

PUBLIC DISCLOSURE

March 4, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hillsboro State Bank
Certificate Number: 14084

200 North Main Street
Hillsboro, Kansas 67063

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 category 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.

Hillsboro State Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the Lending Test performance.

- The bank's loan-to-deposit (LTD) ratio is reasonable considering the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its small farm, home mortgage, and small business loans within the assessment area.
- The geographic distribution of small farm, home mortgage, and small business loans was not analyzed as the bank's assessment area consists solely of middle-income geographies, and an analysis would not provide meaningful conclusions.
- The distribution of borrowers reflects overall reasonable penetration of loans among farms and businesses of different revenue sizes, and to borrowers of different income levels.
- The institution did not receive any CRA-related complaints since the previous examination; therefore, this factor did not affect the rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 15, 2013, to the current evaluation dated March 4, 2019. Examiners used Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance. These procedures consist of the CRA Small Institution Lending Test. This evaluation does not include any lending activity performed by affiliates.

The Lending Test considered the institution's performance according to the following criteria:

- LTD ratio
- Assessment area concentration
- Borrower profile
- Geographic distribution
- Response to CRA-related complaints

Loan Products Reviewed

Examiners determined that the bank's major product lines are agricultural, home mortgage, and commercial loans; therefore, all three loan products were reviewed for this evaluation. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The bank's small farm loan performance received greater consideration in this evaluation due to the larger agricultural loan volume when compared to home mortgage and commercial lending. In addition, no other loan types, such as consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented.

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. The conclusions regarding the Lending Test performance criteria are based on the universes of small farm, small business, and home mortgage loans. For all three loan products, the reviews were based on outstanding loans originated during 2018. Discussions with management confirmed that review of the three loan products originated during 2018 would be representative of the bank's lending since the previous evaluation. The universe of small farm loans consisted of 24 loans totaling \$1.8 million; the universe of home mortgage loans consisted of 14 loans totaling \$1.1 million; and the universe of small business loans consisted of 13 loans totaling \$670 thousand. D&B data for 2018 provided a standard of comparison for the small farm and small business loans evaluated. For home mortgage loans, 2015 American Community Survey (ACS) data provided a standard of comparison.

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

DESCRIPTION OF INSTITUTION

Background

Hillsboro State Bank is headquartered in Hillsboro, Kansas, and operates in Marion County, Kansas. Ramona Bancshares, Inc., a one-bank holding company that holds over 97 percent of bank stock, primarily owns the bank. The bank received a Satisfactory rating at its prior FDIC Performance Evaluation dated April 15, 2013, based on Interagency Small Institution Examination Procedures.

Operations

Hillsboro State Bank operates from one location in central Kansas and offers loan products including agricultural, commercial, home mortgage, and consumer loans. In addition, the bank offers home mortgage loans for sale on the secondary market through the Federal Home Loan Bank (FHLB) of Topeka’s Mortgage Partnership Finance program. Also, through the FHLB of Topeka, the bank originated First Time Homebuyer loans. Further, the bank offers Small Business Administration and Farm Service Agency loans. In addition to loans, the institution provides a variety of deposit products including checking, savings, money market deposit accounts, individual retirement accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, and an automated teller machine located at the main office. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

Ability and Capacity

Assets totaled approximately \$19 million as of December 31, 2018, and included total loans of \$8.2 million and securities totaling \$1.3 million. The following table indicates that agricultural lending is the bank’s primary focus.

Loan Portfolio Distribution as of 12/31/2018		
Loan Category	\$(000s)	%
Construction and Land Development	124	1.5
Secured by Farmland	1,227	15.0
Secured by 1-4 Family Residential Properties	2,751	33.7
Secured by Multifamily (5 or more) Residential Properties	21	0.3
Secured by Nonfarm Nonresidential Properties	141	1.7
Total Real Estate Loans	4,264	52.2
Commercial and Industrial Loans	1,127	13.8
Agricultural Loans	2,423	29.7
Consumer Loans	320	3.9
Other Loans	29	0.4
Less: Unearned Income	0	0.0
Total Loans	8,163	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 the 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. Hillsboro State Bank designated a single assessment area, which comprises the entirety of Marion County, Kansas. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area contains all four census tracts in Marion County, which are all classified as middle-income geographies located in nonmetropolitan Kansas. The following table illustrates select demographic information for 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	12,290	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,930	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,817	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	991	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,122	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	699	0.0	0.0	100.0	0.0	0.0
Farms by Geography	191	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,289	16.8	18.2	23.7	41.3	0.0
Household Distribution by Income Level	4,808	22.0	18.0	17.5	42.5	0.0
Median Family Income Nonmetropolitan - KS		\$56,877	Median Housing Value			\$80,598
			Median Gross Rent			\$560
			Families Below Poverty Level			8.1%
<small>Source: 2015 ACS Census 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.</small>						

According to 2018 D&B data, there are 191 farms and 699 businesses within the assessment area. The analysis of the small farm and small business loans under the Borrower Profile criterion compares the loan distribution of farms and businesses by gross annual revenue. Gross annual revenue distribution for farms and businesses within the assessment area is as follows:

Farms

- 99.0 percent have gross annual revenues of \$1 million or less
- 1.0 percent have unknown revenues

Businesses

- 74.0 percent have gross annual revenues of \$1 million or less
- 7.1 percent have gross annual revenues of more than \$1 million
- 18.9 percent have unknown revenues

Of the businesses within the assessment area, service industries represent the largest portion of businesses at 33.2 percent; followed by agriculture, forestry, and fishing (21.5 percent); and retail trade (10.7 percent). In addition, 72.6 percent of the businesses have four or fewer employees, and 86.0 percent operate from a single location.

The 2018 Federal Financial Institution Examination Council (FFIEC)'s updated median family income level of \$61,100 for the nonmetropolitan portions of the state of Kansas is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle, and upper-income categories, with the respective income ranges, 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%
KS NA Median Family Income (99999)				
2018 (\$61,100)	<\$30,550	\$30,550 to <\$48,880	\$48,880 to <\$73,320	≥\$73,320
<i>Source: FFIEC</i>				

Within the assessment area, there are 5,930 housing units, of which 64.4 percent are owner-occupied, 16.7 percent are occupied rental units, and 18.9 percent are vacant.

Review of unemployment rate information provided by the U.S. Bureau of Labor Statistics shows that for November 2018, the unemployment rate was 2.7 percent for Marion County, and 3.0 percent for the state of Kansas. The unemployment rate for Marion County has declined since the prior evaluation, as the rate in April 2013 was 4.5 percent.

Competition

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2018, nine financial institutions operated 12 full-service branches within the bank's assessment area. Of these institutions, Hillsboro State Bank ranked sixth with a 6.8 percent deposit market share.

The bank is not required to collect or report its small farm, small business, or home mortgage loan data, and it has not elected to do so. Therefore, the analysis of small farm, small business, and home mortgage loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small farm, small business, and home mortgage loans and is therefore included. Aggregate data for 2017 shows that 11 institutions reported 186 small farm loans in the assessment area; similarly, aggregate data for 2017 shows that 25 institutions reported 169 small business loans in the assessment area. In addition, peer mortgage data for 2017 shows that 56 institutions reported 182 home mortgage loans.

Community Contact

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

Examiners contacted a representative of local government organization in the assessment area. The contact identified a potential for small business lending, especially to start-up businesses, within Marion County. The contact noted a particular need to attract new businesses within the city of Hillsboro, but that many local prospective small business owners lack the necessary capital for start-up costs. In addition, the contact cited weak economic conditions due to the lack of business diversity in the economy. New housing developments are rare due to the costs of building new housing stock relative to the labor costs to build new homes. The economy is primarily agricultural-centered, but the contact stated credit needs include small business, small farm, home mortgage, and consumer lending. Overall, the contact indicated that financial institutions have been responsive to credit needs.

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm and small business loans represent primary credit needs for the assessment area. Small business loans, particularly those for start-up businesses, are in demand, as well as small farm loans for crops and equipment. Opportunity exists for originating such loans. The significant percentage of businesses and farms with gross annual revenues of \$1 million or less and the large number of businesses with four or fewer employees support this conclusion. Small business and small farm lending opportunities and demand are significant throughout the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Hillsboro State Bank demonstrated reasonable performance under the Lending Test. The bank's Borrower Profile performance primarily supports this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 48.8 percent over the past 23 calendar quarters from June 30, 2013, to December 31, 2018. The ratio ranged from a low of 43.1 percent as of December 31, 2013, to a high of 58.6 percent as of September 30, 2016. The ratio has shown a declining trend since the previous evaluation. However, Hillsboro State Bank maintained a ratio higher than two other comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2018 (\$000s)	Average Net LTD Ratio (%)
Hillsboro State Bank, Hillsboro, Kansas	19,189	48.8
Cottonwood Valley Bank, Cedar Point, Kansas	32,412	37.4
The Marion National Bank, Marion, Kansas	21,803	39.7

Source: Reports of Condition and Income 06/30/2013 through 12/31/2018

Assessment Area Concentration

The bank made a majority of small farm, home mortgage, and small business loans, by number and dollar volume, within its assessment area. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	20	83.3	4	16.7	24	1,255	69.9	541	30.1	1,796
Home Mortgage	8	57.1	6	42.9	14	623	56.5	480	43.5	1,103
Small Business	12	92.3	1	7.7	13	585	87.3	85	12.7	670

*Source: Bank Data
Due to rounding, totals may not equal 100.0*

Geographic Distribution

A geographic distribution analysis was not performed, as the bank's assessment area is comprised solely of middle-income census tracts. Therefore, a geographic distribution analysis would not be meaningful.

Borrower Profile

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

Small Farm Loans

The distribution of loans to small farms reflects excellent penetration among farms with gross annual revenues of \$1 million or less. The table shows that all loans reviewed were to farms in this revenue category. However, due to the high percentage of farms with gross annual revenues

of \$1 million or less, this lending is expected based on the demographics, and therefore holds less weight when arriving at the overall borrower profile conclusions.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.0	20	100.0	1,255	100.0
>1,000,000	0.0	0	0.0	0	0.0
Revenue Not Available	1.0	0	0.0	0	0.0
Total	100.0	20	100.0	1,255	100.0
<i>Source: 2018 D&B Data, Bank Data Due to rounding, totals may not equal 100.0</i>					

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Although no home mortgage loans were made to low-income borrowers, the bank's level of lending to moderate-income borrowers exceeds the percent of families by 6.8 percent. In addition, a low-income family earning less than \$30,550 annually may have more difficulty qualifying for conventional financing due to down payment requirements. Lastly, 8.1 percent of families in the assessment area are below the poverty level, which further reduces the opportunity to lend to low-income families.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	16.8	0	0.0	0	0.0
Moderate	18.2	2	25.0	46	7.4
Middle	23.7	3	37.5	100	16.1
Upper	41.3	3	37.5	477	76.6
Not Available	0.0	0	0.0	0	0.0
Total	100.0	8	100.0	623	100.0
<i>Source: 2015 ACS Census, Bank Data Due to rounding, totals may not equal 100.0</i>					

Small Business Loans

The distribution of loans to small businesses reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less. The table shows that the bank's level of lending is comparable to demographic data by number of loans, but less comparable by dollar volume. This difference in loan volume primarily is attributed to one relatively large dollar loan, which was made to a business with revenue greater than \$1 million. However, as previously mentioned, because examiners placed more emphasis on the number of loans, the bank's performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	74.0	9	75.0	157	26.8
>1,000,000	7.1	3	25.0	428	73.2
Revenue Not Available	18.9	0	0.0	0	0.0
Total	100.0	12	100.0	585	100.0
<i>Source: 2018 D&B Data, Bank Data Due to rounding, totals may not equal 100.0</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test 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.

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).

Family Income: Includes the income of all members of a family that are age 15 and older.

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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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 (for example, 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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: 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.