

PUBLIC DISCLOSURE

April 7, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Custer Federal State Bank
Certificate Number: 28543

341 South 10th Avenue
Broken Bow, Nebraska 68822

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.

Satisfactory performance under the Lending Test supports the 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.
- A majority of the small farm, small business, and home mortgage loans reviewed were located inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels.
- The institution did not receive any Community Reinvestment Act (CRA)-related complaints since the previous evaluation. As a result, examiners did not evaluate the bank's record of responding to CRA-related complaints.

DESCRIPTION OF INSTITUTION

Background

Custer Federal State Bank is a small, community financial institution headquartered in Broken Bow, Nebraska. The bank is owned by CFSB Holding Co., a one-bank holding company located in Broken Bow, Nebraska. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated June 23, 2014, using Interagency Small Institution Examination Procedures.

Operations

Custer Federal State Bank operates a main office in Broken Bow, Nebraska and a branch facility in Kearney, Nebraska. The Broken Bow branch is located in a middle-income census tract in Custer County. In addition, the bank's Kearney office is located in an upper-income census tract in Buffalo County and is new since the prior evaluation, being opened on March 6, 2017. Custer Federal State Bank has not closed any offices or been involved in any mergers since the prior evaluation.

The bank offers a variety of lending products including agricultural, commercial, home mortgage, and consumer loans, primarily focusing on agricultural lending. In addition, the institution offers several deposit products including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include online and mobile banking and two bank-owned ATMs, none of which accept deposits.

Ability and Capacity

Assets totaled \$116.2 million as of December 31, 2019, and included loans totaling of \$73.4 million. Deposits totaled \$88.3 million as of the same date. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/19		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	588	0.8
Secured by Farmland	27,600	37.6
Secured by 1-4 Family Residential Properties	19,158	26.1
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	3,620	4.9
Total Real Estate Loans	50,966	69.4
Commercial and Industrial Loans	5,592	7.6
Agricultural Production and Other Loans to Farmers	12,243	16.7
Consumer Loans	2,837	3.9
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	1,728	2.4
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	73,366	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 its performance will be evaluated. Custer Federal State Bank designated a single assessment area in central Nebraska. The area consists of all of Custer and Buffalo Counties in Nebraska. Both of these counties are located in non-metropolitan areas. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

According to the 2015 American Community Survey (ACS), two of the assessment area's 15 census tracts are moderate-income geographies, nine census tracts are middle-income geographies, and four census tracts are upper-income geographies. The following table provides demographic information on the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	15	0.0	13.3	60.0	26.7	0.0
Population by Geography	58,760	0.0	13.8	54.0	32.2	0.0
Housing Units by Geography	25,097	0.0	11.2	57.9	30.9	0.0
Owner-Occupied Units by Geography	15,070	0.0	7.0	58.4	34.6	0.0
Occupied Rental Units by Geography	8,027	0.0	18.6	52.7	28.6	0.0
Vacant Units by Geography	2,000	0.0	12.8	75.0	12.2	0.0
Businesses by Geography	4,666	0.0	6.0	62.7	31.3	0.0
Farms by Geography	709	0.0	1.8	78.3	19.9	0.0
Family Distribution by Income Level	14,761	15.7	17.0	21.7	45.6	0.0
Household Distribution by Income Level	23,097	21.4	16.3	17.6	44.7	0.0
Median Family Income Non-Metropolitan - NE		\$61,457	Median Housing Value			\$131,235
			Median Gross Rent			\$683
			Families Below Poverty Level			7.5%
<i>Source: 2015 ACS Census and 2019 D&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>						

Competition

The assessment area is moderately competitive for financial services. According to the June 30, 2019 FDIC Deposit Market Share data, 20 financial institutions operate 42 offices inside the assessment area. Custer Federal State Bank ranked 10th amongst these institutions, with a 4.7 percent deposit market share.

Community Contact

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

Examiners conducted a new community contact with a representative of a local economic development organization. The individual described that the local agriculture economy is not strong due to flooding and bad weather causing a late harvest, but indicated that the commercial economy is relatively stable. The city of Broken Bow provides a lot of agricultural job opportunities. The contact stated that commercial and home loans are the primary credit needs of the area.

Credit Needs

Examiners concluded that commercial loans are the assessment area's greatest credit need based on the review of available demographic and economic information as well as discussions with the community contact and bank management.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 23, 2014, to the current evaluation dated April 7, 2020. Examiners used the Interagency Small Institution Examination Procedures to conduct the evaluation, which includes a Lending Test. Refer to the Appendices later in the evaluation for a description of this test.

Activities Reviewed

Examiners reviewed small farm, small business, and home mortgage loans to conduct the Lending Test. They selected these products based on the bank's business focus and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as consumer loans, represent a major product line. Therefore, examiners did not review any other loan products since they would not provide any material support for conclusions or the rating.

Examiners reviewed all small farm, small business, and home mortgage loans originated in 2019 to conduct the Assessment Area Concentration analysis. This consisted of 144 small farm loans totaling approximately \$14.3 million, 66 small business loans totaling approximately \$6.3 million, and 34 home mortgage loans totaling approximately \$2.2 million. Examiners reviewed all small farm, small business, and home mortgage loans located inside the assessment area to conduct the Geographic Distribution analysis. This consisted of 108 small farm loans totaling approximately \$11.5 million, 50 small business loans totaling approximately \$5.2 million, and 25 home mortgage loans totaling approximately \$1.5 million. Examiners reviewed a sample of loans located inside the assessment area for small farm and small business loans; and all of the home mortgage loans to conduct the Borrower Profile analysis. This consisted of 50 small farm loans totaling approximately \$5.3 million, 35 small business loans totaling approximately \$4.3 million, and 25 home mortgage loans totaling \$1.5 million. Bank management indicated that the loans reviewed were representative of the institution's performance during the entire evaluation period, and bank data confirms this statement. As a result, the evaluation does not contain any additional years of data. The bank's small farm and small business lending will be compared to 2019 D&B data and the bank's home mortgage lending will be compared to 2015 ACS data.

Greater weight was placed on small farm and small business lending since these products comprise a higher percentage of lending by number and dollar volume of loans. Further, commercial loans are the assessment area's primary credit need. When conducting the Assessment Area Concentration analysis, examiners placed equal weight on the number and dollar volume of loans.

When conducting the Geographic Distribution and Borrower Profile analyses, examiners placed greater weight on the number of loans than the dollar volume of loans. This is because the number of loans is a better indicator of the farms, businesses, and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Custer Federal State Bank demonstrated reasonable performance under the Lending Test. Reasonable performance under the Loan-to-Deposit, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria support this conclusion.

Loan-to-Deposit Ratio

The bank’s net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and the assessment area’s credit needs. The ratio, calculated from the Call Report, averaged 101.9 percent over the past 23 quarters from June 30, 2014, to December 31, 2019. The institution’s net loan-to-deposit ratio has been trending downward and was 81.8 percent on December 31, 2019.

Examiners compared the bank’s average net loan-to-deposit ratio to four similarly situated institutions to help evaluate its reasonableness. The similarly situated institutions were selected based on their asset size, geographic location, and lending focus. As shown below, the bank’s average net loan-to-deposit ratio is slightly higher than the ratios of the similarly situated financial institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2019 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Custer Federal State Bank, Broken Bow, NE	116,166	101.9
Pathway Bank, Cairo, NE	170,487	96.9
Bank of Doniphan, Doniphan, NE	117,807	93.5
First State Bank, Farnam, NE	146,347	96.1
Town & Country Bank, Ravenna, NE	164,673	85.8
<i>Source: Reports of Condition and Income 6/30/14 through 12/31/19</i>		

Assessment Area Concentration

A majority of the small farm, small business, and home mortgage loans reviewed were located inside the assessment area, reflecting reasonable performance. The following table provides details.

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	25	73.5	9	26.5	34	1,457	65.5	767	34.5	2,224
Small Business	50	75.8	16	24.2	66	5,174	82.0	1,134	18.0	6,308
Small Farm	108	75.0	36	25.0	144	11,499	80.4	2,807	19.6	14,306

*Source: Evaluation Period: 1/1/2019 - 12/31/2019 Bank Data
Due to rounding, totals may not equal 100.0*

Geographic Distribution

The geographic distribution reflects reasonable dispersion throughout the assessment area. The bank’s reasonable small business, small farm, and home mortgage lending performance supports the overall conclusion. Examiners focused on the percentage of lending by number of loans in the moderate-income census tracts when compared to demographic data.

Small Business

The distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank’s record of lending to businesses in the moderate-income census tracts is similar to D&B data, reflecting reasonable performance. The following table provides details.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	6.0	2	4.0	229	4.4
Middle	62.7	47	94.0	4,905	94.8
Upper	31.3	1	2.0	40	0.8
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	50	100.0	5,174	100.0

*Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data
Due to rounding, totals may not equal 100.0*

Small Farm

The distribution of small farm loans reflects reasonable dispersion throughout the assessment area. Although the bank did not originate any loans in the moderate-income census tracts, these tracts only includes 1.8 percent of the farms in the assessment area according to the 2019 D&B data. Therefore, the bank’s performance is reasonable. The following table provides details.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	1.8	0	0.0	0	0.0
Middle	78.3	100	92.6	10,575	92.0
Upper	19.9	8	7.4	924	8.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	108	100.0	11,499	100.0

*Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data.
Due to rounding, totals may not equal 100.0*

Home Mortgage

The distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Although the bank did not originate any loans in the moderate-income census tracts, both of the moderate-income census tracts are located in Buffalo county. The bank branch located in Buffalo county was recently opened and does not currently have a large volume of lending. Due to the newness of the branch responsible for serving Buffalo county, the bank’s performance is reasonable. The following table provides details.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	7.0	0	0.0	0	0.0
Middle	58.4	24	96.0	1,280	87.9
Upper	34.6	1	4.0	177	12.1
Not Available	0.0	0	0.0	0	0.0
Total	100.0	25	100.0	1,457	100.0

*Source: 2015 ACS Census, 1/1/2019 - 12/31/2019 Bank Data
Due to rounding, totals may not equal 100.0*

Borrower Profile

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

Small Business

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The bank's record of lending to businesses with gross annual revenues of less than or equal to \$1,000,000 closely follows D&B data, reflecting reasonable performance. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	78.9	31	88.6	3,150	73.3
>1,000,000	6.5	4	11.4	1,150	26.7
Revenue Not Available	14.6	0	0.0	0	0.0
Total	100.0	35	100.0	4,300	100.0
<i>Source: 2019 D&B Data, 1/1/2019 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0</i>					

Small Farm

The distribution of borrowers reflects reasonable penetration among farms of different sizes. The bank's record of lending to farms with gross annual revenues of less than or equal to \$1,000,000 closely follows D&B data, reflecting reasonable performance. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.6	45	90.0	3,940	74.0
>1,000,000	2.1	5	10.0	1,387	26.0
Revenue Not Available	1.3	0	0.0	0	0.0
Total	100.0	50	100.0	5,327	100.0
<i>Source: 2019 D&B Data, 1/1/2019 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0</i>					

Home Mortgage

The distribution of borrowers reflects excellent penetration among individuals of different income levels. The bank's record of lending to low--income individuals significantly exceeds the ACS data and to moderate-income individuals is in line with ACS data, reflecting excellent performance. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	15.7	7	28.0	306	21.0
Moderate	17.0	4	16.0	229	15.7
Middle	21.7	4	16.0	196	13.5
Upper	45.6	7	28.0	605	41.5
Not Available	0.0	3	12.0	121	8.3
Total	100.0	25	100.0	1,457	100.0
<i>Source: 2015 ACS Census; 1/1/2019 - 12/31/2019 Bank Data Due to rounding, totals may not equal 100.0</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, examiners did not evaluate the bank's performance under this criterion.

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 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.