**Section 345.260 Small Bank Performance Standards**

a) Performance criteria.

1) Small banks that are not intermediate small banks. The Secretary evaluates the record of a small bank that is not, or that was not during the prior calendar year, an intermediate small bank, of helping to meet the credit needs of its assessment area by considering the assessment factors in Section 345.200 and pursuant to the criteria set forth in subsection (b) of this Section.

2) Intermediate small banks. The Secretary evaluates the record of a small bank that is, or that was during the prior calendar year, an intermediate small bank, of helping to meet the credit needs of its assessment area by considering the assessment factors in Section 345.200 and pursuant to the criteria set forth in subsections (b) and (c) of this Section.

b) Lending test. A small bank's lending performance is evaluated pursuant to 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;

3) 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;

4) The geographic distribution of the bank's loans; 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.

c) Community development test. An intermediate small bank's community development performance also is evaluated pursuant to 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 to community development needs through activities addressing community development lending, investment, and services needs.

d) Small bank performance rating. The Secretary considers the assessment factors in Section 345.200 and rates the performance of a bank evaluated under this Section as provided in Section 345.APPENDIX A.