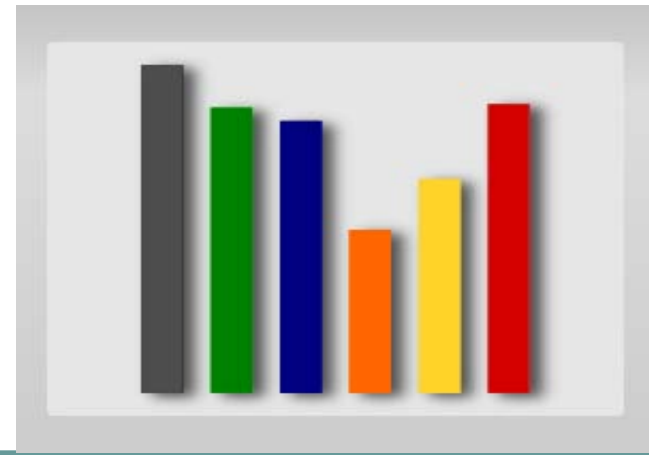




# Assessing Your Lending Performance



# Objectives

- Provide you with some tools and information to help you “dig into” your bank’s performance





# What Should You Do?

- Determine Primary Products
- Understand Lending Assessment Factors
- Analyze Your Own Data



# Primary Products

- These are major loan product lines for your bank
- Look at loans originated since the last CRA evaluation
- Consider both dollar and number of loans

# Primary Products - Tools

- Tools
  - Loan Trial
  - Call Report
  - Last CRA Public Evaluation





# Lending Performance Factors

- Loan-to-Deposit Ratio
- Lending in the Assessment Area
- Borrower Distribution
- Geographic Distribution



# Loan-to-Deposit Ratio

- Measures overall lending levels
- Calculate ratio using average quarterly ratio reported on UBPR since last CRA evaluation
- Compare your bank to similarly situated institutions (SSI) and peer group
- Understand any performance context that impacts your ratio



# Loan-to-Deposit Ratio

## What is an SSI?

- Similar in size
- Serve same or similar market
- Similar products and services



# Loan-to-Deposit Ratio Tools

Where do you get the information?



- Uniform Bank Performance Report
- FFIEC Website
- Page 10, Net Loans & Leases to Deposits
- Get Ratio For Each Quarter Since Last CRA
- Use This Information for Your Bank and For SSI
- Compare Average for SSI and Range for SSI to Your Bank

# UBPR – Insert Bank Info and Hit Find

Address  http://www2.fdic.gov/ubpr/UbprReport/SearchEngine/Default.asp



Advanced

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Please select the 'FDIC Certificate Number' or one or more of the following: 'Institution Name', 'City', 'State', 'Zip Code', or 'County'

FDIC Certificate Number:  **OR**

Institution Name:

City\*:

State:  

Zip:

County:

\* Please enter the word "City" when it is a part of the city's name.  
For example: Kansas City, New York City, Salt Lake City.

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# UBPR – Select Custom Pick Dates

HOME DEPOSIT INSURANCE CONSUMER PROTECTION INDUSTRY ANALYSIS REGULATION & EXAMINATIONS ASSET SALES NEWS &



**Bank :** MIDSOUTH BANK, N. A.

**Mailing Address :** P.O. DRAWER 1001  
ASHFORD , AL 36312-0000

**Certificate # :** 2777

**Select UBPR Format:    Select Report Date:**

Standard

12/31/2006 ▼

Previous Five

12/31/2006 ▼

Custom

12/31/2006 ▼

9/30/2006 ▼

6/30/2006 ▼

3/31/2006 ▼

12/31/2005 ▼

Generate Report

Select a different [Type of Report](#) Or [Certificate #](#)

# UBPR - Page 10

## Net Loan & Leases to Deposits

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CERT # 2777		DIST/RSSD: 06 / 929932		MIDSOUTH BANK, N. A.		DOTHAN, AL				3/28/2007 3			
CHARTER # 10102		COUNTY:		LIQUIDITY AND INVESTMENT PORTFOLIO									
		12/31/2006			9/30/2006			6/30/2006			3/31/2006		12/31/
SHORT TERM INVESTMENTS		49,404			44,395			38,344			57,386		21
SHORT TERM ASSETS		142,761			141,364			134,587			132,749		98
SHORT TERM NON CORE FUNDING		56,657			20,161			14,966			15,097		15
NON CORE LIABILITIES		64,757			30,454			27,839			28,387		30
FED HOME LOAN BOR MAT < 1 YR		0			0			0			0		
FED HOME LOAN BOR MAT > 1 YR		1,568			1,600			1,632			1,664		1
OTH BORROWING MAT < 1 YR		0			0			171			225		
OTH BORROWING MAT > 1 YR		513			545			0			0		
DEBT SECURITIES 90+ DAYS P/D		0			0			0			0		
TOTAL NON-CURRENT DEBT SEC		0			0			0			0		
FAIR VALUE STRUCTURED NOTES		2,959			3,823			3,124			2,647		
		0			0			0			0		
PERCENT OF TOTAL ASSETS		BANK	PG 3	PCT	BANK	PG 4	PCT	BANK	PG 4	PCT	BANK	PG 4	BANK
SHORT TERM INVESTMENTS		15.38	4.87	93	15.20	6.07	90	13.62	5.76	88	20.68	6.56	9.53
MARKETABLE EQUITY SEC (MES)		0.00	0.08	68	0.28	0.02	92	0.29	0.02	92	0.00	0.02	0.00
CORE DEPOSITS		71.84	63.87	77	80.88	67.36	94	81.76	68.16	93	81.35	68.94	76.81
S T NON CORE FUNDING		17.64	19.01	45	6.90	16.24	11	5.31	15.58	7	5.44	14.38	6.86
LIQUIDITY RATIOS													
NET S T NONCORE FUND DEPENDENCE		3.09	15.65	13	-10.75	11.43	5	-10.68	11.02	5	-21.38	8.74	-3.21
NET NON CORE FUND DEPENDENCE		6.55	24.45	11	-6.18	18.64	6	-4.80	18.36	6	-14.66	16.64	4.37
BROKERED DEPOSITS TO DEPOSITS		0.00	4.19	40	0.00	2.27	59	0.00	2.18	60	0.00	1.98	0.00
BROKER DEP MAT < 1YR TO BKR DEPS		N/A	54.65	N/A	N/A	51.64	N/A	N/A	52.03	N/A	N/A	50.25	N/A
SHORT TRM INV TO S T N CORE FUND		87.20	31.30	88	220.20	47.96	95	256.21	49.63	95	380.12	62.35	138.88
SHORT TERM ASSET TO S T LIABS		175.46	89.42	91	343.48	100.47	98	354.64	104.62	97	352.59	113.67	251.34
NET S T LIAB TO ASSETS		-19.11	5.09	9	-34.31	2.07	2	-34.32	0.93	2	-34.26	-1.29	-25.82
<b>NET LOANS &amp; LEASES TO DEPOSITS</b>		<b>64.05</b>	86.84	9	<b>68.49</b>	83.36	18	<b>68.40</b>	83.15	19	<b>61.01</b>	81.81	<b>73.29</b>
NET LN&LS TO CORE DEPOSITS		81.44	112.74	12	76.70	105.18	14	76.13	104.10	14	68.17	101.74	84.99
NET LN&LS & SBLC TO ASSETS		59.16	71.57	15	62.62	70.08	27	62.90	70.12	28	56.20	69.23	65.29

# Loan-to-Deposit Ratio

## Example

BANK NAME	CITY	ST	Total Asset 2007Q1	NET LN& LS / TOT DEPS			Average LTD %
				2006Q4	2006Q3	2006Q2	
A	Anycity	AL	\$626,843	61.36	60.44	61.48	<b>61.09</b>
B	This City	AL	\$217,568	84.19	97.54	98.5	93.41
C	Anycity	AL	\$241,998	98.29	90.81	85.52	91.54
D	Anycity	AL	\$244,378	97.31	97.79	90.08	<b>95.06</b>
E	Anycity	AL	\$271,759	73.96	68.88	70.14	70.99
F	Anycity	AL	\$79,018	90.85	86.89	86.11	87.95
						<b>Total</b>	<b>83.34</b>
<b>Our Bank</b>	<b>This City</b>	<b>AL</b>	<b>\$205,122</b>	<b>76.01</b>	<b>74.29</b>	<b>78.89</b>	<b>76.40</b>

# Lending in Assessment Area

- Measures level of lending within all of your assessment areas
- Use your loan originations. Consider using a sample of loans for primary products, or your whole portfolio, or HMDA loans
- Geocode loans
- Determine percentage within assessment area by # and \$
- Want 50% or higher in the assessment area

# Lending in Assessment Area

## Example

Loan Type	Number of Loans In AA		Dollar of Loans In AA	
	#	%	\$	%
Home Purchase	125	69	13,971	45
Home Improvement	15	68	924	72
Home Refinance	99	85	12,355	87
Commercial	26	87	3,659	79
<b>Total</b>	<b>265</b>	<b>77</b>	<b>30,909</b>	<b>61</b>

# Lending in Assessment Area

## What to look for

- Majority of loans by number and dollar should be inside the assessment area
- If not, be able to explain why





# Borrower Distribution

- Measures how well you have met credit needs for low- or moderate-income individuals and small businesses and farms
- Most complex factor to analyze
- Compare your performance to demographic information
- Only look at loans in your assessment area
- If you have more than one assessment area, analyze each separately

# Borrower Distribution

## What do you need for your data?

- **Individuals**

- Income used for credit decision
- Determine income category for each using HUD Updated MFI for year loan originated

### HUD UPDATED MFI



<http://www.ffiec.gov/cra/censusproducts.htm#censusdata>

- **Commercial/Farm – Gross annual revenues**

- Income used for credit decision
- Determine if small business or small farm

# Borrower Distribution

What do you need for your data?



## ● Income Levels for Individuals

- Low-income < 50%
- Moderate-income 50% to < 80%
- Middle-income 80% to < 120%
- Upper-income 120% and higher

## ● Business/Farm Sizes

- Gross Annual Revenues of less or equal to \$1 million = small business/farm

# Borrower Distribution

What do you compare your data with?



<b>Loan Type</b>	<b>Comparables</b>	<b>Comparator Data Source</b>
<b>Residential RE</b>	<b>Families</b>	<b>US Census</b>
<b>Consumer</b>	<b>Households</b>	<b>US Census</b>
<b>Commercial</b>	<b>% of AA businesses with revenues of \$1 million or less</b>	<b>Dun and Bradstreet</b>
<b>Farm</b>	<b>% of AA Farms with revenues of \$1 million or less</b>	<b>Dun and Bradstreet</b>

If HMDA or CRA reporter, also refer to aggregate data as a comparator (FFIEC website)

# Borrower Distribution

## What to look for

- Focus is on originations to LMI borrowers and small businesses and farms
- Loan originations should mirror or exceed demographic figures
- If gaps are noted, be able to explain why



# Geographic Distribution

- Measures how well loans are distributed throughout your assessment area and among tracts of varying income levels
- Only look at loans within the assessment area
- Compare your lending to demographic information at the tract level
- If you have more than one assessment area, analyze each separately

# Geographic Distribution

## What do you need for your data?

- Geocode your loans in the assessment area
- Determine income-levels for each census tract - you can use the Census information on the FFIEC website



### FFIEC Census Reports

<http://www.ffiec.gov/webcensus/default.aspx>

### FFIEC Windows Application

<http://www.ffiec.gov/census/winApp.aspx>

# Geographic Distribution

## What do you compare your data with?



<b>Loan Type</b>	<b>Comparables (By Tract Income Level)</b>	<b>Comparator Data Source</b>
<b>Residential Real Estate</b>	<b>% Owner-Occupied Housing</b>	<b>US Census</b>
<b>Consumer</b>	<b>% Households</b>	<b>US Census</b>
<b>Commercial</b>	<b>% Businesses</b>	<b>US Census</b>
<b>Farm</b>	<b>% Farms</b>	<b>US Census</b>

If HMDA or CRA reporter, also refer to aggregate data as a comparator (FFIEC website)



# Geographic Distribution

## What to look for

- This test focuses on the LMI tracts
- If AA contains only middle- and upper-income tracts, this will also be reviewed
- Review loan distribution in these tracts compared to demographic data
- If gaps are noted, be able to explain why



# Community Development Loans

- Review loan trial
- Flag loans in amounts in excess of \$1 million that meet a CD purpose
- Flag multi-family loans that meet a CD purpose
- If ISB, may also flag loans under \$1 million if they are not reported under HMDA

# Questions?

