

PUBLIC DISCLOSURE

November 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION LARGE BANK

**Trustmark National Bank
Charter Number 10523
P.O. Box 291
Jackson, Mississippi 39205-0291**

**Comptroller of the Currency
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NOTE: 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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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Trustmark National Bank** (Trustmark) prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 2, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION

INSTITUTION'S CRA RATING: Trustmark's CRA performance is rated **Satisfactory**.

The rating is based on the following factors:

- Lending levels reflected good responsiveness to assessment area credit needs with 60% of residential mortgage and 90% of business/farm loans within the assessment areas. Also, the bank was the leading lender in volume in 1997 in the Jackson MSA, which is the location of its headquarters and origin.
- The bank's geographic distribution of residential loans, particularly to low-and-moderate-income areas, was adequate. The bank's geographic distribution of small loans to businesses and farms was adequate. The bank's market share of lending in low-and-moderate income tracts was good (compared both to the overall market and to bank competitors).
- Based on borrower characteristics, the distribution was adequate, but disproportionately low to low-income borrowers. This distribution was low in relation to the demographics of the areas and the bank's market share (both to the overall market and to bank competitors).
- The bank had a satisfactory level of community development lending.
- The bank had a low, but satisfactory, level of qualified investments for community development purposes.

- The bank’s delivery systems were accessible to essentially all portions of the bank’s assessment areas.
- The bank opened 5 branches and closed 3 during the evaluation period. The closures did not adversely affect low- and moderate-income areas.

The following table shows the performance level of Trustmark, with respect to the lending, investment, and service tests.

Performance Levels	<u>Trustmark National Bank, Jackson, MS</u>		
	Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			
Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.			

DESCRIPTION OF INSTITUTION AND ASSESSMENT AREAS

Our evaluation covers the time period from the date of the last evaluation, December 16, 1996, through the date of this examination, November 2, 1998. Unless otherwise noted, year-to-date data presented is through September 30, 1998. The evaluation consisted of an analysis and rating of the total bank including all MSAs and non-MSA AAs. We performed a separate analysis of each of the bank's MSAs in order to conclude on the bank's performance in those MSAs. We gave nearly equal emphasis to small business/farm and HMDA lending in our evaluation. The bank did not request that we consider consumer lending in this evaluation.

Trustmark, which had \$6.2 billion in total assets as of September 30, 1998, is owned by Trustmark Corporation (TC), a one-bank holding company. The bank was last evaluated December 16, 1996 at which time its performance was considered Satisfactory. With 133 branches located in Mississippi, TC is the largest bank holding company operating in the state. There were no legal, financial or other impediments to the bank's CRA performance. As of September 30, 1998, the bank's loan to deposit ratio equaled 90%, which demonstrates that the bank is aggressively reinvesting deposits in loans. The bank offers a wide range of loan products. As of September 30, 1998, the bank's assets included outstanding loans totaling \$3.6 billion, including one-to-four family residential loans at \$1.0 billion (29%), other real estate loans at \$0.8 billion (22%), commercial and agricultural loans at \$0.8 billion (22%), consumer loans at \$0.7 billion (21%), and other loans at \$0.2 billion (6%).

Trustmark has historically been a conservative lender with moderate growth rates. Table 1 shows the volume of the major types of lending we reviewed at this examination:

Table 1: Volume of Residential Mortgage, Small Business and Small Farm Lending (Inside and Outside Assessment Areas) 1997 and YTD 1998		
	#	\$ (000)
Small Loans to Businesses and Farms	20,417	\$1,102,279
Residential Mortgage Loans	17,928	\$1,445,334

Source: Small Business/Farm LAR and HMDA LAR

For the data summarized in Table 1 regarding small loans to businesses and farms, 86% of the loans were made to businesses and 14% were to farms. For the residential mortgage loans, 55% were for home purchase loans, 31% were to refinance debt, and 15% were for home improvement loans.

DESCRIPTION OF ASSESSMENT AREAS

Trustmark had a total of fifteen assessment areas (AAs) in the state. Two of the AAs were whole MSAs (Jackson and Hattiesburg) and one makes up a portion of a MSA (DeSoto County which

is the Mississippi portion of the Memphis MSA). The remaining twelve AAs consist of single non-MSA counties, portions of such counties, or small groups of such counties. The bank's total AAs contain 1.2 million people and 330 thousand families with 23% of the families being low income, 15% moderate-income, 19% middle-income and 43% upper-income. Approximately 4% and 14% of owner-occupied housing units were located in low- and moderate-income geographies, respectively. Table 2 displays additional demographic characteristics of the 277 geographies (census tracts or block numbering areas) in the bank's AAs.

Table 2: Profile of All Assessment Areas												
	Low		Moderate		Middle		Upper		NA		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
By Income Level of Tracts												
Census Tracts	28	10%	52	19%	129	46%	66	24%	2	1%	277	100%
Population (000)	86	7%	213	17%	595	47%	360	29%	nil	nil	1,255	100%
Small Businesses/Farms (000)	3	10%	5	17%	12	42%	9	31%	0	0	29	100%
By Income Level of Families												
Families (000)	75	23%	50	15%	62	19%	143	43%	0	0	330	100%

The bank's AAs cover a large and economically diverse area, ranging from metropolitan areas to small rural areas. Underlying economies can be characterized as generally stable. There were a total of 38,991 businesses and 1,047 farms operating in the bank's AAs, 74% of which had annual revenues less than \$1 million. The service and retail industries made up 64% of the total economies. The construction (7%) and financial services industries (9%) were also large components of the area's economic composition. Demographic information presented above and throughout this evaluation is based on information obtained from the 1990 Census Data - U.S. Bureau of the Census and Dun & Bradstreet, Inc.

Community Contacts

To determine community credit needs and opportunities we reviewed Executive Summaries of the HUD Consolidated Plans for Jackson and Hattiesburg. We also conducted several community contacts in Jackson and Hattiesburg. From these sources, we determined that in both assessment areas housing rehabilitation and affordable housing are the greatest needs and there are opportunities for bank participation in meeting these needs.

Table 3 shows the bank's assessment areas and the relative level of operations in each area. Deposit market share data is provided as a tool for assessing the relative size of Trustmark. It is not a measure of Trustmark's CRA performance.

Table 3: Trustmark National Bank's Assessment Areas					
ASSESSMENT AREAS	GEOGRAPHIES	%OF FAMILIES IN TOTAL OF AREAS (1990 Census)	% OF BANK'S BRANCHES	DEPOSITS DISTRIBUTION (AS OF 06/30/98)	DEPOSIT MARKET SHARE
# 1	DeSoto County (part of the Memphis, TN-AR-MS MSA, #4920)	6%	5%	6%	30%
# 8	Hinds, Madison, and Rankin Counties (Jackson MSA, #3560)	31%	33%	46%	37%
# 11	Forrest and Lamar Counties (Hattiesburg MSA, #3285)	8%	5%	4%	11%
Non-MSA areas:		55%	57%	44%	varies from 5% in area # 3 to 57% in area # 13
➤ # 2	Alcorn County				
➤ # 3	Itawamba and Lee Counties				
➤ # 4	Washington County				
➤ # 5	Leflore County				
➤ # 6	Lowndes County				
➤ # 7	Warren County				
➤ # 9	Lauderdale County				
➤ # 10	Amite, Copiah, Lincoln, Marion, Pike, Simpson, and Walthall Counties				
➤ # 12	Greene, Jones, and Perry Counties				
➤ # 13	Smith County				
➤ # 14	Block numbering area 9504 in Lafayette County				
➤ # 15	Block numbering area 9504 in Oktibbeha County				

Sources: 1990 Census Data - U.S. Bureau of the Census; Federal Deposit Insurance Corporation and Office of the Thrift Supervision's Summary of Deposits Internet site; and bank provided information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Lending data was reviewed for 1997 and the first nine months of 1998. Small loans to farms were not analyzed separately from small loans to businesses because, in all cases, small farm loans were a minor portion of the bank's combined totals. A substantial majority of the bank's residential mortgage (60%) and business/farm (90%) loans were made within the bank's assessment areas during the evaluation period.

Throughout this evaluation, there are references to the "1997 aggregate market" performance. This term refers to geocoded loan data, submitted by financial institutions and compiled by the Federal Financial Institutions Examination Council (FFIEC) for both residential mortgage and business/farm lending. This data is used, in this evaluation, to provide a frame of reference for analyzing this bank's performance compared to all reporting institutions in a particular assessment area. It is important to note that the aggregate market's loan data, in the case of residential mortgage lenders, often includes many non-bank reporters including mortgage companies and mobile home finance operations who are not subject to the Community Reinvestment Act.

Table 4 shows the bank's lending performance for the total of its combined assessment areas.

Loan Type	#	\$ (000)	CT	Low % of #	Moderate % of #	Middle % of #	Upper % of #
			B				
Residential Mortgage	10,746	\$807,967	CT	1	9	43	47
			B*	5	12	19	53
Small Business/Farm	18,339	\$885,596	CT	6	13	50	31
Community Development	36	\$4,347					
TOTAL	29,121	\$1,697,910					

(CT) Income Level of Census Tracts

(B) Income Level of Borrower

* Distribution does not add to 100% due to unclassified or unavailable data

Geographic Distribution

Trustmark's geographic distribution of residential lending showed a low but acceptable level of penetration throughout the bank's assessment area. The bank's geographic distribution of small business/farm lending was satisfactory. There was a conspicuous gap in the bank's lending pattern in the Jackson MSA during 1997, but there were no conspicuous gaps in 1998 as loans were granted in all but one of the census tracts. There were no conspicuous gaps in the bank's lending pattern in the Hattiesburg MSA, nor in DeSoto County.

The bank's residential lending in low-and-moderate income tracts during the evaluation period at 11.1% was lower than the percentage of owner occupied homes (18%) in low-and-moderate income tracts. The bank's performance was also lower than the aggregate market, which granted 11.8% of loans in low-and-moderate income tracts. There were 322 mortgage lenders operating in the bank's assessment area, which make up the aggregate market. Trustmark was the largest residential lender in the combined assessment areas with an aggregate market share of 13.70%. The bank's market share of loans in low-and-moderate income tracts, although lower than its overall market share, was satisfactory at 12.9%.

When viewed on a product basis, the bank's market share of home improvement and refinance loans in low-and-moderate income tracts at 20.1% and 9.7% compares favorably to its overall market share at 19.4% and 9.6%, respectively. The bank's market share of home purchase loans in low-and-moderate income tracts was lower than its overall market share in that product of 14.5%.

During the evaluation period, Trustmark granted 19% of its small loans to businesses and farms in low-and-moderate income tracts. This level of performance was lower than the 27% of small businesses/farms operating in those tracts. On the positive side, the bank's market share in low-and-moderate income tracts at 26.6% compares very favorably to its overall market share at 22.1%. For businesses with annual revenues less than \$1 million the bank also had good performance in low-and-moderate income tracts with a market share of 25.8% which compared favorably to its overall market share at 23.2%.

Distribution by Borrower Characteristics

During the evaluation period, residential lending to low-income borrowers at 5% was poor when compared to the percentage of families that were considered low-income at 23%. Residential lending to moderate-income borrowers at 12% was satisfactory, although lower than the 15% of families that were considered moderate-income. The 1997 market share of loans to low-and-moderate income borrowers at 10.1% was below its overall market share at 13.7%. By product type, low- and-moderate income market share for home purchase at 8.1% and refinance at 6.0% was well below its overall market share in those products at 14.5% and 9.6% respectively. The bank did have very good performance in home improvement loans where its low-and-moderate income market share at 21.3% compared favorably to its overall market share of 19.4%.

The bank had a very good record of granting loans to businesses of all sizes. During the evaluation period, the bank granted 86% of its small loans to businesses and farms to companies with revenues less than \$1 million. This compares favorably to the demographic composition of the AAs which had 74% of companies with revenues less than \$1 million. It also compares favorably to the aggregate market, which granted 76% of loans to firms with annual revenues less than \$1 million.

Ninety-two percent of the bank’s small loans to businesses and farms in 1997 were in original amounts less than or equal to \$100,000. This compares favorably to the overall market which granted 91%. The bank’s level of such lending dropped slightly in 1998 to 90%.

Community Development Lending

The bank augmented its residential mortgage and business/farm lending with thirty-six community development loans totaling \$4.3 million. These loans were concentrated in the Jackson MSA where the bank totaled \$2.9 million. The remainder of the loans were in the Hattiesburg MSA (\$338 thousand) and the non-MSA areas of the state (\$1.1 million). In addition to the foregoing, the bank granted a \$1 million loan to finance a multi-family low-and-moderate income housing development in an area adjacent to one of the bank’s AAs.

The bank committed to lend their pro-rata share (approximately 50% based on deposit market share) of \$50 million in the proposed Jackson Empowerment Zone. The commitment is intended to support home mortgage, home improvement and small business lending.

INVESTMENT TEST

As Table 5 shows, the bulk of the bank’s contributions were made in the Jackson MSA. The \$1 million in statewide bonds were for a business that uses the funds to finance small businesses through a revolving loan fund.

Table 5: Qualified Community Development Investments and Grants 1997 and YTD 1998			
Assessment Area	Bonds or Securities	Grants	Total
Jackson MSA	\$0	\$716,603	\$716,603
Hattiesburg MSA	\$0	\$3,000	\$3,000
Memphis MSA	\$0	\$825	\$825
Non-MSA Areas	\$0	\$23,628	\$23,628
Statewide Bonds	\$1,000,000	\$0	\$1,000,000

TOTAL	\$1,000,000	\$743,556	\$1,742,556
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Source: Bank provided data

SERVICE TEST

Trustmark’s delivery systems were accessible to essentially all portions of the bank’s assessment areas. It provides a good range of services through branch and alternative delivery services. Details for the MSA assessment areas of Jackson, Hattiesburg, and DeSoto County are provided in later discussions. The Non-MSA assessment areas performance was consistent with the service performance overall. Trustmark maintains 133 branches within the bank’s AAs. Table 6 shows the branch and off-site ATM distribution.

Table 6: Distribution of Branch Offices and Off-Site ATMs All Assessment Areas								
Tract Income Designation	Census Tracts		Families		Branches		Off-Site ATMs	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Low Income	28	10%	74,916	23%	14	11%	12	27%
Moderate Income	52	19%	50,045	15%	17	13%	4	9%
Middle Income	129	46%	62,224	19%	59	44%	11	24%
Upper Income	66	24%	142,330	43%	43	32%	17	38%
Not Available	2	1%	0	0%	0	0%	1	2%
Total	277	100%	329,515	100%	133	100%	45	100%

The bank has very good branch distribution in low- and moderate-income areas, with 11% of the branches in low-income census tracts and 13% in moderate-income census tracts. However, distribution of branches in low-and-moderate income geographies was slightly less than the percentage of low-and-moderate income geographies in the AAs. During the evaluation period, the bank closed three branches and opened five. One was opened and one closed in low-and-moderate income areas. Overall, these changes have not adversely affected low-and-moderate income areas and have improved the accessibility of delivery services within the AAs.

The bank has a very good distribution of ATMs. There were 128 ATMs throughout the AAs with 29% in low-and-moderate income areas. The 128 ATMs include 45 off-site ATMs. Branch hours were reasonable and convenient to all portions of the community that the branch serves. Extended hours were available at 73 branches. Services and business hours were tailored to the needs of each assessment area.

The bank offers the traditional line of banking products and services at the branches. Approximately 44% percent of the branches were full service with drive up facilities. These full service branches were located in all income level tracts. Alternative delivery systems address some of the banking needs of low-and-moderate income geographies and individuals. The bank implemented innovative services for specific communities, such as on-site banking service at an elder care facility in DeSoto County.

Loan products were designed to meet the needs of the AAs and the bank offers a variety of checking and savings accounts targeted to meet customer needs. Accounts and services were similar in each assessment area. Some of the accounts have lower minimum balance requirements and smaller monthly maintenance fees. One example of an account targeted for customer needs is the senior account. This is a no-fee checking account with unlimited check writing features where customers can have government or pension checks direct deposited into the account. As a service to nontraditional customers, Trustmark introduced a PayCard account for individuals who typically do not have checking accounts, but want the convenience of payroll direct deposit. The employee's payroll check is direct deposited into the account, then withdrawals can be made free from any Trustmark ATM. The account can also be accessed at other ATMs or Point of Sale terminals with a minimum fee. This allows the depositor convenient access to money and provides a monthly record of all transactions.

Community Development Services

Trustmark provides a good level of community development services. Most of the community development services provided benefit specific assessment areas. Primary services include providing financial expertise through board memberships to a variety of organizations that promote community development; credit and home ownership counseling; and technical assistance for small business owners. The community development service test for the MSA assessment areas of Jackson, Hattiesburg, and DeSoto County are detailed in later discussions. Community development services provided in the non-MSA assessment areas were consistent with the bank's overall performance, its financial capacity, and the needs of those areas.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

A comparative file analysis was performed for home purchase and home improvement loans originated for the bank's own portfolio from June 30, 1997 through June 30, 1998. Race was used as the prohibited basis, comparing approved white applicants to denied black applicants.

In reviewing the direct and indirect consumer loan underwriting process, we identified a Regulation B matter involving the operation of a credit scoring system in accordance with the instructions from a third party vendor. The matter involves the differential treatment of applicants for direct and indirect consumer loans based on marital status. Upon discovery, bank management took corrective action by discontinuing the use of the vendor's scoring system as part of the bank's credit underwriting process and by notifying the vendor of the matter. The examination findings did not impact the CRA conclusions.

ASSESSMENT AREA # 8: JACKSON, MS MSA (# 3560)

Conclusion for Performance Test in Assessment Area # 8

Trustmark was the leading lender in volume for residential and small business loans in the Jackson MSA. As discussed in the "Lending Test" section that follows, while its lending was concentrated to middle- and upper-income census tracts and borrowers, it generated an adequate level of lending in all areas and categories of borrowers. The bank had a good level of community development lending. During this evaluation period, the levels of qualified investments for community development purposes were adequate, although rarely in a leadership position. Delivery services were accessible to essentially all portions of the bank's Jackson MSA assessment area. Trustmark provides a relatively high level of community development services in the Jackson MSA.

Description of Trustmark's Operations in Assessment Area # 8

Trustmark operates forty-five branches and fifty-nine ATMs (including 25 off-site ATMs) in this assessment area which includes three counties and 89 census tracts. The bank's market share of the MSA's FDIC-insured deposits totaled 37% as of June 30, 1998.

Description of Assessment Area # 8

The Jackson MSA, comprised of Hinds, Madison, and Rankin counties, is the most populated urban area in the state. Its per capita income level is slightly less than the national average, its unemployment rate is below the national rate, and its cost of living index is below the national average. The City of Jackson is the state capitol and the largest city in Mississippi. The City was awarded an Enterprise Community (EC) designation. The targeted EC area has a population of 49,998, is 15.9 square miles, and includes the following neighborhoods: Downtown Jackson; Viriden Addition; West Park; and Jackson State University and its surrounding neighborhoods.

To determine community credit needs and opportunities we reviewed the Executive Summary for the City of Jackson's HUD Consolidated Plan. We also conducted two community contacts in Jackson. It was determined that housing rehabilitation and affordable housing are the greatest needs and there are opportunities for bank participation in meeting these needs.

The 1990 Census Data showed 102,077 families residing in the MSA of which 24% were low-income families, 15% were moderate-income, 20% were middle-income, and 40% were upper-income. During the 1990 census, median family income was \$31,575; the 1998 updated median family income was \$43,300.

Table 7 provides basic demographic data concerning this metropolitan area which comprises one of the bank's fifteen assessment areas.

Table 7: MSA Profile Jackson, MS MSA # 3560						
	#	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
By Income Level of Tracts						
Census Tracts	89		20%	18%	28%	23%
Population	395,396		15%	18%	34%	33%
Unemployment Rate	3.4%					
Owner Occupied Housing (#)	92,120		9%	16%	38%	37%
Median Housing Value (\$)		\$59,491				
Small Businesses/Farms	10,574		20%	12%	33%	35%
By Income Level of Families						
Families	102,077		24%	15%	20%	40%

LENDING TEST

Lending Activity

Trustmark makes loans of various types available to this assessment area. During the evaluation period, the bank generated 5,526 residential mortgage loans totaling \$476 million in the Jackson MSA of which 60% were for home purchases, 29% were for refinancing, 11% were for home improvement, and .14% were for multi-family structures. The bank also originated 6,947 small loans to businesses and farms totaling \$466 million. Of this amount, 88% were made to small businesses and farms (gross annual revenues less than or equal to \$1 million). Farm loans represent less than 10% of the total so a separate analyses was not performed.

Market share data was available and reviewed for 1997. This data reflected very favorably on the bank during this time period. In 1997, Trustmark originated/purchased the largest volume of residential loans among the 236 reporting financial institutions in the Jackson MSA in low-and-moderate income census tracts. The bank's market share was 16%, slightly higher than the next closest competitor at 13%. During 1997, for low-and-moderate income census tracts, the bank also originated the largest share (39%) of small loans to businesses/farms among the reporting financial institutions operating in the AA. The next closest competitor reflected 10% market share in low-and-moderate income census tracts.

Table 8 summarizes the bank's performance in these lending areas.

Table 8: Lending Test Jackson, MS MSA # 3560							
Loan Type	# Originated	\$ (000)	CT	Low % of #	Moderate % of #	Middle % of #	Upper % of #
			B				
Residential	5,526	\$475,964	CT	2%	9%	35%	54%
			B *	6%	14%	19%	47%
Small Loans to Businesses/Farms	6,947	\$465,872	CT	14%	8%	40%	38%
Community Development	22	\$2,904					
TOTAL	12,495	\$944,740					

(CT) Income Level of Census Tracts

(B) Income Level of Borrower

* Distribution does not add to 100% due to unclassified or unavailable data

Geographic Distribution

Trustmark's geographic distribution of residential and small loans to businesses/farms in the Jackson MSA showed an acceptable penetration throughout the area during the evaluation period. During 1997, Trustmark did not make residential real estate loans in 5 of the 20 low-income census tracts; this performance improved during 1998 with loans granted in all but one of the tracts. Census Data for 1990 showed that when compared to all census tracts in the MSA, this tract had the lowest level of income (25% of MSA median), the lowest level of owner occupancy (10%), the highest level of low-income families (79%), and the highest level of families living below the poverty level (59%). For small loans to businesses/farms, there were isolated census tracts with no lending during both years, but no conspicuous gaps in lending were noted.

Residential lending in low- and moderate-income tracts at 2% and 9% was lower than the percentages of owner-occupied housing in those tracts at 9% and 16%, respectively. On a market share basis, the bank's residential lending in low-and-moderate-income tracts at 12% (8% for low-income and 14% for moderate-income) compares acceptably to its overall market share for 1997 at 16%. Market share in low- and moderate-income census tracts was also acceptable when compared to owner occupied housing in those tracts. Comparing the market ranking, the bank dropped from first to fifth when market shares in low-and-moderate income census tracts were viewed as a ratio of the overall market shares.

During the evaluation period, Trustmark granted 13% of its small business loans (business revenues less than or equal to \$1 million) in low-income tracts, a lower level than the 20% of

small businesses operating in those tracts. Lending in moderate-income tracts at 9% was slightly lower than the 12% of small businesses operating in those tracts. During 1998, the level of small business lending in low-income tracts decreased (from 14% to 12%) while the level in moderate-income tracts improved (from 8% to 9%). A review of the bank's distribution of small loans to businesses compares favorably to the aggregate market for 1997. The bank had an overall market share of 39% compared to 35% in low-income tracts and 32% in moderate-income tracts.

Distribution by Borrower Characteristics

Trustmark's residential lending in the Jackson MSA to low-income borrowers at 6% was low, but satisfactory when compared to the percentage of families that were categorized as low-income at 15%. The differences in these ratios is partially explained by the MSA's level of households living below the poverty level (32%); this ratio is an indication that a significant number of households lack sufficient income to purchase and maintain a home. Residential lending to moderate-income borrowers at 14% was satisfactory when compared to the 18% of the families that were categorized as moderate-income. For 1997, the bank's market share of loans to low-and-moderate income borrowers at 12% was slightly lower than its overall market share at 16%.

Trustmark originates loans to businesses/farms of all sizes. During 1997 and 1998, the bank made approximately 88% of its small loans to businesses with revenues less than \$1 million. This compares favorably to the demographic composition of the Jackson MSA which had 72% of businesses with revenues less than \$1 million.

Community Development Lending

Community development lending in the Jackson MSA consisted of twelve loans totaling \$2.6 million in 1997 and ten loans totaling \$289 thousand year-to-date September 30, 1998.

The loans are summarized below based on purpose (rounded to the nearest thousand):

1997		
• Affordable housing in low- and moderate-income areas	\$2,441	
• Social services in low- and moderate-income areas	<u>\$ 133</u>	
Subtotal		\$2,574
1998 (year-to-date October 30, 1998)		
• Affordable housing in low- and moderate-income areas	\$ 118	
• Financing of small businesses	<u>\$ 171</u>	
Subtotal		<u>\$ 289</u>
TOTAL		\$2,863

INVESTMENT TEST

Trustmark had a low, but satisfactory, level of qualified investments for community development purposes for the Jackson MSA. Grants in the form of charitable contributions totaled \$717 thousand during 1997 and year-to-date October 30, 1998. The funds were contributed to organizations for various purposes related to low- and moderate-income individuals, including educational and social services, job training and employment, financing or assistance to small businesses to promote economic development, day care services, and financing for affordable housing.

SERVICE TEST

Trustmark's delivery systems were accessible to essentially all portions of the Jackson MSA. Trustmark provides a good range of services. Table 9 shows the branch and off-site ATM distribution.

Table 9: Distribution of Branch Offices and Off -Site ATMs Jackson MSA								
Tract Income Designation	Census Tracts		Families		Branches		Off-Site ATMs	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Low Income	20	22%	24,474	24%	9	20%	8	32%
Moderate Income	18	20%	15,680	15%	5	11%	2	8%
Middle Income	28	32%	20,710	20%	14	31%	2	8%
Upper Income	23	26%	41,213	41%	17	38%	12	48%
Mobile ATM	0	0%	0	0%	0	0%	1	4%
Total	89	100%	102,077	100%	45	100%	25	100%

Trustmark maintains 45 branches within the Jackson MSA. The bank had branches in approximately 36% of census tracts in the MSA. The bank had very good service to low-and-moderate income areas with 20% of branches in low-income census tracts and 11% in moderate-income census tracts. The distribution of branches in low-and-moderate income geographies was comparable to the percentage of low-and-moderate income geographies in the Jackson AA. During the evaluation period, the bank closed one branch and opened four in the AA. One branch was opened and one closed in low-and-moderate income areas. These changes did not adversely affect the accessibility of delivery services to low-and-moderate income areas and improved the overall service availability in the AA.

The bank had a very good distribution of ATMs. There were 59 ATMs throughout the AA with 44% in low-and-moderate income areas. The 59 ATMs include 25 stand alone ATMs. Branch hours were reasonable and convenient to all portions of the community that the branch serves. Extended hours were available at all branches.

The bank offers the traditional line of banking products and services at the branches. Approximately 40% of the branches were full service with drive up facilities. These full service branches were located in all income level tracts.

Community Development Services

Trustmark provides a relatively high level of community development services throughout the Jackson MSA. Primary services include providing technical assistance to small business owners, financial expertise to a variety of community service, development, and nonprofit organizations through board membership, and providing credit and home ownership counseling. Following is a listing and descriptions of some of the community development services provided in the Jackson MSA:

- An officer of the bank served on the Loan Review Committee for the Jackson Metro Housing Corp. during the evaluation period. His duties included the review and approval of loan applications for affordable housing loans for low- and moderate-income individuals.
- Bank officers serve on the Board and loan review committee of the Canton Community Development Corporation (CDC). This CDC provides funds for a revitalization plan that addresses small business development, small business recruitment, improving access to markets, real estate development and infrastructure improvement in the Canton area.
- An officer of the bank serves on the Board and assists with providing funds to small businesses for the Jackson Hinds Minority Capital Fund. This organization serves as a catalyst for economic development in certain communities through the provision of non-traditional financing.
- An officer of the bank serves on the Leadership Mississippi Committee for the Mississippi Economic Council and is involved in providing budgeting and financing assistance to the organization. This organization helps to promote business development throughout the state of Mississippi, including several of the bank's assessment areas.
- An officer from Trustmark serves on the City of Jackson Community Enterprise Council as an advisor and provides technical assistance on how funds should be used. This organization received funding from the federal government for 10 years to assist in revitalizing the low-income areas of the inner city. Targeted areas include providing employment, housing, education and improving crime.

- Bank officers serve on the Board of Directors of various committees for a number of not-for-profit community development organizations.

ASSESSMENT AREA # 11: HATTIESBURG, MS MSA (# 3285)

Conclusion for Performance Test in Assessment Area # 11

Trustmark has a relatively small presence in the Hattiesburg MSA, controlling 11% of FDIC-insured deposits, which represent only 4% of the bank's total deposits. In light of this and other available information, the bank responded adequately to credit needs for residential and small business/farm lending, ranking third and second in market share, respectively. Geographic distribution was adequate, with residential lending to low-income tracts disproportionately low. Distribution by borrower characteristics was also adequate, with disproportionately low lending for low-income and moderate-income residential borrowers. Lending to small businesses/farms reflected good penetration in all areas of comparison. During this evaluation period, the level of qualified investments for community development purposes exhibited poor responsiveness to credit and community economic development needs in the Hattiesburg MSA. Delivery systems were reasonably accessible to essentially all portions of the MSA and an adequate level of community development services were provided.

Description of Trustmark's Operations in Assessment Area # 11

Trustmark operates six branches and seven ATMs (including three non-branch ATMs) in this assessment area which includes two counties and 23 census tracts. The bank's market share of the MSA's FDIC-insured deposits was 11% as of June 30, 1998.

Description of Assessment Area # 11

Located in southeast Mississippi, the Hattiesburg MSA includes Forrest County (which includes the City of Hattiesburg) and Lamar County. The area was designated an MSA in 1994. According to the City of Hattiesburg's Consolidated Plan, the city is known as a retirement community because of its medical facilities and proximity to many retirement destinations along the Gulf of Mexico coast. The city is located approximately 75 miles from the coast. The City is also home to the University of Southern Mississippi.

To determine community credit needs and opportunities we reviewed the Executive Summary for the City of Hattiesburg's HUD Consolidated Plan. We also conducted a community contact in Hattiesburg. It was determined that the primary community credit needs are housing rehabilitation lending; homebuyer seminars; and redevelopment of business in low-income areas through credit enhancement, training, and job development. There are opportunities for bank participation in meeting these needs. Another community development effort being undertaken by the City for which we were unable to determine whether credit-assistance was needed is the improvement of drainage infrastructures in low- and moderate-income areas.

The 1990 Census Data showed 25,319 families residing in the areas that became the MSA in 1994. Income designations were 24% low-income, 16% moderate-income, 18% middle-income, and 42% upper-income. During the 1990 census, median family income was \$24,469; the 1998 updated median family income was \$32,800.

Table 10 provides basic demographic data concerning this assessment area which comprises one of the bank's fifteen assessment areas.

Table 10: MSA Profile						
Assessment Area # 11: Hattiesburg, MS MSA # 3285						
	#	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
By Income Level of Tracts						
Census Tracts	23		22%	9%	52%	17%
Population	98,738		17%	7%	52%	24%
Unemployment Rate	3.5%					
Owner Occupied Housing (#)	23,516		9%	7%	59%	25%
Median Housing Value (\$)		\$48,593				
Small Businesses/Farms	2,364		18%	6%	49%	27%
By Income Level of Families						
Families	25,319		24%	16%	18%	42%

Source: Census Data - U.S. Bureau of the Census

LENDING TEST

Lending Activity

Trustmark makes loans of various types available to the Hattiesburg MSA. During the evaluation period, the bank generated 1,053 residential mortgage loans totaling \$85 million in the area of which 42% were for home purchases, 52% were for refinancing, and 6% were for home improvement. The bank also originated 565 small loans to businesses and farms totaling \$23 million. Of this amount, 81% were made to small businesses and farms (gross annual revenues less than or equal to \$1 million). Farm loans represent less than 10% of the total so a separate analyses was not performed.

Market share data was available and reviewed for 1997. This data reflected favorably on the bank during this time period. In 1997, Trustmark ranked third in residential lending among the

110 reporting financial institutions in this assessment area; it had 12% of the market share compared to the 15% held by the number one ranking institution. The bank ranked second in small loans to businesses/farms; it had 20% market share compared to the 34% held by the number one ranking institution.

Table 11 summarizes the bank’s performance in these lending areas.

Table 11: Lending Test Assessment Area # 11: Hattiesburg, MS MSA # 3285							
Loan Type	#	\$ (000)	CT	Low % of #	Moderate % of #	Middle % of #	Upper % of #
			B				
Residential	1,053	\$85,445	CT	1%	5%	50%	43%
			B *	3%	8%	19%	64%
Small Loans to Businesses/Farms	565	\$23,471	CT	12%	6%	37%	47%
Community Development	1	\$338					
Total Lending	1,509	\$10,925					

(CT) Income Level of Census Tracts

(B) Income Level of Borrower

* Distribution does not add to 100% due to unclassified or unavailable data

Geographic Distribution

Trustmark’s geographic distribution of residential and business/farm lending in the Hattiesburg MSA showed acceptable penetration throughout the area during the evaluation period. There were no conspicuous gaps in lending as there were no tracts where neither type of lending occurred.

Trustmark’s geographic distribution of residential lending in the Hattiesburg MSA showed a disproportionate volume of residential mortgage lending in low-income tracts with 22% of the tracts categorized as low and having owner occupancy of 9% compared to 1% of the bank’s residential mortgage lending occurring in those types of tracts. Residential mortgage lending in moderate-income tracts at 5% was only slightly lower than the demographics at 9% for tracts and 7% for owner occupancy. Market share data for 1997 residential mortgage loans showed the bank ranked third in lending to low-and-moderate income census tracts. For low-income tracts the bank had 7% of the market share, less than its market share for all tracts of 12%. For moderate-income tracts the bank had 8% of the market share, less than its market share for all tracts of 12%.

For small loans to businesses/farms, Trustmark granted 12% of its loans in low-income tracts, which was lower than the 18% of small businesses/farms operating in those tracts. Lending in moderate-income tracts at 6% was equal to the 6% of small businesses/farms operating in those tracts. The market share data showed the bank ranked second in lending in both low-and-moderate income census tracts. For low-income tracts the bank had 17% of the market share and for moderate-income tracts it had 21%, slightly lower than and comparable to its market share for all tracts of 20%.

Distribution by Borrower Characteristics

Trustmark's residential lending in the Hattiesburg MSA to low-income borrowers at 3% was low when compared to the percentage of families that were categorized as low-income at 24%. Residential lending to moderate-income borrowers at 8% was also low when compared to the 16% of the families that were categorized as moderate-income. For 1997, the bank's market share of residential mortgage loans to low-and-moderate income borrowers at 8% was low compared to its overall market share at 12%. The bank's distribution was partially, but not totally, explained by the level of households living below the poverty level (25%); this ratio is an indication that a significant number of households lack sufficient income to purchase and maintain a home.

Trustmark originates loans to businesses/farms of all sizes. During 1997 and 1998, the bank made approximately 81% of its small loans to businesses with revenues less than \$1 million. This compares favorably to the demographic composition of the Hattiesburg MSA which had 74% of businesses with revenues less than \$1 million.

INVESTMENT TEST

Trustmark had a low level of qualified investments for community development purposes for the Hattiesburg MSA. Grants in the form of charitable contributions totaled \$3 thousand during 1997 and year-to-date October 30, 1998. The funds were contributed to organizations to provide educational and social services for low- and moderate-income individuals.

SERVICE TEST

Trustmark’s delivery systems were reasonably accessible to essentially all portions of the Hattiesburg MSA. Trustmark provides an adequate range of services in the AA through the branch system and alternative delivery services. Table 12 shows the branch distribution.

Table 12: Distribution of Branch Offices and ATMs Assessment Area # 11: Hattiesburg, MS MSA # 3285								
Tract Income Designation	Census Tracts		Families		Branches		Off-Site ATMs	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Low Income	5	22%	6,142	24%	1	17%	0	0%
Moderate Income	2	9%	4,078	16%	0	0%	0	0%
Middle Income	12	52%	4,572	18%	1	17%	1	25%
Upper Income	4	17%	10,527	42%	4	66%	3	75%
Total	23	100%	25,319	100%	6	100%	4	100%

Trustmark maintains 6 branches within the bank’s AA. The bank had branches in approximately 22% of census tracts in the Hattiesburg MSA. The bank had one branch, the Main office, which is located in a low-income census tract. The other five low-income tracts in the Hattiesburg AA were adjacent to tracts with branches. During the evaluation period, the bank closed one branch in a middle-income tract because the lease was not available for renewal. The closing did not adversely affect delivery systems to low-and-moderate income areas.

There were seven ATMs throughout the AA, three of which were off site. The bank’s distribution of ATMs is limited to upper and middle-income census tracts. Branch hours were reasonable and convenient to all portions of the community that the branch serves. Saturday hours were available at all of the branches. The bank offers the traditional line of banking products and services at the branches. Almost all of the branches were full service with drive-up facilities.

Community Development Services

Trustmark provides an adequate level of community development services within the Hattiesburg MSA. Primary services include providing technical assistance for small business owners. Also, employees provide technical assistance to nonprofit and government organizations providing affordable housing to low- and moderate-income individuals. Following is a listing and description of some of the community development services provided in the assessment area.

- Trustmark participates on the Hattiesburg Small Business Council. An officer of the bank serves on the council and assists with providing credit counseling to small businesses. This council is a resource in the area for starting a new business.
- A Senior Officer serves on the Board of Directors and Loan Review Committee for the Southeast Mississippi Community Investment Corporation (CDIC). This is an initiative of the Area Development Partnership and was established to respond to the needs of the community for business financing in the Hattiesburg Area. The mission of this organization is to bridge the gap between small business credit needs, traditional commercial bank loans, and State/Federal funding.
- Trustmark participates in the Habitat for Humanity Program. An officer of the bank serves on the Board and Finance Committee and assists in screening low-income individuals for affordable housing.

**ASSESSMENT AREA # 1: DeSOTO COUNTY, MS
Part of the Memphis, TN-AR-MS MSA (# 4920)**

Conclusion for Performance Test in Assessment Area # 1

Lending levels reflect good responsiveness to assessment area credit needs. Geographic distribution was good. Distribution by borrower characteristics was adequate, with disproportionately low lending for low-income residential borrowers. Lending to small businesses/farms reflected excellent responsiveness to this credit need. During this evaluation period, the level of qualified investments for community development purposes were adequate in light of the characteristics of the County. Delivery systems were accessible to essentially all portions of the MSA and an adequate level of community development services were provided.

Description of Trustmark's Operations in Assessment Area # 1

Trustmark operates six branches and seven ATMs (including one off-site ATM) in this assessment area which includes one county and 15 census tracts. The bank's market share of the county's FDIC-insured deposits was 30% as of June 30, 1998, but they represent only 6% of the bank's total deposits. As of the 1990 census, there were no low- or moderate-income census tracts in this assessment area. Table 10 provides basic demographic data concerning this assessment area.

Description of Assessment Area # 1

DeSoto County is part of the Memphis MSA, with its northern border adjacent to the boundary lines for Shelby County and the City of Memphis, Tennessee. It is the fastest growing county in the state of Mississippi, with a significant portion of the population commuting to Shelby County, Tennessee for employment.

The 1990 Census Data showed 19,492 families residing in DeSoto County of which 17% were categorized as low-income, 16% moderate-income, 24% middle-income, and 43% upper-income. During the 1990 census, median family income was \$31,990; the 1998 updated median family income was \$45,000 (the updated income for non-MSA areas in the state was \$29,800).

Table 13 provides basic demographic data concerning this county which comprises one of the bank's fifteen assessment areas.

Table 13: MSA Profile						
DeSoto County, MS (Part of the Memphis, TN-AR-MS MSA # 4920)						
	#	\$	Low	Moderate	Middle	Upper
By Income Level of Tracts						
Census Tracts	15		0%	0%	73%	27%
Population	67,910		0%	0%	76%	24%
Unemployment Rate	2.8%					
Owner Occupied Housing (#)	18,931		0%	0%	76%	24%
Median Housing Value (\$)		\$67,644				
Small Businesses/Farms	1,723		0%	0%	79%	21%
By Income Level of Families						
Families	19,492		17%	16%	24%	43%

Source: 1990 Census Data - U. S. Bureau of the Census and Dun & Bradstreet, Inc.

LENDING TEST

Lending Activity

During the evaluation period the bank generated 358 residential mortgage loans totaling \$29 million in DeSoto County of which 56% were for home purchase, 28% were for refinancing, and 16% were for home improvement. The bank originated 453 small loans to businesses and farms, with a dollar total of \$22 million. Of these loans, 89% were made to small businesses and farms (gross annual revenues less than or equal to \$1 million). Farm loans represent less than 10% of the total so a separate analyses was not performed.

Table 14 summarizes the bank's performance in these lending areas.

Table 14: Lending Test DeSoto County, MS (Part of the Memphis, TN-AR-MS MSA # 4920)							
Loan Type	#	\$ (000)	CT	Low % of #	Moderate % of #	Middle % of #	Upper % of #
			B				
Residential	358	\$28,533	CT	0%	0%	72%	28%
			B	6%	17%	23%	43%
Small Loans to Businesses/Farms	453	\$22,434	CT	0%	0%	80%	20%
Community Development	0	0					
Total Lending	811	\$50,967					

(CT) Income Level of Census Tracts

(B) Income Level of Borrower

* Distribution does not add to 100% due to unclassified or unavailable data

Geographic Distribution

Trustmark's geographic distribution of residential and small business/farm lending in DeSoto County showed good penetration throughout the area during the evaluation period. Lending in middle- and upper-income census tracts approximates the distribution of those tracts, percentages of families living in them, and levels of owner occupied housing.

Distribution by Borrower Characteristics

Trustmark's residential lending in DeSoto County to low-income borrowers at 6% was disproportionately low when compared to the percentage of families that were categorized as low-income at 17%. Residential lending to moderate-income borrowers at 17% reflected excellent responsiveness to this segment of the market which comprised 16%. For 1997, the bank's market share of loans to low-and-moderate income borrowers at 2% was slightly lower than its overall market share at 4%. Its market share to low-income borrowers at 3.28% was almost equal to its overall market share at 3.77%.

Trustmark originated loans to businesses/farms of all sizes. During 1997 and 1998, the bank made approximately 89% of its small loans to businesses/farms with revenues less than \$1 million. This compared very favorably to the demographic composition of DeSoto County which had 77% of businesses/farms with revenues less than \$1 million.

INVESTMENT TEST

Trustmark had a low, but satisfactory, level of qualified investments for community development purposes in DeSoto County. A grant in the form of a charitable contribution totaling 825 dollars provided social services to low-and-moderate income children.

SERVICE TEST

Trustmark’s delivery systems were accessible to essentially all portions of DeSoto County. Trustmark provides a good range of services in the AA through branch and alternative delivery services.

Table 15 shows the branch and ATM distribution.

Table 15: Distribution of Branch Offices and Off-site ATMs DeSoto County, MS (Part of the Memphis, TN-AR-MS MSA # 4920)								
Tract Income Designation	Census Tracts		Families		Branches		Off-Site ATMs	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Low Income	0	0%	3,227	17%	0	0%	0	0%
Moderate Income	0	0%	3,166	17%	0	0%	0	0%
Middle Income	11	73%	4,674	23%	4	67%	1	100%
Upper Income	4	27%	8,425	43%	2	33%	0	0%
Total	15	100%	19,492	100%	6	100%	1	100%

Trustmark maintains 6 branches within DeSoto County. The bank had branches in approximately 27% of census tracts in this assessment area. There were no low- or moderate-income census tracts. No branches were opened or closed during the examination period.

The bank had a reasonable distribution of ATMs. There were 7 ATMs throughout the AA including one stand alone ATM. Branch hours were reasonable and convenient to all portions of the community that the branch serves. Extended hours were available at almost all of the branches.

The bank offers the traditional line of banking products and services at the branches. All, but one, of the branches were full service with drive up facilities. These full service branches were located in both the middle and upper-income tracts.

Alternative delivery services were provided, but were small in number. As a special service, the bank established a weekly on-site banking service for residents at a local retirement home who were unable to bank using traditional banking services. Bank personnel were available to assist residents with banking transactions. Although not all residents were low-and-moderate income, the service provides access to financial services which might not be otherwise available.

Community Development Services

Trustmark provides an adequate level of community development services within DeSoto County. Primary services include providing technical assistance to small business owners, and financial expertise to several community service and nonprofit organizations through board membership. Following is a listing and description of some of the community development services provided in DeSoto County:

- A senior officer of the bank is a member of the Executive Committee of the DeSoto County Economic Development Council and provides counseling to small businesses. This council promotes economic growth and business development in DeSoto County.
- Trustmark participates in the DeSoto County Housing and Human Development Program. This organization was set up in 1996 in DeSoto County to assist in the improvement of substandard housing for the elderly and low-income individuals. Through this organization, several homes have been restored in the Hernando area. Also, ten families have become the owners of newly constructed homes in the western area of Hernando and with assistance of this organization in cooperation with local banks, the City of Hernando, and the United States Department of Agriculture and Rural Development. An officer of the bank was involved in getting this organization started and securing funds for operation.

APPENDIX - DEFINITION OF TERMS

Following are definitions of terms used in this evaluation. They are not legal definitions as provided in applicable regulations.

Assessment Area (AA) - This area is defined by bank management. It is the geographic boundary where the bank's Community Reinvestment Act (CRA) activities are evaluated.

Automated Teller Machine (ATM) - A machine offering limited banking services including dispensing cash, accepting deposits or loan payments and transferring funds between accounts.

Community Development - The primary purpose of the loan, investment or service is for (1) affordable housing for low or moderate-income individuals; (2) community services targeted to low or moderate-income individuals; (3) activities that promote economic development by financing small businesses and farms; and (4) activities that revitalize or stabilize low or moderate-income areas.

Geography - A census tract (CT) or block numbering area.

Residential Mortgage Loan - A loan secured by and made for the purpose of purchasing a dwelling; or a loan, whether secured or unsecured, that is made for the purpose, in whole or in part, of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located. Dwelling includes a mobile or manufactured home, a multi-family structure, a condominium or a cooperative unit. (As defined by 12 C.F.R. 203 - Home Mortgage Disclosure)

Low, Moderate, Middle and Upper Income Areas - A low-income area is one in which the median family income is less than 50% of the area median income, moderate income is 50% to 79% of the area family median income, middle-income is 80% to 119% of the area median family income and upper income is 120% or more of the area median income.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties including large population centers and nearby communities that have a high degree of interaction.

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

Small Business or Farm - A business or farm with gross annual sales less than or equal to \$1 million. Data source Dun & Bradstreet, Inc.

Small Loan to a Business - A commercial loan (as defined by Call Report Instructions) with an original loan amount of \$1 million or less.

Small Loan to a Farm - A farm loan (as defined by Call Report Instructions) with an original loan amount of \$500,000 or less.