

PUBLIC DISCLOSURE

January 6, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The State Exchange Bank
Certificate Number: 13551

1280 Main Street
Lamont, Oklahoma 74643

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Region

1601 Bryan Street
Dallas, Texas 75201

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.

The State Exchange Bank's satisfactory Lending Test record supports the overall Community Reinvestment Act (CRA) rating. The bank did not request consideration of its investments and services, nor did examiners identify any discriminatory or other illegal credit acts or practices; therefore, these considerations did not affect the overall rating. The following points summarize conclusions regarding the applicable test, discussed in detail elsewhere.

Lending Test

- The bank exhibited a reasonable record regarding its loan-to-deposit (LTD) ratio. A reasonable overall level primarily supports this conclusion.
- The institution originated a majority of its loans inside its assessment area. Majorities of small farm and small business loans originated inside the assessment area support this conclusion.
- The institution achieved a poor record regarding its geographic loan distribution. The poor performance regarding small farm and small business loans supports this conclusion.
- The bank established a reasonable record regarding its borrower profile loan distribution. Reasonable performances regarding small farm and small business loans support this conclusion.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test conclusion.

DESCRIPTION OF INSTITUTION

Background

The State Exchange Bank maintains its headquarters in Lamont, Oklahoma. State Exchange Bancshares, Inc., a one-bank holding company also located in Lamont, wholly owns the bank. The bank has no other affiliates or subsidiaries. The institution received a “Satisfactory” rating at its previous FDIC Performance Evaluation, dated November 25, 2013, based on Interagency Small Institution Examination Procedures.

Operations

The State Exchange Bank remains a retail bank focusing on agriculture and commercial lending from its main office located in north central Oklahoma. The bank has no additional branches. The bank operates an automated teller machine located in the entryway of the main office. The bank did not open or close any branches or participate in any merger or acquisition activities since the previous evaluation.

The bank offers a variety of loan products, including commercial, agricultural, and consumer loans. In addition, the bank has a referral agreement with a mortgage company, to provide residential real-estate loans to its customers. The institution provides a variety of deposit services including checking, savings, and certificates of deposit. The institution maintains banking hours typical for the area and industry. Alternative banking services include internet and mobile banking.

Ability and Capacity

Assets totaled approximately \$66.1 million as of September 30, 2019, and included total loans of \$52.4 million and securities totaling \$3.7 million. Since the previous evaluation, total assets increased 63.8 percent; net loans increased 57.8 percent, and total deposits increased 60.9 percent.

As shown in the following table, the mix of outstanding loans as of September 30, 2019, reflects a product distribution generally consistent with the distribution of originated loans as discussed under the Scope of Evaluation. Agriculture loans at 59.1 percent represent the largest loan category by dollar volume; followed by commercial loans at 31.7 percent by dollar volume.

Loan Portfolio Distribution as of 09/30/2019		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	342	0.7
Secured by Farmland	16,398	31.3
Secured by 1-4 Family Residential Properties	3,284	6.3
Secured by Multifamily (5 or more) Residential Properties	279	0.5
Secured by Nonfarm Nonresidential Properties	7,292	13.9
Total Real Estate Loans	27,595	52.7
Commercial and Industrial Loans	9,335	17.8
Agricultural Production and Other Loans to Farmers	14,546	27.8
Consumer Loans	563	1.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	336	0.6
Less: Unearned Income	0	0.0
Total Loans	52,375	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 assessment area’s credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which to evaluate its CRA performance. The State Exchange Bank designated both tracts in Grant County and three of 11 tracts in Kay County located in the Non-Metropolitan Statistical Areas (Non-MSAs) of Oklahoma, and one tract in Garfield County in the Enid, Oklahoma Metropolitan Statistical Area (MSA) as its assessment area. As of July 2015, the U.S. Office of Management and Budget announced that Garfield County would be now designated as the Enid, Oklahoma MSA. However, since the bank maintains only one census tract of Garfield County in its assessment area and that tract is contiguous with the Non-MSA area of Grant County, examiners evaluated this as a single assessment area. The assessment area conforms to CRA regulatory requirements.

Economic and Demographic Data

The six tracts in the assessment area reflect the following income designations according to the 2015 American Community Survey (ACS) data:

- 1 moderate-income tract,
- 4 middle-income tracts, and
- 1 upper-income tract.

The following table provides additional demographic data 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)	6	0.0	16.7	66.7	16.6	0.0
Population by Geography	20,497	0.0	20.7	63.0	16.3	0.0
Housing Units by Geography	10,193	0.0	19.6	65.8	14.6	0.0
Owner-Occupied Units by Geography	6,280	0.0	19.6	62.7	17.7	0.0
Occupied Rental Units by Geography	2,150	0.0	16.8	73.7	9.5	0.0
Vacant Units by Geography	1,763	0.0	23.0	67.0	10.0	0.0
Businesses by Geography	1,077	0.0	16.8	64.5	18.7	0.0
Farms by Geography	214	0.0	7.0	71.0	22.0	0.0
Family Distribution by Income Level	5,610	19.5	17.6	19.5	43.4	0.0
Household Distribution by Income Level	8,430	19.9	16.4	19.2	44.5	0.0
Median Family Income		\$51,698	Median Housing Value			\$68,422
FFIEC**-Estimated Median Family Income for 2018		\$54,500	Median Gross Rent			\$563
			Families Below Poverty Level			11.7%
<i>Source: 2015 ACS data and 2018 D&B data</i> <i>* The NA category consists of geographies that have not been assigned an income classification</i> <i>**Federal Financial Institutions Examination Council (FFIEC)</i>						

According to 2018 D&B data, the assessment area contains 214 farms. The analysis of small farm loans under the borrower profile criterion compares the distribution of small farm loans by gross annual revenue (GAR) level. Within the assessment area, 99.1 percent of farms report a GAR of \$1 million or less.

In addition, the analysis of small business loans under the borrower profile criterion compares the distribution of small business loans by GAR level. According to 2018 D&B data, the assessment area contained 1,077 businesses. The following includes a breakdown of the assessment area's business by GAR.

- 76.5 percent have \$1 million or less,
- 7.3 percent have more than \$1 million, and
- 16.2 percent have unknown revenues.

Service industries represent the largest portion of businesses at 32.2 percent; followed by agricultural, forestry, and fishing at 16.6 percent; and retail trade at 10.5 percent.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the 2018 year-end unemployment rate was 3.0 percent statewide. Grant County, Kay County, and Garfield County reported unemployment rates of 2.1 percent, 4.7 percent, and 3.0 percent, respectively, for the same time period.

Competition

The assessment area reveals competition in the market for financial services. According to the FDIC Deposit Market Share Report as of June 30, 2019, 23 institutions operate 50 full-service branches within Grant, Kay, and Garfield Counties. Of these institutions, The State Exchange Bank ranked 13th with a 2.0 percent deposit market share.

The State Exchange Bank ranks second for deposit market share in Grant County, the only county of the three in which the bank operates an office. The bank captures 25.0 percent of the Grant County's deposits based on the June 30, 2019, FDIC Deposit Market Share Report. While some other mortgage companies and finance companies also operate in the area, the competition level allows for lending opportunities.

Community Contacts

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

Examiners utilized a previous community contact from a representative of an economic development organization that serves the assessment area. The contact noted stable economic conditions, due to the agricultural economy being at its most stable point in three years. Further, the contact stated that local financial institutions are doing more than their fair share of donating time and resources to the communities in and around the area. In addition, the contact stated agricultural loans remain the largest credit need in the area due to major employment opportunities in farms and agricultural-related businesses. The contact also mentioned that it can be difficult for some borrowers to gain credit due to credit history or credit delinquencies and insufficient cash from the agriculture cycles.

Credit Needs

Considering information from the community contact, bank management, as well as demographic and economic data, examiners determined that agricultural loans represent the primary credit need for the assessment area followed by small business loans. Small farm and small business loans remain in high demand. The percentage of farms and businesses with GARs of \$1 million or less supports this conclusion.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from November 25, 2013, to January 6, 2020, the date of the previous evaluation to this evaluation's date. To assess performance, examiners applied the FFIEC Small Institution CRA Examination Procedures, which include the Lending Test.

The Lending Test considered the institution’s performance according to the following criteria.

- Loan-to-deposit ratio,
- Assessment area concentration,
- Geographic distribution,
- Borrower profile, and
- Response to CRA-related complaints.

Activities Reviewed

For the Lending Test, CRA Small Institution Examination Procedures require examiners to determine the bank’s major product line for review. As an initial matter, examiners may select from among the same loan categories used for CRA Large Institution evaluations: home mortgage, small business, small farm, and consumer loans. Examiners determined that the major product line consists of agriculture loans at 61.4 percent of gross loans, by dollar volume, originated in 2018. In addition, commercial loans at 29.8 percent of gross loans, by dollar volume, originated in 2018 will be reviewed. Agriculture loans contributed more weight to overall conclusions due to the larger loan volume when compared to commercial lending during the most recent calendar year.

No other loans types, such as home mortgage lending or consumer lending at 1.4 percent and 1.2 percent by dollar volume, respectively, represent major product lines. Therefore, they provide no material support for conclusions or ratings and examiners did not conduct a review of them. The following table shows the originations and purchases over the most recent calendar year by loan type.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	1,174	3.4	2	0.7
Secured by Farmland	5,329	15.4	12	4.1
Secured by 1-4 Family Residential Properties	475	1.4	2	0.7
Multi-Family (5 or more) Residential Properties	0	0.0	0	0.0
Commercial Real Estate Loans	0	0.0	0	0.0
Commercial and Industrial Loans	10,279	29.8	78	27.0
Agricultural Loans	15,855	46.0	134	46.4
Consumer Loans	405	1.2	57	19.7
Other Loans	974	2.8	4	1.4
Total Loans	34,491	100.0	289	100.0
<i>Source: 2018 Bank data</i>				

Bank records indicate the lending focus and product mix remained consistent throughout the evaluation period. Examiners selected a sample of small farm and small business loans originated in the period from January 1, 2018, through December 31, 2018, and considered this data representative of the bank’s performance during the entire evaluation period. The bank originated 146 agriculture loans totaling \$21.2 million in 2018, of which examiners sampled 47 small farm loans totaling \$3.8 million. In addition, the bank originated 82 commercial loans totaling \$11.3

million in 2018, of which examiners sampled 41 small business loans totaling \$4.3 million.

While this evaluation presents both the number and dollar volume of loans, examiners placed emphasis on the number of loans as the number remains a better indicator of the number of small farms and small business served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The State Exchange Bank demonstrated a satisfactory record regarding the Lending Test. Reasonable borrower profile primarily support this conclusion, as do the reasonable LTD ratio and a majority of loans originated in the assessment area. Geographic distribution of loans was considered poor. The appendix lists the Lending Test's criteria.

For the CRA Small Institution Lending Test, typically, examiners will first determine whether the presence of any weaker LTD ratio or assessment area concentration performance warrants downgrading the overall Lending Test conclusion. Absent any such warranted downgrading, examiners will then place more weight on the borrower profile and geographic loan distributions when arriving at the overall Lending Test conclusion.

Loan-to-Deposit Ratio

The bank exhibited a reasonable record regarding LTD ratio. A reasonable overall level supports this conclusion. Examiners considered the bank's size, business strategy, and capacity relative to the area's credit needs when arriving at this conclusion.

Overall Level

The overall level of the average, net LTD ratio reflects reasonable performance for the 24 quarters since the prior evaluation, December 31, 2013, to September 30, 2019. The State Exchange Bank recorded a 92.4 percent average, net LTD ratio, down slightly from the 93.0 percent average, net LTD ratio reflected at the prior evaluation. The quarterly net LTD ratio varied from a low of 71.5 percent on March 31, 2015, to a high of 101.3 percent June 30, 2017. Therefore, within the context of the noted considerations, particularly the bank's relative capacity with respect to its deposits, the overall level of the average, net LTD ratio reflects reasonable performance.

Comparative Level

Examiners did not identify any similarly situated or comparable institutions based on the institution's asset size, lending emphasis, or area operations. Therefore, this consideration did not affect the overall LTD ratio conclusion.

Assessment Area Concentration

The institution originated a majority of its loans inside its assessment area. Majorities of small farm and small business loans originated inside the assessment area support this conclusion. As noted, this evaluation places more weight on the institution's small farm loans when arriving at overall

conclusions. Examiners considered the bank’s asset size and office structure, as well as the loan products reviewed, relative to the assessment area’s size and economy, when arriving at this conclusion.

Small Farm Loans

The following table shows that the bank originated a majority of its small farm loans, by number and dollar volume, within its assessment area.

Small Business Loans

Furthermore, the table shows the institution originated a majority of its small business loans inside its assessment area, by number and dollar volume.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	40	85.1	7	14.9	47	3,114	82.4	664	17.6	3,778
Small Business	28	68.3	13	31.7	41	2,242	52.1	2,064	47.9	4,306

Source:2018 Bank data

Geographic Distribution

The institution achieved a poor record regarding its geographic loan distribution. The poor performances regarding small farm and small business loans support this conclusion.

Examiners considered the loan categories reviewed relative to the available comparative data and any performance context issues. Examiners focused on the percentages of the number of loans in the one moderate-income geography compared to D&B data when arriving at conclusions, as there are no low-income census tracts in the assessment area. This factor only considered loans granted inside the assessment area.

Small Farm Loans

The geographic distribution of small farm loans reflects poor performance. The following table shows that no loans were originated in moderate-income census tracts and this falls below D&B data by 7.0 percentage points.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	7.0	0	0.0	0	0.0
Middle	71.0	33	82.5	2,869	92.1
Upper	22.0	7	17.5	245	7.9
Total	100.0	40	100.0	3,114	100.0

Source: 2018 D&B data and 2018 Bank data

Small Business Loans

The geographic distribution of small business loans reflects poor performance. The following table shows that no loans were originated in moderate-income census tracts and this falls below D&B data by 16.8 percentage points, reflecting poor performance.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	16.8	0	0.0	0	0.0
Middle	64.5	26	92.9	1,628	72.6
Upper	18.7	2	7.1	614	27.4
Total	100.0	28	100.0	2,242	100.0

Source: 2018 D&B data and 2018 Bank data

Borrower Profile

The bank established a reasonable record regarding its borrower profile loan distribution. Reasonable performance regarding the small farm and small business lending supports this conclusion. Examiners considered the loan categories reviewed relative to the available comparative data and any performance context issues. Examiners focused on the percentage by number of small farm and small business loans with GARs of \$1 million or less compared to D&B data. This factor only considered loans granted inside the assessment area.

Small Farm

The distribution of borrowers reflects reasonable performance among farms of different sizes. The farm's GAR defines the borrowers' profiles for this review. The following table shows that the bank originated 95.0 percent of small farm loans to farms with a GAR of \$1 million or less, reflecting a reasonable performance.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
< \$100,000	50.9	8	20.0	269	8.6
\$100,000 - \$249,999	37.4	16	40.0	487	15.6
\$250,000 - \$499,999	7.9	6	15.0	317	10.2
\$500,000 - \$1,000,000	2.9	8	20.0	1,566	50.3
Subtotal ≤ \$1,000,000	99.1	38	95.0	2,639	84.7
> \$1,000,000	0.0	1	2.5	375	12.1
Revenue Not Available	0.9	1	2.5	100	3.2
Total	100.0	40	100.0	3,114	100.0

Source: 2018 D&B data and 2018 Bank data

Small Business

The distribution of borrowers reflects reasonable performance among businesses of different sizes. The businesses' GAR defines the borrowers' profiles for this review. The following table shows that the bank originated 71.5 percent of small business loans to businesses with a GAR of \$1 million or less, reflecting a reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	38.6	18	64.3	458	20.4
\$100,000 - \$249,999	25.6	1	3.6	100	4.5
\$250,000 - \$499,999	7.4	1	3.6	303	13.5
\$500,000 - \$1,000,000	4.8	0	0.0	0	0.0
Subtotal ≤ \$1,000,000	76.4	20	71.5	861	38.4
> \$1,000,000	7.3	8	28.5	1,381	61.6
Revenue Not Available	16.3	0	0.0	0	0.0
Total	100.0	28	100.0	2,242	100.0

Source: 2018 D&B data and 2018 Bank data

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 conclusion.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes;
- 4) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in

information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.