

# **PUBLIC DISCLOSURE**

May 4, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Community Bank Owatonna  
Certificate Number: 57468

640 West Bridge Street  
Owatonna, Minnesota 55060

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.

Community Bank Owatonna's 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.
- A majority of the small business and home mortgage loans reviewed were located inside the assessment area.
- The geographic distribution of small business and home mortgage loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among businesses of different 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

Community Bank Owatonna is chartered in Owatonna, Minnesota. The institution continues to be controlled by Community Financial Corporation, Owatonna, Minnesota, a one-bank holding company. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated June 29, 2015, which was based on Interagency Small Institution Examination Procedures.

Community Bank Owatonna operates its sole office in Owatonna, Minnesota, which is within Steele County. The bank offers various loan products including agricultural, consumer, commercial, and residential real estate loans. Commercial lending is the bank’s primary business focus. The bank also offers loans through the Small Business Administration (SBA). The bank participated in the Paycheck Protection Program, administered by the SBA, by originating 162 loans totaling \$5.9 million from August 24, 2020, to April 18, 2021.

The institution provides a variety of deposit services including checking, savings, money market, health savings accounts, and certificates of deposit. In addition to traditional banking services, customers have access to one bank-owned ATM; online banking, including electronic bill pay and periodic statements; telephone banking; and mobile banking, including mobile deposit.

As of December 31, 2020, assets totaled approximately \$71,068,000, loans totaled \$46,505,000, and deposits totaled \$64,099,000.

<b>Loan Portfolio Distribution as of 12/31/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	2,912	6.3
Secured by Farmland	3,476	7.5
Secured by 1-4 Family Residential Properties	13,587	29.2
Secured by Multifamily (5 or more) Residential Properties	4,899	10.5
Secured by Nonfarm Nonresidential Properties	12,422	26.7
<b>Total Real Estate Loans</b>	<b>37,296</b>	<b>80.2</b>
Commercial and Industrial Loans	6,382	13.7
Agricultural Loans	2,041	4.4
Consumer Loans	779	1.7
Other Loans	7	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>46,505</b>	<b>100.0</b>
<i>Source: Report of Condition</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet its 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 CRA performance will be evaluated. Community Bank Owatonna designated a single assessment area in southern Minnesota, which has not changed since the previous evaluation. The assessment area consists of all of Steele County, which is part of non-metropolitan Minnesota.

### **Economic and Demographic Data**

According to 2015 American Community Survey (ACS) data, the assessment area is comprised of 1 moderate-income, 4 middle-income, and 3 upper-income census tracts. The assessment area does not contain any low-income census tracts. Community Bank Owatonna’s office is located in the moderate-income census tract. 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)	8	0.0	12.5	50.0	37.5	0.0
Population by Geography	36,523	0.0	11.0	41.1	47.9	0.0
Housing Units by Geography	15,395	0.0	12.6	40.9	46.5	0.0
Owner-Occupied Units by Geography	10,896	0.0	8.5	40.8	50.6	0.0
Occupied Rental Units by Geography	3,375	0.0	24.6	38.1	37.3	0.0
Vacant Units by Geography	1,124	0.0	16.2	49.6	34.2	0.0
Businesses by Geography	2,792	0.0	28.2	43.2	28.6	0.0
Farms by Geography	254	0.0	7.5	74.8	17.7	0.0
Family Distribution by Income Level	9,640	16.3	14.0	22.7	47.0	0.0
Household Distribution by Income Level	14,271	20.3	13.7	18.6	47.4	0.0
Median Family Income Non-MSA - MN		\$63,045	Median Housing Value			\$149,302
			Median Gross Rent			\$746
			Families Below Poverty Level			8.8%
<i>Source: 2015 ACS and 2020 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>						

The Federal Financial Institutions Examination Council (FFIEC) updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the assessment area are presented in the following table.

<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>
2020 (\$70,900)	<\$35,450	\$35,450 to <\$56,720	\$56,720 to <\$85,080	≥\$85,080
<i>Source: FFIEC</i>				

### **Competition**

The assessment area consists of a significantly competitive market for credit products and financial services. According to Consolidated Reports of Condition and Income (Reports of Condition) data filed by financial institutions, there are 14 financial institutions operating 17 locations within the assessment area. These institutions range from small community banks to larger national financial institutions. Community Bank Owatonna is ranked 6<sup>th</sup> with 7.2 percent of the deposit market share. Management stated the bank has faced extreme competition over the last 10 years as other financial institutions have moved into the assessment area every year to compete for credit. Additionally, management stated that the bank faces competition from other lenders and mortgage brokers that live and operate inside the assessment area.

Community Bank Owatonna is not required to collect or report small business CRA loan data and has elected not to do so. Therefore, examiners did not compare the bank's small business lending performance to aggregate CRA data within this evaluation. However, the aggregate CRA data provides an indication of the level of demand for small business loans and the level of competition within the assessment area. According to 2019 aggregate CRA data, 34 CRA data reporters collectively reported 634 small business loans within Steele County. The top 3 lenders by number originated 48.7 percent of the market share. These figures do not include a high number of loans originated by smaller institutions that are not required to report small business lending data but that operate within the county. The overall volume of small business lending reflects a highly competitive market.

Community Bank Owatonna also faces significant competition for home mortgage loans from a multitude of financial institutions and mortgage companies within the assessment area. Community Bank Owatonna is not required to report mortgage data; therefore, examiners did not compare the bank's home mortgage lending performance to aggregate data within this evaluation. According to 2019 HMDA aggregate lending data, 152 HMDA-reporting entities originated or purchased 1,237 home mortgage loans within Steele County. The top 3 lenders by number originated or purchased 31.0 percent of the market share within the assessment area. These figures do not include a high number of loans originated by smaller institutions that are not required to report home mortgage lending data but that operate within these county. The overall volume of home mortgage lending reflects a highly competitive market.

### **Community Contact**

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

For the current evaluation, examiners conducted a community contact with a representative of a local economic development agency that serves the assessment area. According to the contact, the area contains mostly middle working-aged persons and elderly. The contact stated that top employers in the area include manufacturing businesses, insurance, and health care. The contact stated that local businesses are stable and most major businesses are expanding and hiring. However, there is a shortage of skilled workers in the area, especially for larger employers that are trying to expand local operations. The contact noted that individuals commute into Owatonna from a 45 to 60 miles radius for employment opportunities.

The contacted stated that housing prices have gone up considerably in the last two years, and multiple apartment buildings have been built recently. However, the contact noted that there is a housing shortage in the area, which hinders the ability to attract skilled workers. Furthermore, the contact noted it is difficult for lower income families to qualify for home mortgage loans in the area. The contact identified affordable homes as the greatest need in the area.

Overall, the contact indicated that banks are meeting the credit needs of the area. According to management and the community contact, opportunity exists for originating commercial and residential loans in the assessment area.

### **Credit Needs**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that commercial loans including small business loans; and home mortgage loans represent the credit needs of the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated June 29, 2015, to the current evaluation dated May 4, 2021. Examiners used Interagency Small Institution Examination Procedures to evaluate Community Bank Owatonna'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 and home mortgage 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 Reports of Condition data. Small business loans received more weight when deriving overall conclusions. This is consistent with management's stated business focus, and volume of loans originated. Examiners did not review small farm or consumer installment lending activities because they each represent a small portion of the loan portfolio, are not a business focus of the institution, and provide no material support for conclusions.

Discussions with bank management indicate that the bank's lending focus in 2020 was generally consistent with the rest of the evaluation period. Therefore, examiners reviewed all small business and home mortgage loans originated or renewed in 2020. D&B data for 2020 provided a standard

of comparison for the bank’s small business lending performance. The 2015 ACS data provided a standard of comparison for home mortgage lending.

Examiners reviewed the entire universe of small business and home mortgage loans to evaluate the Assessment Area Concentration criterion. To evaluate the Geographic Distribution criterion, examiners reviewed the entire universe of small business and home mortgage loans originated or renewed inside the assessment area. Furthermore, to evaluate the Borrower Profile criterion, examiners reviewed a sample of small business loans and the entire universe of home mortgage loans originated or renewed inside the assessment area. The following table provides information on the number and dollar volume of loans 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	104	10,247	41	3,179
Home Mortgage	41	6,152	22	2,320
<i>Source: 2020 Bank Records</i>				

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 businesses and individuals served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Community Bank Owatonna demonstrated satisfactory performance under the Lending Test. The bank’s performance under the evaluated criteria supports this conclusion. While Geographic Distribution criterion performance was excellent, it did not elevate the overall rating.

### **Loan-to-Deposit Ratio**

The average net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s net loan-to-deposit ratio, calculated from Reports of Condition data, averaged 74.0 percent over the past 23 calendar quarters from June 30, 2015, to December 31, 2020. The ratio ranged from its low of 63.6 percent as of December 31, 2015, to a high of 81.2 percent as of June 30, 2019. The net loan-to-deposit ratio decreased in 2020, which management attributed to an influx of deposits due to uncertainties surrounding the global pandemic. Examiners confirmed deposits have increased by approximately 17.8 percent from December 31, 2019 to December 31, 2020. Overall, the bank’s average net loan-to-deposit ratio is comparable to similarly situated institutions, as illustrated in the following table. Examiners selected similarly situated institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/20 \$(000s)	Average Net Loan-to-Deposit Ratio (%)
<b>Community Bank Owatonna Owatonna, Minnesota</b>	<b>71,068</b>	<b>74.0</b>
Farmers and Merchants State Bank Blooming Prairie, Minnesota	99,996	89.9
Reliance Bank Faribault, Minnesota	196,826	90.6
The First National Bank of Waseca Waseca, Minnesota	160,136	89.3
The First State Bank of Red Wing Red Wing, Minnesota	91,831	32.7
1 <sup>st</sup> United Bank Faribault, Minnesota	175,029	58.2
<i>Source: Reports of Condition 6/30/2015 through 12/31/2020</i>		

### **Assessment Area Concentration**

Community Bank Owatonna originated a majority of small business and home mortgage loans within its assessment area as shown in the following table. As stated previously, small business lending carried more weight when deriving overall conclusions.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Business	92	88.5	12	11.5	104	8,844	86.3	1,403	13.7	10,247
Home Mortgage	22	53.7	19	46.3	41	2,320	37.7	3,832	62.3	6,152
<i>Source: 1/1/2020-12/31/20 Bank Data</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank's excellent performance for small business and reasonable performance for home mortgage loans supports this conclusion. Examiners focused on the percentage by number of loans in the moderate-income census tract.

#### ***Small Business Loans***

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. The following table shows the geographic distribution of the bank's small business loans among the different census tract income levels. The bank's small business lending in the only moderate-income census tract exceeds demographic data. Considering the high level of competition in the area, this performance is deemed excellent. See the following table.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	28.2	35	38.0	4,146	46.9
Middle	43.2	38	41.3	3,316	37.5
Upper	28.6	19	20.7	1,382	15.6
<b>Total</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>	<b>8,844</b>	<b>100.0</b>

*Source: 2020 D&B Data, Bank Data*

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. While the bank’s home mortgage lending in the only moderate-income census tract trails demographic data, it is noted that only 8.5 percent of area owner-occupied housing units are within this census tract. As noted previously, there is significant competition for loans among the area’s institutions, and the community contact did not note any unmet credit needs. Furthermore, the community contact noted there’s a shortage of housing in the assessment area. Considering these factors, the bank’s performance is reasonable. See the following table.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	8.5	1	4.5	37	1.6
Middle	40.8	11	50.0	1,532	66.0
Upper	50.6	10	45.5	751	32.4
<b>Total</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>	<b>2,320</b>	<b>100.0</b>

*Source: 2015 ACS, Bank Data*

### **Borrower Profile**

The bank’s lending performance demonstrates reasonable penetration among businesses of different revenue sizes and individuals of different income levels. The bank’s reasonable small business and home mortgage lending performance supports this conclusion. Examiners focused on the percentage of lending to 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 sampled small business loans reflects reasonable penetration to businesses with gross annual revenues of \$1 million or less. As illustrated in the following table, Community Bank Owatonna’s lending performance to businesses with gross annual revenues of \$1 million or less is comparable to the demographic data. This level of lending reflects reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	82.5	33	80.5	2,383	75.0
>1,000,000	4.9	6	14.6	696	21.9
Revenue Not Available	12.6	2	4.9	100	3.1
<b>Total</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>3,179</b>	<b>100.0</b>

*Source: 2020 D&B Data, 2020 Bank Data.*

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

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. As shown in the following table, the bank made no home mortgage loans to low-income borrowers; however, lending among moderate-income borrowers exceeds demographic data. As stated previously, there's a significant level of competition for home mortgage loans in the assessment area. Management stated, and the community contact confirmed, that it's difficult for low-income families to find housing in the assessment area as there is limited affordable housing. Additionally, home mortgage lending is not the primary business focus of the bank. Considering these factors, and that lending to moderate-income borrowers exceeded demographic data, performance is considered reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	16.3	0	0.0	0	0.0
Moderate	14.0	4	18.2	186	8.0
Middle	22.7	5	22.7	239	10.3
Upper	47.0	2	9.1	282	12.1
Income Not Available	0.0	11	50.0	1,613	69.6
<b>Total</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>	<b>2,320</b>	<b>100.0</b>

*Source: 2015 ACS Census, 2020 Bank Data.*

### **Response to Complaints**

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion 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 inconsistent with helping to meet community credit needs.

## 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.