**Section 345.400 Assessment Area Delineation**

a) In general. A bank shall delineate one or more assessment areas within which the Secretary evaluates the bank's record of helping to meet the credit needs of its community. The Secretary does not evaluate the bank's delineation of its assessment area as a separate performance criterion, but the Secretary reviews the delineation for compliance with the requirements of this Section.

b) Geographic areas for wholesale or limited purpose banks. The assessment area for a wholesale or limited purpose bank must consist generally of one or more MSAs or metropolitan divisions (using the MSA or metropolitan division boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking Automated Teller Machines (ATMs).

c) Geographic areas for other banks. The assessment area for a bank other than a wholesale or limited purpose bank must:

1) Consist generally of one or more MSAs or metropolitan divisions (using the MSA or metropolitan division boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns; and

2) Include the geographies in which the bank has its main office, its branches, and its deposit-taking RSFs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans (including home mortgage loans, small business and small farm loans, and any other loans the bank chooses, such as those consumer loans on which the bank elects to have its performance assessed).

d) Adjustments to geographic areas. A bank may adjust the boundaries of its assessment area to include only the portion of a political subdivision that it reasonably can be expected to serve. An adjustment is particularly appropriate in the case of an assessment area that otherwise would be extremely large, of unusual configuration, or divided by significant geographic barriers.

e) Limitations on the delineation of an assessment area. Each bank's assessment area:

1) Must consist only of whole geographies;

2) May not reflect illegal discrimination;

3) May not arbitrarily exclude low- or moderate-income geographies, taking into account the bank's size and financial condition; and

4) May not extend substantially beyond an MSA boundary or beyond a state boundary unless the assessment area is located in a multistate MSA. If a bank serves a geographic area that extends substantially beyond a state boundary, the bank shall delineate separate assessment areas for the areas in each state. If a bank serves a geographic area that extends substantially beyond an MSA boundary, the bank shall delineate separate assessment areas for the areas inside and outside the MSA.

f) Banks serving military personnel. Notwithstanding the requirements of this Section, a bank whose business predominantly consists of serving the needs of military personnel or their dependents who are not located within a defined geographic area may delineate its entire deposit customer base as its assessment area.

g) Use of assessment areas. The Secretary uses the assessment area delineated by a bank in its evaluation of the bank's ILCRA performance unless the Secretary determines that the assessment areas do not comply with the requirements of this Section.