

PUBLIC DISCLOSURE

January 13, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First State Bank
Certificate Number: 8522

183 Main Avenue North
Britt, Iowa 50423

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

First State Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports this rating. The following points summarize the bank's Lending Test performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment area.
- A majority of home mortgage, small farm, and small business loans are inside the bank's assessment area.
- The geographic distribution of loans was not considered as the assessment area does not have any low- or moderate-income census tracts.
- The distribution of borrowers reflects reasonable penetration among individuals of varying income levels and farms and businesses of different revenue sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

First State Bank operates from the main office in Britt, Iowa, and a branch office in Woden, Iowa. One-bank holding company Britt Bancshares, Inc., located in St. Paul, Minnesota, wholly owns First State Bank. First State Bank is affiliated with four other financial institutions located in Iowa and their respective holding companies. These financial institutions include Readlyn Savings Bank, Readlyn, Iowa; American Savings Bank, Tripoli, Iowa; Ashton State Bank, Ashton, Iowa; and First State Bank, Nashua, Iowa. A number of other affiliate relationships with financial institutions or their holding companies are also present in Minnesota. Lending-related activities of affiliates and subsidiaries were not considered in this evaluation. The institution received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated February 25, 2014, based on Interagency Small Institution Examination Procedures.

Various loan products and services are offered including agricultural, commercial, consumer installment and residential real estate loans. First State Bank makes use of Farm Service Agency and Small Business Administration loan programs. In addition, secondary market loans are offered, which provide down payment and closing cost assistance to borrowers who qualify. Deposit products include checking, savings, certificates of deposit, Individual Retirement Accounts, and health savings accounts. The bank's alternative banking products and services include electronic statements, mobile banking, and online banking. First State Bank has one automated teller machine located at the main office. No offices have opened or closed since the previous CRA evaluation. Management stated the bank is equally focused on home mortgage, agricultural, and commercial lending.

First State Bank's assets totaled approximately \$108 million as of September 30, 2019. As of the same date, the bank had total loans of \$54 million and total deposits of \$86 million. Total loans increased by 23.1 percent since the December 31, 2013 Report of Condition (Call Report). Management attributed the changes in loan volume to an increased focus on residential real estate lending. The loan portfolio is illustrated in the following table.

| Loan Portfolio Distribution as of 09/30/2019 | | |
|-------------------------------------------------------------|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 1,205 | 2.2 |
| Secured by Farmland | 14,639 | 27.2 |
| Secured by 1-4 Family Residential Properties | 12,815 | 23.8 |
| Secured by Multifamily (5 or more) Residential Properties | 812 | 1.5 |
| Secured by Nonfarm Nonresidential Properties | 5,613 | 10.4 |
| Total Real Estate Loans | 35,084 | 65.1 |
| Commercial and Industrial Loans | 3,884 | 7.2 |
| Agricultural Production and Other Loans to Farmers | 10,744 | 19.9 |
| Consumer Loans | 1,323 | 2.5 |
| Obligations of State and Political Subdivisions in the U.S. | 1,708 | 3.2 |
| Other Loans | 1,150 | 2.1 |
| Lease Financing Receivable (net of unearned income) | 0 | 0.0 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 53,893 | 100.0 |
| <i>Source: Reports of Condition and Income</i> | | |

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. First State Bank delineated all of Hancock County as its assessment area. The assessment area has not changed since the prior CRA evaluation.

Economic and Demographic Data

According to the 2015 American Community Survey (ACS), all four census tracts in Hancock County are designated as middle-income. There were no changes in income designations between the 2010 U.S. Census and the 2015 ACS. According to the 2015 ACS, the population in Hancock County decreased 2.2 percent from 11,341 residents as of the 2010 U.S. Census to 11,092 residents as of the 2015 ACS. The following table illustrates select demographic characteristics of the assessment area.

| Demographic Information of the Assessment Area | | | | | | |
|------------------------------------------------|----------|------------------------------|--------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 4 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Population by Geography | 11,092 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Housing Units by Geography | 5,288 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Owner-Occupied Units by Geography | 3,744 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Occupied Rental Units by Geography | 929 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Vacant Units by Geography | 615 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Businesses by Geography | 878 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Farms by Geography | 253 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Family Distribution by Income Level | 3,084 | 14.5 | 17.3 | 28.4 | 39.8 | 0.0 |
| Household Distribution by Income Level | 4,673 | 19.1 | 17.9 | 18.9 | 44.1 | 0.0 |
| Median Family Income Nonmetropolitan Iowa | \$61,934 | Median Housing Value | | | | \$91,604 |
| | | Median Gross Rent | | | | \$540 |
| | | Families Below Poverty Level | | | | 5.6% |

Source: 2015 ACS Data and 2018 D&B Data Due to rounding, totals may not equal 100.0
() The NA category consists of geographies that have not been assigned an income classification.*

According to 2018 D&B Data, farm and business operations in the assessment area consist primarily of service industries at 33.4 percent; agriculture, forestry, and fishing at 22.4 percent; retail trade at 10.5 percent; and non-classified establishments at 6.7 percent. In addition, 76.0 percent of assessment area farms and businesses have four or fewer employees and 87.5 percent operate from a single location. Major employers in the assessment area include Michaels Foods (manufacturing), Winnebago Industries (manufacturing), IMT Transport (trucking), and Stellar Industries Inc. (manufacturing).

The 2018 FFIEC-estimated median family income levels were used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

| Median Family Income Ranges | | | | |
|--------------------------------------------------|-------------|-------------------------|------------------------|----------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Nonmetropolitan Iowa Median Family Income | | | | |
| 2018 (\$67,800) | <\$33,900 | \$33,900 to <\$54,240 | \$54,240 to <\$81,360 | ≥\$81,360 |

Source FFIEC

Competition

First State Bank operates in a highly competitive banking environment. According to the FDIC's Deposit Market Share Report as of June 30, 2019, there were 7 financial institutions that operate 8 branches in the assessment area. Of these institutions, First State Bank ranked 2nd with a 27.9 percent deposit market share.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the bank's assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available.

Examiners contacted a representative of an economic development organization that serves the assessment area. The contact stated that the general economy is strong. The contact stated that the housing sector is growing. New housing construction projects include apartments and single family homes; however, the homes are not considered affordable housing units. The contact stated the agricultural sector has declined. Trade and weather related issues continue to challenge farmers. Wind turbines have provided a source of revenue for some farmers and municipalities through lease agreements and taxes. The contact stated the commercial sector is trying to grow; however, due to population loss there are not enough employees to fill open positions. A recruiting program helps by bringing displaced residents from Puerto Rico into the area to help fill open positions. The contact stated all banks in the area are serving the needs of borrowers of all types.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing, small farm loans, and small business loans represent the primary credit needs of this assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated February 25, 2014, to the current evaluation dated January 13, 2020. Examiners used the Interagency Small Institution Examination Procedures to evaluate First State Bank's CRA performance. This evaluation does not include any lending activity performed by affiliates.

Activities Reviewed

Examiners determined the bank's major product lines are home mortgage, agricultural, and commercial loans. This conclusion was based on the bank's business strategy and bank records regarding the number and dollar volume of loans originated during the evaluation period. Agricultural loans comprise 47.1 percent of the loan portfolio, home mortgage loans, including multi-family loans, comprise 25.3 percent, and commercial loans comprise 17.6 percent as of the September 30, 2019 Call Report. Home mortgage and small farm loans were given the greatest weight based on the bank's business strategy of extending loans as driven by demand. Small business loans were considered, but given less weight due to the lower overall volume. Other loan types, such as consumer loans, do not represent a major product line and do not materially support conclusions or ratings, and therefore were not considered as part of this evaluation.

Examiners reviewed bank records of home mortgage, small farm, and small business loans originated during the 12-month period from January 1, 2018, to December 31, 2018. Management

agreed that this timeframe was representative of lending activities throughout the review period. For the Assessment Area Concentration criterion, the entire universes of home mortgage, small farm, and small business loans originated in 2018 were analyzed. Specifically, examiners reviewed the universe of 61 home mortgage loans totaling approximately \$4.4 million, 26 small farm loans totaling approximately \$3.5 million, and 13 small business loans totaling approximately \$1.8 million. For the Borrower Profile criterion, all small farm and small business loans within the assessment area were reviewed, and a sample of 36 home mortgage loans totaling approximately \$1.8 million located within the assessment area was reviewed. The standard of comparison for small farm and small business loans was 2018 D&B Data. Home mortgage lending was compared to 2015 ACS Data.

Examiners reviewed the number and dollar volume of home mortgage, small farm, and small business loans. While the number and dollar volume of loans are presented, examiners emphasized performance by the number of loans, which is a better indicator of the number of farms, businesses, and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

First State Bank's performance under the Lending Test is reasonable. The bank's performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs in the assessment area. First State Bank's average net loan-to-deposit ratio, calculated from Reports of Condition data, averaged 59.2 percent over the past 23 calendar quarters from March 31, 2014, to September 30, 2019. The ratio ranged from a low of 53.2 percent as of March 31, 2014, to a high of 63.0 percent as of September 30, 2018. As of September 30, 2019, the ratio is 61.9 percent. The ratio has gradually increased since the previous evaluation when the average net loan-to-deposit ratio was 54.0 percent. Examiners selected four comparable institutions based on their asset size, geographic location, and lending focus. Selected institutions are listed alphabetically by location of the institution's main office. First State Bank's ratio is lower than all comparable institutions; however, there has been overall improvement since last evaluation. Management attributed this change to natural growth and an increased focus on home mortgage lending. The following table provides details.

| Loan-to-Deposit Ratio Comparison | | |
|--------------------------------------|----------------------------------------------|---------------------------------------------|
| Bank | Total Assets as of 09/30/2019 (\$000s) | Average Net Loan-to-Deposit Ratio (%) |
| First State Bank, Britt, Iowa | 107,993 | 59.2 |
| Farmers State Bank, Algona, Iowa | 112,813 | 80.1 |
| Security State Bank, Algona, Iowa | 101,062 | 85.4 |
| Bank Plus, Estherville, Iowa | 129,283 | 106.6 |
| West State Bank, West Bend, Iowa | 135,454 | 73.9 |

Source: Reports of Condition and Income 3/31/2014 -9/30/2019

Assessment Area Concentration

First State Bank made a majority of its overall home mortgage, small farm, and small business loans, by number and dollar amount, within its assessment area. While less than a majority of small business loans by dollar amount are located within the assessment area, management stated that four of the loans outside the assessment area were to borrowers with previous banking relationships with the bank or holding company. Overall, this concentration demonstrates the bank's willingness to meet the credit needs of the assessment area. The following table provides details.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---------------------------------------------------|-----------------|-------------|-----------|-------------|------------|---------------------------------|-------------|--------------|-------------|--------------|
| Loan Category | Number of Loans | | | | | Dollar Amount of Loans \$(000s) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | # | \$ | % | \$ | % | \$(000s) |
| Home Mortgage | 55 | 90.2 | 6 | 9.8 | 61 | 2,845 | 65.3 | 1,515 | 34.7 | 4,360 |
| Small Farm | 20 | 76.9 | 6 | 23.1 | 26 | 1,798 | 51.1 | 1,724 | 48.9 | 3,522 |
| Small Business | 7 | 53.8 | 6 | 46.2 | 13 | 859 | 47.6 | 947 | 52.4 | 1,806 |
| Total | 82 | 82.0 | 18 | 18.0 | 100 | 5,502 | 56.8 | 4,186 | 43.2 | 9,688 |

*Source: Evaluation Period: 1/1/2018 - 12/31/2018 Bank Data
Due to rounding, totals may not equal 100.0*

Geographic Distribution

The assessment area does not include any low- and moderate-income geographies and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects overall reasonable penetration among individuals of different income levels and farms and businesses of different revenue sizes. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers, and the percentage of small farm and small business loans to agricultural and business operations with gross annual revenues of \$1 million or less. The bank's excellent home mortgage and reasonable small farm and small business performance supports this conclusion.

Home Mortgage Loans

The bank's record of extending home mortgage loans to borrowers of different income levels is excellent. The performance of the institution exceeds comparable data for both low- and moderate-income families. The bank also offers secondary market options that provide grants to qualified borrowers for down payment and closing cost assistance. See the following table.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | |
|---------------------------------------------------------------------|----------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | # | % | \$(000s) | % |
| Low | 14.5 | 10 | 27.8 | 487 | 26.5 |
| Moderate | 17.3 | 12 | 33.3 | 652 | 35.5 |
| Middle | 28.4 | 9 | 25.0 | 479 | 26.1 |
| Upper | 39.8 | 5 | 13.9 | 216 | 11.8 |
| Not Available | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 36 | 100.0 | 1,834 | 100.0 |

*Source: 2015 ACS Data; 1/1/2018 - 12/31/2018 Bank Data
Due to rounding, totals may not equal 100.0*

Small Farm Loans

First State Bank's record of lending to farms of varying revenue sizes is reasonable. The bank originated 95.0 percent of its small farm loans to farms with gross annual revenues of \$1 million or less. This performance is comparable to 2018 D&B Data. The following table provides details.

| Distribution of Small Farm Loans by Gross Annual Revenue Category | | | | | |
|--------------------------------------------------------------------------|-------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Farms | # | % | \$(000s) | % |
| <=\$1,000,000 | 99.6 | 19 | 95.0 | 1,738 | 96.7 |
| >1,000,000 | 0.0 | 1 | 5.0 | 60 | 3.3 |
| Revenue Not Available | 0.4 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 20 | 100.0 | 1,798 | 100.0 |

*Source: 2018 D&B Data; 1/1/2018 - 12/31/2018 Bank Data.
Due to rounding, totals may not equal 100.0*

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with gross annual revenues of \$1 million or less. The bank's performance is comparable to 2018 D&B Data. Additionally, management stated both loans with gross annual revenues over \$1 million are to the same customer, whose operations have grown during the relationship with the bank. See the following table.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|--------------------------------------------------------------------------------------------------------------------|------------------------|----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | 79.4 | 5 | 71.4 | 239 | 27.8 |
| >1,000,000 | 4.9 | 2 | 28.6 | 620 | 72.2 |
| Revenue Not Available | 15.7 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 7 | 100.0 | 859 | 100.0 |
| <i>Source: 2018 D&B Data, 1/1/2018 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0</i> | | | | | |

Response to Complaints

The institution has not received any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the CRA rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

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 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(s).

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.

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.

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.

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.

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.

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 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.

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.