

PUBLIC DISCLOSURE

September 9, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Liberty Bank, Inc.
Certificate Number: 26816

326 South 500 East
Salt Lake City, Utah 84102

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

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 COMMUNITY INVESTMENT (CRA) RATING: This institution is rated **Needs to Improve**. An institution in this group needs to improve its overall record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Liberty Bank Inc.'s (LBI) low level of loan volume under the Lending Test supports the overall rating. Examiners did not find any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test performance.

The Lending Test is rated Needs to Improve.

- The loan-to-deposit (LTD) ratio is less than reasonable given the institution's size, financial condition, and AA credit needs.
- A majority of loans and other lending related activities are outside of the institution's AA.
- The geographic distribution of loans could not be assessed due to the nominal number of loans within the AA.
- The distribution of borrowers could not be assessed due to the nominal number of loans within the AA.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

SCOPE OF EVALUATION

General Information

This evaluation reflects the bank's CRA performance since the previous evaluation dated August 4, 2014, to the current evaluation dated September 9, 2019. Examiners used the Interagency Small Institution Examination Procedures to evaluate LBI's CRA performance. These procedures include the CRA Small Bank Lending Test, which considers the institution's performance according to the following criteria.

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

Examiners relied on bank records, public financial information, demographic data from the 2015 American Community Survey (ACS) Census, other public sources and information obtained from community contacts. This evaluation does not include any lending activities performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's major product lines are small business, home mortgage, and consumer loans. This conclusion considered the bank's business strategy and the number and volume of loans originated during the evaluation period. More weight was accorded to the bank's small business loans, followed by home mortgage and consumer loans. This determination is based upon the volume of small business loans originated by number when compared to the other loan products evaluated. Also, no other loan types, such as small farm loans, were originated during the evaluation period. Bank records indicate that the bank's lending focus and product mix varied throughout the review period.

Small Business

Small business lending represents the largest volume of lending by number of loans throughout the evaluation period. Since the previous evaluation, the bank has originated 86 small business loans totaling \$2.9 million. However, given the recent change in business focus on consumer lending, the level of lending throughout the evaluation period declined significantly from 48 loans totaling \$1.8 million in 2015 to 1 loan at \$68,000 in 2018. Given the decline in loan levels and change in business strategy, all small business loans originated during the evaluation period were analyzed and presented in this evaluation.

Home Mortgage

Home mortgage lending represents the second largest volume of lending by number of loans throughout the evaluation period. Since the previous evaluation, the bank has originated 30 home mortgage loans totaling \$2.9 million. The level of home mortgage lending has remained consistent throughout the review period; however, the volume of lending during the review

period is limited. Given the low levels of lending, all home mortgage loans originated during the evaluation period were analyzed and presented in this evaluation.

Consumer

While the bank originated an occasional consumer purpose loan during the evaluation period, the bank's business strategy changed in 2017 to focus on originating tiny home consumer loans through select manufacturers. As of the June, 30, 2019, Consolidated Reports of Condition and Income (Call Report), consumer loans represented 53.9 percent of the dollar volume of total loans, with tiny home consumer loans representing the majority of consumer lending. The bank originated 14 loans totaling \$828,000 in 2018 and 15 loans totaling \$1.0 million in 2017. The bank did not originate any tiny home consumer loans prior to 2017. Given the changes in business strategy, all tiny home consumer loans originated during the evaluation period were analyzed and presented in this evaluation.

The following table represents the number and dollar volume of loans reviewed each year by product type.

Loan Products Reviewed								
Loan Category	2015		2016		2017		2018	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Small Business	48	1,843	26	914	11	102	1	68
Home Mortgage	6	574	10	1,254	6	577	8	475
Consumer – Tiny Home	0	0	0	0	15	1,023	14	828
<i>Source: Bank Records from 1/1/2015 through 12/31/2018.</i>								

For the Lending Test, examiners reviewed the number and dollar volume of small business, home mortgage, and consumer 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 businesses and individuals served.

DESCRIPTION OF INSTITUTION

Background

LBI is a locally owned, state-chartered, non-member community bank that services Salt Lake County in Utah and the surrounding area since 1956. LBI operates one office located within a moderate-income census tract (CT) near downtown Salt Lake City. The bank is 96.5 percent owned by the Phillips Family. The bank has no subsidiaries or affiliates. The institution received a “Satisfactory” CRA Rating at its previous FDIC CRA Performance Evaluation dated August 4, 2014, based on the Interagency Small Institution Examination Procedures.

Operations

LBI operates out of one office located near downtown Salt Lake City, Utah, and has not opened or closed any branches since the previous evaluation. Loan products include mortgages to borrowers that do not have social security numbers, also known as individual tax identification number loans. The bank also lends to borrowers to finance the purchase of manufactured homes built on trailers, also referred to as consumer tiny home loans in this evaluation. Other loan products offered include first and second lien mortgages, commercial small equipment loans, and Small Business Administration-guaranteed commercial loans. LBI also offers the following loan programs and services:

- The bank offers loans through the Native American Home-Ownership Initiative (NAHI), which is a down payment and closing cost assistance program offered through LBI to qualifying Native American, Native Alaskan, and Native Hawaiian home buyers. Qualifying participants can receive up to \$10,000 in grant funding. While offered, the bank has not facilitated any loans through the NAHI Program during the review period.
- As a member of the Federal Home Loan Bank (FHLB), LBI offers qualifying homebuyers who have previously owned a home, as well as to qualifying first-time homebuyers, with down payments and/or closing costs when purchasing a home through the Home\$tart Down Payment Assistance Grant Program. The program promotes homeownership by helping homebuyers earning up to 80 percent of area median income (adjusted for family size) to purchase a home. The loans are not originated by LBI; however, the bank provides the funding for the grants, which is then refunded by the FHLB. Grants range from \$5,000 to \$7,500. From 2016 to 2019 the bank facilitated 136 grants.
- The bank also brokers loans through the Within Reach Program, which is designed to increase homeownership opportunities for low- and moderate-income individuals and families. Grants offered through the Within Reach Program can be used for down payments assistance or closing costs. The bank does not originate the loans or provide the grant funding. LBI collects the applicant information and then sends the loans to Land Home for the loan decision and funding. The bank has brokered eight loans through this program during the review period.

- LBI brokers home mortgage loans to other brokers/investors as a service. The bank does not fund the loans or make the credit decision; therefore, the activity is only considered a service and not a loan in this evaluation. In 2018, the bank brokered 24 loans totaling \$1.6 million in the bank's AA. Of these loans, 25.0 percent were made in moderate-income geographies and by number of loans 62.5 percent were made to low- and moderate-income borrowers.

LBI offers checking and savings products, but recently focused more on certificates of deposit with maturities as early as six months and as long as five years. Internet banking services are available at www.libertybankofutah.com; however, customers can only access account balances and transfer funds. Lobby hours are from 9:00 a.m. to 5:00 p.m., Monday through Friday.

Ability and Capacity

As of June 30, 2019, assets totaled approximately \$9.2 million, which included \$4.0 million in total loans. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of June 30, 2019		
Loan Category	\$(000s)	%
Construction and Land Development	0	0.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	1,360	34.2
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	108	2.7
Total Real Estate Loans	1,468	36.9
Commercial and Industrial Loans	367	9.2
Agricultural Loans	0	0.0
Consumer	2,144	53.9
Other Loans & Leases	0	0.0
Less: Unearned Income	0	0.0
Total Loans & Leases	3,979	100.0
<i>Source: Call Report</i>		

The bank's capital levels continue to decline since the previous evaluation in 2014. As of the June 30, 2014 Call Report the bank's total equity capital was \$1.3 million, compared to \$898,000 as of the June 30, 2019 Call Report. In addition, total assets have declined slightly during the review period from \$9.8 million as of the June 30, 2014 Call Report to \$9.2 million as of the June 30, 2019 Call Report. The bank is also operating under a formal enforcement action, presenting legal and/or financial impediments, which have prohibited the bank from certain lending activities. While the bank is facing financial and legal impediments, LBI has been able to originate loans, but the majority of those activities have occurred outside of their designated AA as described later in this evaluation.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. LBI designated Salt Lake County as it's only AA. Salt Lake County is one of two counties that make up the Salt Lake City, Utah, Metropolitan Statistical Area (MSA) #41620. The following sections discuss demographic and economic information for the AA.

Economic and Demographic Data

The AA includes 212 CTs and an estimated population of 1.1 million. According to the 2015 ACS Census, the CTs reflect the following income designations:

- 7 low-income
- 51 moderate-income
- 86 middle-income
- 65 upper-income
- 3 no income designation

The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs)	212	3.3	24.1	40.6	30.7	1.4
Population by Geography	1,078,958	3.2	22.8	43.1	30.0	0.9
Housing Units by Geography	372,990	3.1	24.3	42.6	29.2	0.7
Owner-Occupied Units by Geography	233,092	1.5	17.5	44.9	35.6	0.5
Occupied Rental Units by Geography	118,800	6.4	36.9	39.4	16.1	1.2
Vacant Units by Geography	21,098	2.3	28.9	35.3	33.3	0.2
Businesses by Geography	93,957	3.0	21.8	39.3	35.0	0.9
Farms by Geography	1,490	2.2	20.3	40.9	36.2	0.3
Family Distribution by Income Level	247,693	19.9	17.6	22.0	40.5	0.0
Household Distribution by Income Level	351,892	22.3	16.6	20.4	40.6	0.0
Median Family Income MSA - 41620 Salt Lake City, UT MSA		\$71,849	Median Housing Value			\$247,942
			Median Gross Rent			\$966
			Families Below Poverty Level			9.2%
Source: 2015 ACS Census and 2018 D&B Data; due to rounding totals may not equal 100.0 percent; and (*) the NA category consists of geographies that have not been assigned an income classification.						

The 2018 D&B data shows that there were 93,957 businesses located within the AA. Gross annual revenues for these businesses are below.

- 85.7 percent have \$1.0 million or less.
- 5.5 percent have more than \$1.0 million.

- 8.8 percent have unknown revenues.

The service industry comprises 40.5 percent of the total businesses; non-classifiable establishments comprise 18.2 percent; finance, insurance, and real estate industry comprises 12.2 percent; retail trade comprises 10.0 percent; and construction comprises 5.9 percent. According to the Utah Department of Workforce Services, the largest employers in the AA include University of Utah, Intermountain Health Care, Wal-Mart Associates, and Delta Airlines which all have a presence in the AA.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rate for the Salt Lake County was 2.8 percent as of July 2019. The table below shows that unemployment rates the Salt Lake County have steadily been decreasing over time and is below both the State of Utah and the U. S. National averages.

Unemployment Rates					
Area	2015 Average	2016 Average	2017 Average	2018 Average	July 2019
	%	%	%	%	%
Salt Lake County	3.4	3.2	3.1	3.0	2.8
State of Utah	3.6	3.4	3.3	3.1	2.9
U. S. National Avg.	5.3	4.9	4.4	3.9	3.7
<i>Source: U.S. Bureau of Labor Statistics</i>					

According to Moody's Analytics, the AA economy is gradually slowing as it has passed both the emerging and growth phases since the housing crisis. However, employers are still adding jobs faster than the state or the nation. The unemployment rate is at a low 2.8 percent, as the strong labor force expansion continues, suggesting that applicants are finding jobs quickly. The labor market is putting upward pressure on salaries as companies compete to attract and keep quality labor. Average hourly earnings are at a record high and are up nearly 6.0 percent year over year.

The area is increasing as a premier regional finance and tech hub, and the rapidly expanding labor force have kept contractors busy to accommodate demand for office space and residential housing. However, the AA is down to about 20,000 acres of buildable space, largely because of the lakes and mountains. The scramble for downtown real estate has raised costs and caused some companies to depart from the AA for nearby Provo or to low-cost hubs. Infrastructure improvements, a business-friendly climate, a deep talent pool, abundant access to venture capital, and a high quality of life will drive gains in the AA even as its economy downshifts.

Competition

The AA is highly competitive for financial services. There are a total of 39 banks competing for the area's deposit market share. These banks operate 208 offices within the AA and share \$551.5 billion in deposits. According to the Summary of Deposits Market Share Report dated June 30, 2019, LBI ranked 39th with \$8.2 million in total deposits. The largest competitors are Ally Bank at 21.4 percent; Morgan Stanley Bank, National Association, at 20.4 percent; and American Express National Bank at 13.1 percent of the total AA deposits.

Community Contacts

As part of the evaluation process, examiners used two recent contacts with organizations that serve the AA to assist in identifying the credit opportunities and needs. Community contacts also help determine whether local financial institutions are responsive to those needs.

Both contacts indicated that the economy in the AA continues to be strong and growing quickly. The tech industry in Utah continues to grow significantly and contribute to the strong economy. One contact indicated that although the economic conditions remain very beneficial for small businesses and startups, these businesses still need working capital and equipment purchase loans, and many of the businesses would benefit from refinancing higher rate loans and leases. Contacts also indicated that due to the strong economy, housing affordability has now become a serious issue. Increased construction and land costs have even made some affordable housing projects no longer feasible. One contact indicated that in their experience, involvement of banks in the community is still strong. Banks have been very responsive to the credit needs of the local communities.

Credit Needs and Opportunities

Considering the information from the community contacts, bank management, and demographic and economic data, examiners determined that small business and affordable housing represent the primary credit needs for the AA.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

LBI demonstrated poor performance under the Lending Test. The LTD ratio and AA concentration performance criteria support this conclusion. Additionally, the low levels of lending in the AA precluded a meaningful analysis of the geographic distribution and borrower profile criteria of the Lending Test.

Loan-to-Deposit Ratio

The LTD ratio is less than reasonable given the institution's size, financial condition, operating environment, and AA credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 59.6 percent over the past 20 quarters from September 30, 2014, to June 30, 2019. The average LTD ratio represents a significant decrease from the previous evaluation when the ratio was 74.0 percent. The ratio ranged from a high of 73.5 percent as of June 30, 2017, to a low of 43.4 percent as of March 31, 2015. The LTD ratio on June 30, 2019, is 45.5 percent, which is approximately 2.0 percentage points higher than the lowest LTD ratio for the 20 quarter evaluation period. There are no similarly situated financial institutions based on business strategy, loan portfolio composition, branching, or financial capacity from which to draw sound comparisons.

Loan-to-Deposit Ratio		
Bank	Total Assets as of 6/30/2019 (\$000s)	Average Net LTD Ratio (%)
Liberty Bank, Inc.	9,193	59.6
<i>Source: Reports of Condition and Income</i>		

Assessment Area Concentration

A majority of loans and other lending related actives are outside of the institution's AA. As noted in the following table, a substantial majority of small business and consumer tiny home loans were made outside of the bank's AA, while a majority of the bank's mortgage loans were made inside the bank's AA. The bank's AA concentration performance represents a significant decline from the previous evaluation where the majority of loans evaluated were originated in the bank's AA.

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		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	7	87.5	1	12.5	8	450	94.7	25	5.3	475
2017	5	83.3	1	16.7	6	427	74.0	150	26.0	577
2016	9	90.0	1	10.0	10	1,231	98.2	23	1.8	1,254
2015	4	66.7	2	33.3	6	374	65.2	200	34.8	574
Subtotal	25	83.3	5	16.7	30	2,482	86.2	398	13.8	2,880
Small Business										
2018	0	0.0	1	100.0	1	0	0.0	68	100.0	68
2017	1	9.1	10	90.9	11	42	41.2	60	58.8	102
2016	1	3.8	25	96.2	26	136	14.9	778	85.1	914
2015	2	4.2	46	95.8	48	124	6.7	1,719	93.3	1,843
Subtotal	4	4.7	82	95.3	86	302	10.3	2,625	89.7	2,927
Consumer – Tiny Home Loans										
2018	0	0.0	14	100.0	14	0	0.0	828	100.0	828
2017	0	0.0	15	100.0	15	0	0.0	1,023	100.0	1,023
2016	0	0.0	0	0.0	0	0	0.0	0	0.0	0
2015	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Subtotal	0	0.0	29	100.0	29	0	0.0	1,851	100.0	1,851
Total	29	20.0	116	80.0	145	2,784	36.4	4,874	63.6	7,658
Source: Evaluation Period: 1/1/2015 - 12/31/2018 Bank Data; Due to rounding, totals may not equal 100.0										

Geographic Distribution

The geographic distribution criterion could not be assessed, as the low volume of lending inside of the bank's AA in all loan products reviewed prevented the examiners from reaching any meaningful conclusions.

Borrower Profile

The borrower profile criterion could not be assessed, as the low volume of lending inside of the bank's AA in all loan products reviewed prevented the examiners from reaching any meaningful conclusions.

Response to Complaints

LBI did not received 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 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 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 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 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.