

# **PUBLIC DISCLOSURE**

September 9, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Community Bank  
Certificate Number: 8535

500 Central Avenue  
Lester Prairie, Minnesota 55354

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 Community Bank's satisfactory Community Reinvestment Act (CRA) performance under the applicable performance criteria supports the overall rating. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- Overall, the majority of loans reviewed were located inside the assessment area. A majority of small farm and home mortgage loans reviewed were located inside the assessment area; however, less than a majority of small business loans reviewed were located inside the assessment area.
- The assessment area is comprised of middle- and upper-income census tracts. Therefore, a review of geographic distribution would not provide a meaningful analysis and this criterion was not evaluated.
- The distribution of borrowers reflects excellent penetration among farms and businesses of different revenue sizes and individuals of different income levels.
- 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 Community Bank is headquartered in Lester Prairie, Minnesota and operates one branch in Silver Lake, Minnesota. The bank is wholly-owned by Prairie Bancshares, Inc., a one-bank holding company located in Lester Prairie, Minnesota. First Community Bank received a “Satisfactory” rating at its November 3, 2014, FDIC Performance Evaluation based on Interagency Small Institution Examination Procedures.

The bank offers various loan products including agricultural, commercial, home mortgage, and consumer loans. Commercial loans continue to represent the bank’s primary business line followed by home mortgage and agricultural lending.

The institution provides a variety of deposit services including checking, savings, certificates of deposit, and individual retirement accounts. In addition to traditional banking services, customers have access to electronic banking services such as online and mobile banking, electronic statements, and automated teller machines.

As of June 30, 2020, assets totaled approximately \$69.2 million, deposits totaled approximately \$61.7 million, and total loans were approximately \$36.0 million. The loan portfolio is illustrated in the following table.

<b>Loan Portfolio Distribution as of June 30, 2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	2,626	7.3%
Secured by Farmland	4,379	12.2%
Secured by 1-4 Family Residential Properties	7,280	20.2%
Secured by Multi-family (5 or more) Residential Properties	1,216	3.4%
Secured by Nonfarm Nonresidential Properties	13,553	37.6%
<b>Total Real Estate Loans</b>	<b>29,054</b>	<b>80.7%</b>
Commercial and Industrial Loans	4,258	11.8%
Agricultural Loans	1,144	3.2%
Consumer	914	2.5%
Obligations of States and Political Subdivisions in the United States	0	0.0%
Other Loans	634	1.8%
Lease Financing Receivables (net of unearned income)	0	0.0%
Less: Unearned Income	0	0.0%
<b>Total Loans</b>	<b>36,004</b>	<b>100.0%</b>
<i>Source: Report of Condition and Income</i>		

Examiners did not identify any legal, financial, 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 financial institutions to define one or more assessment areas within which examiners will evaluate CRA performance. First Community Bank has designated a single assessment area in the State of Minnesota, which has changed since the previous evaluation. The assessment area now consists of the entirety of McLeod County. The assessment area is part of the non-metropolitan area of Minnesota. Previously, the assessment area included Carver County census tracts 902 and 912.0, Wright County census tract 1013, and all of McLeod County with the exception of census tract 9505.

### **Economic and Demographic Data**

According to 2015 American Community Survey (ACS) data, the assessment area includes six middle-income and one upper-income census tracts. The assessment area does not contain any low-income or moderate-income census tracts. The following table illustrates select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	7	0.0	0.0	85.7	14.3	0.0
Population by Geography	36,046	0.0	0.0	88.2	11.8	0.0
Housing Units by Geography	15,746	0.0	0.0	89.3	10.7	0.0
Owner-Occupied Units by Geography	11,299	0.0	0.0	87.9	12.1	0.0
Occupied Rental Units by Geography	3,520	0.0	0.0	93.1	6.9	0.0
Vacant Units by Geography	927	0.0	0.0	90.7	9.3	0.0
Businesses by Geography	2,576	0.0	0.0	87.9	12.1	0.0
Farms by Geography	322	0.0	0.0	75.2	24.8	0.0
Family Distribution by Income Level	9,938	15.8	17.2	24.1	42.9	0.0
Household Distribution by Income Level	14,819	18.8	15.5	19.5	46.2	0.0
Median Family Income Non-MSAs - MN		\$63,045	Median Housing Value			\$149,794
			Median Gross Rent			\$683
			Families Below Poverty Level			5.6%
<i>Source: 2015 ACS and 2019 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2019 D&B demographic data for the assessment area, service industries represent the largest portion of businesses at 35.0 percent; followed by retail trade at 11.6 percent; agriculture, forestry, and fishing at 11.1 percent; and construction at 10.1 percent. Additionally, 68.2 percent of assessment area farms and businesses have 4 or fewer employees and 86.6 percent operate from a single location.

The Federal Financial Institutions Examination Council updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The following table describes the low-, moderate-, middle-, and upper-income ranges for the non-metropolitan areas in the state of Minnesota.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>MN NA Median Family Income (99999)</b>				
2019 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
<i>Source: FFIEC</i>				

**Competition**

The assessment area is a moderately competitive market for credit products and financial services. According to FDIC Deposit Market Share as of June 30, 2019, there were 8 financial institutions operating 17 locations within McLeod County. These institutions range from small community banks to larger national financial institutions. First Community Bank is ranked 6<sup>th</sup> with a 6.0 percent deposit market share.

**Community Contact(s)**

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

For this evaluation, examiners conducted an interview with a representative of a business development organization familiar with the assessment area. The contact stated that the housing sector is growing. New housing construction projects include apartments and single-family homes; however, these new housing units are not considered affordable housing. The contact stated the agricultural sector continues to see a decline in smaller farm operations with an increase in larger farm operations. For the commercial sector, the contact stated that some small businesses have closed due to the pandemic and some businesses have been ineligible for CARES Act funding, which provides businesses with loans for job retention and other expenses. The contact stated that local financial institutions are meeting the credit needs of the community; however, there is a need for small dollar start-up loans as these businesses typically do not have the business collateral to secure a loan. As a result, the small business owner may secure the loan with personal collateral or use a credit card.

**Credit Needs**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business lending represents the primary credit need of the assessment area.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the previous evaluation dated November 3, 2014, to the current evaluation dated September 9, 2020. Examiners used Interagency Small Institution Examination Procedures to evaluate First Community Bank’s CRA performance. These procedures focus on the bank’s performance under the Lending Test as outlined in the Small Bank Performance Criteria appendix.

### **Activities Reviewed**

Examiners determined that the bank’s major product lines are small business, home mortgage, and small farm loans. This conclusion considered discussions with management regarding the bank’s business strategy; review of bank records of the number and dollar volume of loans originated during the evaluation period; and a review of the Consolidated Report of Condition and Income (Report of Condition). Small business lending received the most weight when deriving overall conclusions. This is consistent with the bank’s loan portfolio composition and volume of loans recently originated.

Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners reviewed all small business, home mortgage, and small farm loans originated or renewed between January 1, 2019, and December 31, 2019. This period is considered representative of the bank’s performance during the evaluation period. D&B data for 2019 provided a standard of comparison for small business and small farm lending and 2015 ACS data provided a standard of comparison for home mortgage lending.

For the Lending Test, examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All loans originated or renewed inside the assessment area were further reviewed to evaluate the Borrower Profile criterion. The table below provides information on the number and dollar volume of loan products reviewed.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Business	41	4,574	17	1,188
Home Mortgage	23	2,963	14	1,660
Small Farm	22	2,253	18	1,671

*Source: Bank Records*

While number and dollar volume of loans are presented, examiners emphasized performance by number of loans, because it is a better indicator of the number of farms, businesses, and individuals served.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

First Community Bank demonstrated reasonable performance under the Lending Test. The bank’s Loan-to-Deposit Ratio and Borrower Profile criteria supports this conclusion.

#### Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and credit needs of the assessment area. Due to the limited size of the assessment area and lack of comparable institutions within it, examiners expanded the assessment area to include nearby counties. Examiners then selected comparable institutions based on their asset size, geographic location, and lending focus. The bank’s ratio, calculated from the Report of Condition data, averaged 55.3 percent and has steadily increased over the 23-quarter period. The ratio ranged from a low of 46.5 percent as of December 31, 2014, to a high of 61.1 percent as of March 31, 2020.

As shown in the following table, First Community Bank’s average loan-to-deposit ratio is lower than two comparable institutions. Management attributed the bank’s lower loan-to-deposit ratio to several factors, including the dollar volume of loan participations and home mortgage loans sold since the previous CRA evaluation, and an influx of deposits. Management stated and examiners confirmed that the bank has sold over \$3.5 million in participation loans and \$2.4 million in home mortgage loans since the previous evaluation, which contributes to a lower loan-to-deposit ratio. Overall, the bank demonstrates a willingness to extend credit in relation to its financial capacity and lending opportunities.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 6/30/2020 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
Arlington State Bank, Arlington, MN	58,287	44.7
Citizens State Bank of Waverly, Waverly, MN	92,146	76.5
<b>First Community Bank, Lester Prairie, MN</b>	<b>69,176</b>	<b>55.3</b>
The First National Bank of Cokato, Cokato, MN	76,327	64.1
<i>Source: Reports of Condition 12/31/2014 through 6/30/2020</i>		

#### Assessment Area Concentration

Overall, First Community Bank originated a majority of its home mortgage and small farm loans by number within the assessment area. Although the percentage of small business loans within the assessment is less than a majority, it is the result of multiple small business loans extended to the same business entities with long standing banking relationships, which are located outside the bank’s assessment area. The purchase of four large participations also contributes to the low percentage of small business loans by dollar volume in the assessment area. The following table illustrates the bank’s performance.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total</b>	<b>Dollar Amount of Loans \$(000s)</b>				
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>#</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Small Business	17	41.5	24	58.5	41	1,188	26.0	3,386	74.0	4,574
Home Mortgage	14	60.9	9	39.1	23	1,660	56.0	1,304	44.0	2,963
Small Farm	18	81.8	4	18.2	22	1,671	74.2	582	25.8	2,253

*Source: 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 bank's lending performance demonstrates excellent penetration among businesses and farms of different revenue sizes and individuals of different income levels. The bank's reasonable small business and excellent home mortgage and small farm lending performance supports this conclusion. Examiners focused on the percentage of loans to farms and businesses with gross annual revenues of \$1 million or less and the percentage of home mortgage loans to low- and moderate-income borrowers.

### ***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. As illustrated in the following table, the bank's lending performance is comparable to demographic data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	79.8	13	76.5	656	55.2
>1,000,000	6.8	4	23.5	532	44.8
Revenue Not Available	13.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>1,188</b>	<b>100.0</b>

*Source: 2019 D&B Data, Bank Data.  
Due to rounding, totals may not equal 100.0%*

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. As shown in the following table, the bank's lending to low- and moderate-income borrowers exceeds demographic data.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	15.8	3	21.4	137	8.2
Moderate	17.2	5	35.7	473	28.5
Middle	24.1	3	21.4	503	30.3
Upper	42.9	3	21.4	547	33.0
Not Available	0.0	0	0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>1,660</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data  
Due to rounding, totals may not equal 100.0%*

### ***Small Farm Loans***

The distribution of small farm loans reflects excellent penetration of loans to farms with gross annual revenues of \$1 million or less. As shown in the following table, the bank's performance exceeds comparable data in this revenue category.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	97.8	18	100.0	1,671	100.0
>1,000,000	1.2	0	0.0	0	0.0
Revenue Not Available	0.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>1,671</b>	<b>100.0</b>

*Source: 2019 D&B Data, Bank Data.  
Due to rounding, totals may not equal 100.0%*

### **Response to Complaints**

First Community Bank did not receive any CRA-related complaints since the previous evaluation. Therefore, examiners did not evaluate this criterion and it did not affect the 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 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 geographic distribution of the bank's loans;
- 4) 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; 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.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**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.