

# **PUBLIC DISCLOSURE**

January 5, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Harwood State Bank  
Certificate Number: 9128

501 Dakota Avenue  
Harwood, North Dakota 58042

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.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its small farm and small business loans within its assessment area.
- The geographic distribution of small farm and small business loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes.
- The institution has not received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

## DESCRIPTION OF INSTITUTION

Harwood State Bank is a community-based financial institution operating from its sole office in Harwood, North Dakota. HSB Financial Corporation, a one-bank holding company, owns the institution. It does not have any affiliates or subsidiaries that offer credit products or services, has not opened or closed any branches, and has not had any merger or acquisition activities since the previous evaluation. Harwood State Bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated January 20, 2015, based on Interagency Small Institution Examination Procedures.

The bank offers a variety of loan products, including commercial, consumer, agricultural, and home mortgage loans. According to bank management, the institution's primary lending focus continues to be agricultural lending. In addition to conventional lending, the institution participates in government loan programs through the Small Business Administration and Farm Service Agency. In addition to the loan products that help meet the credit needs in the area, the bank provides a variety of traditional deposit services. These products include, but are not limited to, checking, savings, certificates of deposit, and individual retirement accounts. Finally, alternative banking services include internet, telephone, and mobile banking, along with electronic statements.

As of September 30, 2020, Harwood State Bank reported total assets of \$44,518,000, net loans of \$22,683,000, and total deposits of \$39,679,000. The following table illustrates the loan portfolio distribution.

<b>Loan Portfolio Distribution as of 09/30/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	1,025	4.5
Secured by Farmland	4,567	19.9
Secured by 1-4 Family Residential Properties	947	4.1
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	2,973	12.9
<b>Total Real Estate Loans</b>	<b>9,512</b>	<b>41.4</b>
Commercial and Industrial Loans	4,238	18.4
Agricultural Production and Other Loans to Farmers	7,910	34.4
Consumer Loans	1,032	4.5
Obligations of State and Political Subdivisions in the U.S.	286	1.2
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>22,978</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income.</i>		

Aside from statutory lending limits, examiners did not identify any financial, legal, or other impediments affecting 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 CRA performance is evaluated. The bank has designated a single assessment area that consists of the Cass County, North Dakota portion of the Fargo-Moorhead MSA. The bank’s sole office is located in Census Tract (CT) 404 in the northeastern portion of rural Cass County.

### **Economic and Demographic Data**

The delineation of the assessment area has not changed since the previous evaluation; however, the demographics within it have changed. At the last evaluation, the assessment area contained 1 low-income CT, 5 moderate-income CTs, 19 middle-income CTs, and 8 upper-income CTs, whereas the assessment area is now comprised of 9 moderate-income CTs, 15 middle-income CTs, 8 upper-income CTs and 1 non-designated CT based on data from the 2015 American Community Survey (ACS). The following table provides additional 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)	33	0.0	27.3	45.5	24.2	3.0
Population by Geography	162,500	0.0	23.7	34.8	39.6	1.9
Housing Units by Geography	73,190	0.0	26.8	36.4	34.5	2.2
Owner-Occupied Units by Geography	35,858	0.0	16.6	40.1	42.5	0.8
Occupied Rental Units by Geography	32,918	0.0	38.7	31.8	26.3	3.1
Vacant Units by Geography	4,414	0.0	21.4	41.1	31.4	6.0
Businesses by Geography	16,424	0.0	33.1	28.1	38.2	0.6
Farms by Geography	610	0.0	12.0	55.9	31.8	0.3
Family Distribution by Income Level	38,056	18.4	19.5	21.9	40.2	0.0
Household Distribution by Income Level	68,776	23.1	18.2	17.3	41.4	0.0
Median Family Income MSA - 22020 Fargo, ND-MN MSA		\$75,010	Median Housing Value			\$167,249
			Median Gross Rent			\$708
			Families Below Poverty Level			6.5%
<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>						

### **Competition**

Harwood State Bank operates in a competitive banking market. Based on June 30, 2020, FDIC Deposit Market Share data (the most recently available), 25 financial institutions operate 72 offices within the assessment area. Of these institutions, Harwood State Bank ranked 18th with 0.4 percent of the deposit market.

### **Community Contact(s)**

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

Examiners reviewed one previously conducted community contact interview in conjunction with this evaluation. It should be noted that this contact was conducted in mid-2020 during the Covid-19 pandemic.

According to the contact, the overall economy in the Fargo, ND-MN MSA is strong. The area is typically not dramatically affected by economic downturns. However, some business sectors, such as retail and restaurants, were impacted by the COVID-19 pandemic. Luckily, many businesses were able to reopen without too much disruption. The housing market remains very strong, even since the pandemic. The contact stated that the primary credit need in the area is home mortgage

lending and added that there is a healthy level of competition between the financial institutions. Finally, the contact stated that financial institutions are meeting the credit needs of the area.

### **Credit Needs**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that there is a demand for agricultural, commercial, and home mortgage credit in the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated January 20, 2015, to the current evaluation dated January 5, 2021. Examiners used the Interagency Small Institution Examination Procedures to evaluate Harwood State Bank's CRA performance.

### **Activities Reviewed**

Based on the bank's business strategy and assessment area credit needs, examiners determined that agricultural lending remains the primary focus of the institution, followed by commercial lending. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Therefore, examiners analyzed the entire universe of small farm and small business loans originated, renewed, extended, or purchased between November 28, 2019 and November 27, 2020 for the Assessment Area Concentration criterion. Examiners did not consider loans that were originated and subsequently paid off during this timeframe as this information was not readily available. Since the paid off loans were purged off the bank's electronic loan system and using the previous full calendar year data would not capture the bank's actual lending performance, a universe comprised of the most recent 12 months was more appropriate. During this timeframe, the bank originated, renewed, extended, or purchased 30 small farm loans totaling approximately \$4.8 million and 23 small business loans totaling approximately \$1.3 million. For the Borrower Profile criterion analysis, examiners reviewed all small farm and small business loans originated, renewed, extended, or purchased within the assessment area during the previously noted timeframe. Examiners did not consider home mortgage loans since they are not a lending focus of the institution.

The bank's small farm and small business loan performance contributed equal weight to overall conclusions as both are significant lending focuses for the bank. The bank's small farm and small business lending performance was compared to 2020 D&B demographic data. While both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of farms and businesses served.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Harwood State Bank demonstrated satisfactory performance under the Lending Test. Reasonable performance for Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile support this conclusion.

#### Loan-to-Deposit Ratio

The institution’s net loan-to-deposit ratio since the previous evaluation reflects a decline from a high of 88.7 percent on December 31, 2015, to a low of 57.2 percent on September 30, 2020. Loan volume has declined 18.5 percent since the previous evaluation, while deposits have grown 22.8 percent. Management attributes the decreased loan volume to a decline in the level of purchased leases from a local leasing company, with the traditional loan portfolio level being generally stable. Management noted the increase in deposits was due in part to one customer withdrawing a significant amount of funds from more risky investments and placing them in the bank as a safer investment due to the pandemic.

Despite the declining trend, the loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. As reflected in the following table, Harwood State Bank’s net loan-to-deposit ratio averaged 76.3 percent over the past 23 calendar quarters, which is generally in line with comparable institutions. Examiners selected comparable institutions based on their asset size, branching structure, geographic location, and lending focus.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 09/30/2020 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
Peoples State Bank, Fairmount, N.D. Fairmount, ND	31,469	66.8
<b>Harwood State Bank Harwood, North Dakota</b>	<b>44,518</b>	<b>76.3</b>
Kindred State Bank Kindred, North Dakota	32,278	57.4
<i>Source: Reports of Condition and Income 3/31/2015 through 9/30/2020</i>		

#### Assessment Area Concentration

As detailed in the following table, the bank originated a majority of its small farm and small business loans in its assessment area.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Farm	26	86.7	4	13.3	30	4,058	85.3	699	14.7	4,757
Small Business	19	82.6	4	17.4	23	1,104	85.4	189	14.6	1,293

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

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable performance on both products supports this conclusion. Examiners analyzed the small farm and small business loans located inside the assessment area to evaluate this criterion. Examiners concentrated on the bank’s record of lending inside the nine moderate-income tracts.

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

As noted in the following table, the bank’s lending performance in the moderate-income CTs is less than the comparable data from D&B. Nonetheless, it should be noted that the moderate-income CTs are located within or near the city limits of Fargo and West Fargo, and management stated that these farms are located closer to numerous other financial institutions and would be more likely to bank at an institution in Fargo or West Fargo.

Management stated that the bank is much more likely to have farm customers who are located near the bank, which is located in an upper-income CT and surrounded by middle- and upper-income CTs. Given this information, the geographic distribution of small farm loans reflects reasonable dispersion based on the location of the bank’s office, competition, and demographic data.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	12.0	1	3.8	114	2.8
Middle	55.9	12	46.2	2,178	53.7
Upper	31.8	13	50.0	1,766	43.5
Not Available	0.3	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>4,058</b>	<b>100.0</b>

*Source: 2020 D&B Data; Bank Data.  
Due to rounding, totals may not equal 100.0%*

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

The table below reflects the bank’s geographic distribution of lending to small businesses throughout the assessment area. The data indicates that no small business loans were originated in the moderate-income CTs, while 2020 D&B data shows that 33.1 percent of businesses are located in those CTs. It should be noted that the moderate-income CTs are located in or near Fargo and West Fargo. Management indicated that these businesses are more likely to obtain financing from a financial institution closer to their location.

As previously noted, the bank is located in an upper-income CT and is surrounded by middle- and upper-income CTs. Management stated that the bank’s customers are located generally closer to the bank’s location given the large amount of competition in the assessment area and are likely to be from a middle- or upper-income CT. As a result, the geographic distribution of small business loans shows reasonable dispersion based on the location of the bank’s office, competition, and demographic data.

<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>
Low	0.0	0	0.0	0	0.0
Moderate	33.1	0	0.0	0	0.0
Middle	28.1	3	15.8	204	18.5
Upper	38.2	16	84.2	900	81.5
Not Available	0.6	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>1,104</b>	<b>100.0</b>

*Source: 2020 D&B Data; 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 individuals of different income levels. Reasonable performance in lending to farms and businesses of different sizes supports this conclusion. Regulatory personnel analyzed all of the small farm and small business loans located inside the assessment area to evaluate this criterion. Examiners focused on the percentage by number of loans to farms and businesses with gross annual revenues of \$1 million or less.

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

The distribution of small farm loans, as detailed in the table below, reflects reasonable penetration among farms of different sizes. Although the bank’s lending performance to farms in this revenue category is less than D&B data, there are many small farms that may not qualify or require credit to fund their operations. This is supported by data from the 2017 Census of Agriculture from the U.S. Department of Agriculture, which indicates that 46.4 percent of the farms in the assessment area did not have interest expense.

Many smaller operations also do not rely on farm revenue as their main income source. In fact, the 2017 Census of Agriculture reports that 37 percent of the farmers in the assessment area report their

primary occupation as “Other” rather than farming. Furthermore, the bank has strong competition for agricultural lending within the assessment area. Therefore, the bank’s performance demonstrates a reasonable penetration of lending to farms of different revenue sizes.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	96.4	15	57.7	2,180	53.7
>1,000,000	2.8	11	42.3	1,878	46.3
Revenue Not Available	0.8	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>4,058</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

***Small Business Loans***

The analysis of small business loans, shown in the table below, reveals that Harwood State Bank has a reasonable penetration to businesses of different sizes located within its assessment area. The bank’s performance compares reasonably to the available demographic data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	82.6	16	84.2	924	83.7
>1,000,000	6.4	3	15.8	180	16.3
Revenue Not Available	11.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>1,104</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

**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 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.