstrated reasonable performance under the Lending Test. Reasonable performance under the Borrower Profile criteria primarily supports this conclusion.

### LTD Ratio

The LTD ratio is reasonable given the institution’s size, financial condition, and AA credit needs. The LTD ratio calculated from Call Report data averaged 65.1 percent in the past 12 calendar quarters from September 30, 2020, to June 30, 2023. The ratio fluctuated during the evaluation period and ranged from a high of 75.2 percent on June 30, 2023, to a low of 56.9 percent on March 31, 2022. As shown in the following table, the institution’s performance is consistent with similarly situated institutions (SSIs), which examiners selected based on size, geographic location, and loan portfolio distribution.

<b>LTD Ratio Comparison</b>		
<b>Institution</b>	<b>Total Assets as of 6/30/2023 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Town &amp; Country Bank and Trust Company</b>	<b>438,214</b>	<b>65.1</b>
Similarly-Situated Institution #1	392,917	93.3
Similarly-Situated Institution #2	427,877	64.3
Similarly-Situated Institution #3	422,273	71.1
Similarly-Situated Institution #4	544,379	74.2
<i>Source: Call Report Data: 9/30/2020 – 6/30/2023</i>		

### AA Concentration

As shown in the following table, Town & Country originated a majority of its small business and home mortgage loans, by number and dollar volume, within its AA in 2022.

<b>Lending Inside and Outside of the AA</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollars 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>	
Small Business	38	74.5	13	25.5	51	6,993	70.2	2,974	29.8	9,967
Home Mortgage	37	72.5	14	27.5	51	4,477	66.0	2,311	34.0	6,788
<i>Source: 2022 Institution Data</i>										

### **Geographic Distribution**

Given the AA contains no low- or moderate-income census tracts, analysis of this criterion would not result in meaningful conclusions; therefore, examiners did not evaluate the Geographic Distribution performance criterion.

### **Borrower Profile**

The distribution of loans to borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels. The institution's reasonable small business and home mortgage lending performance support this conclusion.

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

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. In 2022, Town & Country's lending performance to businesses with GARs of \$1 million or less trailed the demographic by 31.6 percent.

As previously discussed, the AA is highly competitive for small business loans. According to 2022 D&B business data, the majority of businesses operating in the AA are very small, as 92.8 percent operate from one location and 64.4 percent have four or fewer employees. Businesses of that size often seek alternative lending solutions rather than traditional small business loans, such as credit cards. Peer small business data from 2021 shows that the top three small business lenders in the AA represent 39.0 percent of the market share and are credit card institutions with a national footprint. Town & Country offers credit cards through a third party vendor and does not fund the credit card; therefore, the credit cards do not appear in the institution's loan portfolio. Considering these factors, overall performance is reasonable.

<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	89.5	22	57.9	3,524	50.4
> \$1,000,000	2.6	11	28.9	3,234	46.2
Revenue Not Available	7.9	5	13.2	235	3.4
<b>Total</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>	<b>6,993</b>	<b>100.0</b>

*Source: 2022 D&B Data; Institution Data*

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

The distribution of home mortgage loans to individuals of different income levels reflects excellent performance. Town & Country's performance in lending to low-income borrowers slightly trailed the demographic for 2022. However, demographic data includes families below the poverty level, which included 9.9 percent of families based on 2020 U.S. Census data. Families living below the poverty level face difficulty in qualifying for loans in amounts necessary to finance homes in the AA. Considering this, 2022 lending performance to low-income borrowers is excellent. The institution's lending to moderate-income borrowers exceeded the demographic in 2022.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	12.4*	4	10.8	194	4.3
Moderate	12.1	6	16.2	323	7.2
Middle	18.9	14	37.8	1,646	36.8
Upper	56.6	13	35.2	2,314	51.7
<b>Total</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>4,477</b>	<b>100.0</b>

*Source: 2020 U.S. Census Data; Institution Data; \*Families below poverty equal 9.9 percent*

### **Response to Complaints**

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

### **COMMUNITY DEVELOPMENT TEST**

Town & Country demonstrates adequate responsiveness to CD needs in the AA through CD loans, qualified investments and donations, and CD services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

### **CD Loans**

Town & Country originated 19 CD loans totaling \$5.3 million during the evaluation period. Examiners included three loans totaling approximately \$2.7 million that benefitted the greater statewide or regional area in the total due to the institution’s responsiveness to the CD lending needs of its AA. Town & Country also chose to include 14 PPP loans totaling \$632,000 in their CD lending. The institution’s CD lending represents 1.2 percent of total assets and 2.0 percent of total loans. Town & Country’s level of CD lending compared favorably to that of SSIs whose CD loans ranged from 1.2 to 3.1 percent of total assets and 2.5 to 4.9 percent of total loans. Examiners noted that the institution’s CD loans did not include any economic development efforts during the evaluation period.

<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</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>
2020 (Partial)								
2021	1	400	-	-	14	632	<b>15</b>	<b>1,032</b>
2022	-	-	1	1,000	1	1,500	<b>2</b>	<b>2,500</b>
YTD 2023	1	750	1	1,000	-	-	<b>2</b>	<b>1,750</b>
<b>Total</b>	<b>2</b>	<b>1,150</b>	<b>2</b>	<b>2,000</b>	<b>15</b>	<b>2,132</b>	<b>19</b>	<b>5,282</b>

The following are notable examples of the institution’s CD loan activities:

- In 2022 and 2023, the institution originated two loans totaling \$2.0 million to a foundation that supports a crime prevention program for low- to moderate-income seniors residing in a local senior living facility.
- In 2021, the institution made 14 PPP loans totaling \$632,000 to businesses located in a moderate-income tract within the AA. This helped revitalize and stabilize the area by

ensuring jobs during the pandemic and increased commerce.

**Qualified Investments**

Town & Country made 22 qualified investments and donations totaling approximately \$4.4 million within the AA. Examiners also included 10 investments totaling \$3.0 million that benefitted the greater statewide or regional area in the total due to the institution’s responsiveness to the AA CD investment needs. The dollar amount of qualified investments and donations equates to 1.0 percent of total assets and 3.3 percent of total investments. Town & Country’s performance aligned with SSIs, whose CD investments and donations, respectively, ranged from 0.3 to 1.8 percent of total assets and 0.6 to 7.3 percent of total investments.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	1	250	-	-	-	-	1	250
2020 (Partial	-	-	1	500	-	-	-	-	1	500
2021	-	-	4	1,355	-	-	-	-	4	1,355
2022	1	667	5	1,620	-	-	-	-	6	2,287
YTD 2023	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>1</b>	<b>667</b>	<b>11</b>	<b>3,725</b>	-	-	-	-	<b>12</b>	<b>4,392</b>
Qualified Grants & Donations	2	1	6	9	1	5	1	5	10	20
<b>Total</b>	<b>3</b>	<b>668</b>	<b>17</b>	<b>3,734</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>5</b>	<b>22</b>	<b>4,412</b>

*Source: Institution Data*

The following are notable examples of the institution’s qualified investment and donation activities:

- The institution purchased two municipal bonds totaling \$880,000 that financed improvements to local schools where a majority of students receive free or reduced lunch programs.
- The institution donated \$5,828 to an organization that provides online financial literacy courses to students at several different local schools where a majority of students receive free or reduced lunches.
- The institution donated \$5,330 to a relief fund set up by the state of Kentucky to aid families in Eastern Kentucky affected by a major flood disaster in 2022.

**CD Services**

During the evaluation, institution employees provided 58 instances of financial expertise or technical assistance to various CD-related organizations in the AA. Town & Country’s level of CD services is comparable to SSIs whose CD services ranges ranged from 44 to 63 instances. Examiners noted the institution’s CD services did not include revitalization and stabilization efforts during the evaluation period.

<b>Community Development Services</b>				
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2020 (Partial)	3	5	5	13
2021	4	5	6	15
2022	3	6	7	16
YTD 2023	3	4	7	14
<b>Total</b>	<b>13</b>	<b>20</b>	<b>25</b>	<b>58</b>
<i>Source: Institution Data</i>				

Town & Country also continues to participate in the Federal Home Loan Welcome Home Program. This program allows financial institutions to secure grants for down payment assistance and closing costs for the purchase of owner-occupied housing used as primary residences by low- and moderate-income borrowers. Although financial institutions do not get CD credit for participating in this program, examiners recognize the technical assistance provided by the institution on behalf of the applicants participating in the program. During the evaluation period, Town & Country secured \$140,000 in grant money for 35 borrowers in its AA.

Notable examples of the institution’s CD services include:

- An institution employee serves as Vice Chair on the Board of a local community health clinic that provides basic health, dental, vision care, prescription assistance, Medicare benefits counseling, advocacy, and education to low-income residents.
- Three institution employees serve on the Board of Directors of a local apartment facility that provides safe and affordable housing for low- to moderate-income elderly and disabled individuals.
- Three institution employees serve on the Board of local industrial and economic development agencies whose primary purpose is to recruit new businesses to the area and retain existing businesses.

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

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

## 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.