

# **PUBLIC DISCLOSURE**

November 30, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First State Bank and Trust  
Certificate Number: 10159

950 Highway 95 N  
Bayport, Minnesota 55003

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Kansas City Regional Office

1100 Walnut St, Suite 2100  
Kansas City, Missouri 64106

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

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

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the home mortgage and small business loans reviewed were located inside the assessment area.
- The geographic distribution of home mortgage and small business loans reflects reasonable 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

First State Bank and Trust is a multi-state community bank headquartered in Bayport, Minnesota, wholly owned by Universal Financial Services, Inc., a single institution holding company. The bank does not have any other lending subsidiaries or affiliates, and has not been involved in any merger or acquisition activities since the previous examination. First State Bank and Trust received a Satisfactory rating at the previous FDIC CRA Performance Evaluation, dated December 8, 2020, using Interagency Small Institution Examination Procedures.

In addition to the main office in Bayport, Minnesota. Other full-service offices are located in Oak Park Heights, Minnesota, and Hudson, Wisconsin. Furthermore, two limited-service branches, in senior living facilities, are located in Oak Park Heights and Hudson. Since the previous examination, three offices were closed; two full-service offices located in Stillwater, Minnesota, and Hudson, Wisconsin, and one limited-service facility, located in Mahtomedi, Minnesota. A new facility was opened in Hudson, Wisconsin. The closures did not impact low- or moderate-income geographies.

The bank's business focus remains unchanged since the previous examination. First State Bank and Trust offers a wide array of traditional loan products with its primary focus on home mortgage and commercial lending. Other loan products include consumer secured and unsecured loans. First State Bank and Trust offers Small Business Administration 7A loans to support small businesses. Additionally, the bank originates and sells secondary market loans, providing long-term mortgage options to borrowers. This arrangement includes loans under the Federal Home Loan Bank's down payment assistance program. First State Bank and Trust offers traditional banking products, including checking, savings, certificates of deposit, and health savings accounts. Alternative banking services offered include safe deposit boxes, wire transfer services, mobile banking, online banking, trust and insurance services, debit and ATM cards, as well as access to a bank-owned ATM and a wide network of non-proprietary ATMs.

As of September 30, 2023, the bank's assets totaled approximately \$379.3 million, loans totaled \$252.9 million, and deposits totaled \$349.4 million. The following table illustrates First State Bank and Trust's loan distribution.

<b>Loan Portfolio Distribution as of 9/30/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	15,816	6.3
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	122,041	48.3
Secured by Multifamily (5 or more) Residential Properties	10,083	4.0
Secured by Nonfarm Nonresidential Properties	60,706	24.0
<b>Total Real Estate Loans</b>	<b>208,646</b>	<b>82.6</b>
Commercial and Industrial Loans	24,082	9.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	9,264	3.7
Obligations of State and Political Subdivisions in the U.S.	899	0.4
Other Loans	10,014	4.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>252,905</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income Due to rounding totals may not equal 100%</i>		

Examiners did not identify any financial, legal or other impediments that affect First State Bank and Trust's ability to meet its assessment area credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. First State Bank and Trust designated a single assessment area that includes all census tracts in Washington County, Minnesota, and St. Croix County, Wisconsin. These counties are part of the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin Metropolitan Statistical Area (MSA).

### **Economic and Demographic Data**

According to the 2020 U.S. Census data, the bank's assessment area is comprised of 9 moderate-income census tracts, 44 middle-income census tracts, 22 upper-income census tracts, and 2 census tracts with no income designation. There are no low-income census tracts within the assessment area. The assessment area remains unchanged since the previous evaluation; however, due to changes made at the time of the 2020 U.S. Census, the number of moderate- and middle-income census tracts increased from 7 to 9 and 33 to 44, respectively. The following table shows select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	77	0.0	11.7	57.1	28.6	2.6
Population by Geography	361,104	0.0	11.4	59.9	28.2	0.5
Housing Units by Geography	136,022	0.0	12.6	61.6	25.8	0.0
Owner-Occupied Units by Geography	104,935	0.0	10.7	60.7	28.6	0.0
Occupied Rental Units by Geography	25,544	0.0	19.9	66.1	14.0	0.0
Vacant Units by Geography	5,543	0.0	15.3	57.8	26.9	0.0
Businesses by Geography	35,031	0.0	10.1	60.2	29.7	0.0
Farms by Geography	1,343	0.0	15.1	56.3	28.6	0.0
Family Distribution by Income Level	93,781	15.0	18.4	24.6	42.1	0.0
Household Distribution by Income Level	130,479	16.9	16.1	20.1	47.0	0.0
Median Family Income MSA - 33460 Minneapolis-St. Paul-Bloomington, MN-WI MSA	\$103,977	Median Housing Value				\$301,077
		Median Gross Rent				\$1,196
		Families Below Poverty Level				3.2%
<i>Source: 2020 U.S. Census and 2022 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2022 D&B data, the services industry represents the largest portion of business operations in the assessment area, at 36.0 percent; followed by non-classifiable establishments at 23.1 percent; finance, insurance, and real estate at 10.3 percent; retail trade at 9.3 percent; and construction at 8.1 percent. Additionally, 63.8 percent of assessment area businesses have four or fewer employees, and 93.6 percent of businesses operate from a single location.

The Federal Financial Institution Examination Council (FFIEC) provides updated median family incomes that are used to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the 2021 and 2022 low-, moderate-, middle-, and upper-income categories for the Minneapolis-St. Paul-Bloomington, MN-WI MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Minneapolis-St. Paul-Bloomington, MN-WI MSA Median Family Income (33460)</b>				
2021 (\$100,600)	<\$50,300	\$50,300 to <\$80,480	\$80,480 to <\$120,720	≥\$120,720
2022 (\$117,800)	<\$58,900	\$58,900 to <\$94,240	\$94,240 to <\$141,360	≥\$141,360
<i>Source: FFIEC</i>				

### **Competition**

The assessment area is highly competitive for credit products and financial services. According to Reports of Condition and Income (Reports of Condition) data filed by financial institutions, there were 34 financial institutions operating 80 offices within the assessment area. These institutions range from

small community banks to larger national institutions. First State Bank and Trust is ranked 9<sup>th</sup> with a 3.4 percent deposit market share.

First State Bank and Trust also faces significant competition for home mortgage loans from a variety of financial institutions and mortgage companies operating within the assessment area. Like many of these competing entities, First State Bank and Trust reports Home Mortgage Disclosure Act (HMDA) data. Examiners used aggregate HMDA data for a comparison in evaluating the bank's home mortgage lending performance. According to 2022 reported HMDA data, there were 383 competing entities that originated 12,279 mortgage loans. First State Bank and Trust ranked 39<sup>th</sup> with 0.7 percent of the mortgage market share by number. The top five mortgage lenders reported 24.0 percent of mortgage originations, further demonstrating the level of competition in the area.

First State Bank and Trust is not required to collect and 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 for this evaluation. However, the aggregate CRA data provides an indicator of the level of demand for small business loans as well as the level of competition within the assessment area. According to 2021 aggregate CRA data (most recent available), 100 CRA reporters collectively reported 8,038 small business loan originations within the assessment area. These figures do not reflect the number of loans originated by smaller institutions, which are not required to collect and report, but do operate within the assessment area. The overall volume of small business lending activity within the assessment area demonstrates a highly competitive market.

### **Community Contacts**

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

For this performance evaluation examiners used information from two recently completed community contacts. The first contact represented a community development organization. The contact indicated that improvement and stabilization has been noted since the pandemic, some businesses are expanding, and there have even been some new start-up businesses. The greatest struggle post-pandemic is finding skilled employees. The contact further indicated that challenges facing businesses and consumers include credit education and lending standards. The contact indicated small business loans are a primary credit need within the assessment area.

The second contact supports affordable housing initiatives in the assessment area. The contact indicated that increasing home values combined with high interest rates, which have doubled in recent months, have created significant challenges for low- and moderate-income borrowers in obtaining affordable housing. While unemployment rates are improving, the area continues to struggle with jobs that pay livable wages, which makes the need to commute farther distances for work. Also, higher prices in goods and services overall, present additional challenges in paying for transportation and gas to commute to job locations. The contact indicated there is a need for affordable housing, specifically more down payment assistance programs to help low- and moderate-income individuals. Both of the contacts indicated that financial institutions are responsive to these credit needs.

### **Credit Needs**

Considering information from the community contacts, bank management, as well as demographic and economic data, examiners determined that home mortgage and small business loans represent the primary credit needs of the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated December 8, 2020, to the current evaluation dated November 30, 2023. Examiners used Interagency Small Institution Examination Procedures to evaluate First State Bank and Trust's CRA performance. The 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 home mortgage lending followed by commercial lending. This conclusion is based on discussions with bank management, review of bank records for the number and dollar volume of loan originations during the evaluation period, as well as a review of the Reports of Condition. Consistent with the bank's loan portfolio composition and volume of loans originated, home mortgage loans received the greatest weight when arriving at conclusions, and small business loans received a lesser amount of weight. Examiners did not evaluate consumer lending activities as this product category represents a minimal portion of the loan portfolio and does not provide material support for conclusions. Also, no small farm lending activity occurred during the evaluation period; therefore, this product was not reviewed.

Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners reviewed all small business loans originated or renewed in 2022, which is considered representative of the bank's performance during the evaluation period. D&B data for 2022 provided a standard of comparison for the bank's small business lending performance. Additionally, examiners reviewed all home mortgage loans reported as originated or purchased on the bank's 2021 and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. While 2021 and 2022 HMDA data was reviewed and will be presented for the Assessment Area Concentration analysis, only 2022 data is presented throughout the remainder of the evaluation since it is the most recent year for which aggregate data is available. 2020 U.S. Census data and 2022 HMDA aggregate data provided a standard of comparison. Examiners did not identify differing trends from 2021 to 2022 data that would materially impact conclusions.

Examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All home mortgage and small business loans inside the assessment area were further reviewed to evaluate the Geographic Distribution criterion. Finally, examiners reviewed all home mortgage loans, and a sample of small business loans originated within the assessment area, to evaluate Borrower Profile performance. 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>Sampled/Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Home Mortgage				
2021	226	70,130	145	39,656
2022	134	47,175	83	26,793
Small Business	62	17,710	30	7,785
<i>Source: 2022 Bank Data; HMDA Records</i>				

While the 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**

First State Bank and Trust demonstrated reasonable performance under the Lending Test. The bank's performance under all of the evaluated criteria supports this conclusion.

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

The bank's loan-to-deposit ratio is reasonable given the institutions size, financial condition and assessment area credit needs. The bank's loan-to-deposit ratio, calculated from Reports of Condition data, averaged 66.3 percent over the past 12 quarters from December 31, 2020, through September 30, 2023. The ratio ranged from a high of 72.2 percent as of June 30, 2023, to a low of 59.3 percent as of September 30, 2021. The net loan-to-deposit ratio is comparable to similarly situated institutions as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 9/30/2023 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>First State Bank and Trust, Bayport, Minnesota</b>	<b>379,255</b>	<b>66.3</b>
Citizens State Bank, Hudson, Wisconsin	389,420	89.6
First National Community Bank, New Richmond, Wisconsin	333,035	62.3
Lake Elmo Bank, Lake Elmo, Minnesota	496,680	70.4
Pillar Bank, Baldwin, Wisconsin	256,994	71.0
Security State Bank of Marine, Marine On St. Croix, Minnesota	199,209	71.0
<i>Source: Reports of Condition and Income 12/31/2020 through 9/30/2023</i>		

### **Assessment Area Concentration**

First State Bank and Trust originated a majority of home mortgage and small business loans within the assessment area as illustrated in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				
	Inside		Outside			Inside	Outside		Total	
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2021	145	64.2	81	35.8	226	39,656	56.5	30,473	43.5	70,130
2022	83	61.9	51	38.1	134	26,793	56.8	20,382	43.2	47,175
<b>Subtotal</b>	<b>228</b>	<b>63.3</b>	<b>132</b>	<b>36.7</b>	<b>360</b>	<b>66,449</b>	<b>56.6</b>	<b>50,855</b>	<b>43.4</b>	<b>117,305</b>
Small Business	47	75.8	15	24.2	62	14,174	80.0	3,536	20.0	17,710

Source: 2022 Bank Data; 2021 and 2022 HMDA Records  
Due to rounding, totals may not equal 100.0%

### **Geographic Distribution**

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

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

The geographic distribution of home mortgage lending reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank’s lending performance in moderate-income census tracts lagged aggregate data. The bank does not have any branches located in or near the moderate-income census tracts. These tracts are on the southwestern border and far eastern portions of the assessment area, while the branches are in the middle of the assessment area. Management indicated that the branch in Hudson, Wisconsin, which is closest in proximity to a majority of those moderate-income tracts, did not have lending staff until the latter part of 2021. Additionally, management stated the assessment area is highly competitive for home mortgage lending due to the number of financial institutions. Examiner review of reported HMDA data confirms the assessment area is highly competitive, as discussed previously. Also, the opportunity for home mortgage lending is limited with only 10.7 percent of all owner-occupied housing units in the assessment area being located in moderate-income census tracts.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	10.7	10.1	4	4.8	837	3.1
Middle	60.7	58.8	58	69.9	17,622	65.8
Upper	28.6	31.1	21	25.3	8,334	31.1
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>	<b>26,793</b>	<b>100.0</b>

Source: 2020 U.S. Census; 2022 HMDA Data, 2022 HMDA Aggregate Data;  
Due to rounding, totals may not equal 100.0%

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

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank’s lending performance in moderate-income census tracts lags demographic data. However, as stated previously the bank’s branch located in closest proximity to a majority of moderate-income census tracts did not have a lending presence until the latter part of 2021. Additionally, as noted earlier, lending in this area is highly competitive, which further impacts small business loan demand. Considering these factors, the bank’s overall performance is considered reasonable.

<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	10.1	3	6.4	1,056	7.4
Middle	60.2	33	70.2	9,065	64.0
Upper	29.7	11	23.4	4,053	28.6
<b>Totals</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>14,174</b>	<b>100.0</b>

*Source: 2022 D&B Data; 2022 Bank Data;  
Due to rounding, totals may not equal 100.0%*

### **Borrower Profile**

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

### ***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’s lending to low-income borrowers lags aggregate data; however, lending to moderate-income borrowers is comparable to aggregate data. Management indicated that median housing values are substantially high within the assessment area, which makes it difficult for low- and moderate-income borrowers to qualify for home loans based on standard underwriting criteria. Examiner review of 2020 U.S. Census data confirms that the median housing value in the assessment area is \$301,077. According to 2022 FFIEC data, the median income in the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA is \$117,800. Interest rates in 2022 experienced unusual increases, which created additional challenges in lending, such that low-income individuals would have difficulty in qualifying for a home mortgage loan. Overall, considering these factors, the bank’s performance is considered reasonable.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	15.0	9.0	3	3.6	386	1.4
Moderate	18.4	21.8	16	19.3	4,063	15.2
Middle	24.6	23.7	15	18.1	4,747	17.7
Upper	42.1	31.3	19	22.9	7,322	27.3
Not Available	0.0	14.2	30	36.1	10,276	38.4
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>	<b>26,793</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data;  
Due to rounding, totals may not equal 100.0%*

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

The geographic distribution of small business loans reflect reasonable dispersion. The following table illustrates the bank’s lending performance to businesses with gross annual revenues of \$1 million or less lags demographic data. As previously stated, small business lending in the assessment area is highly competitive, which affects demand for loans. This is supported by 2021 CRA aggregate data. Further, a review of two similarly situated banks (SSBs) with reasonable lending penetration also operating in the same assessment area revealed that First State Bank and Trust’s performance is similar. Specifically, First State Bank and Trust’s lending to businesses with gross annual revenues of \$1 million or less, by number, was 66.7 percent while the two SSBs lending to the same sized businesses reached 50.0 percent and 53.3 percent. Additionally, the bank offers Small Business Administration 7A loans to support small businesses. Finally, the community contacts confirmed that financial institutions serving the area are meeting the needs of the assessment area. Considering these factors, performance is reasonable.

<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	90.3	20	66.7	5,810	74.6
>1,000,000	2.9	10	33.3	1,975	25.4
Revenue Not Available	6.8	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>7,785</b>	<b>100.0</b>

*Source: 2022 D&B Data; 2022 Bank Data;  
Due to rounding, totals may not equal 100.0%*

### **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.