

# **PUBLIC DISCLOSURE**

November 6, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Decorah Bank & Trust Company  
Certificate Number: 15200

202 East Water Street  
Decorah, Iowa 52101

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 **Outstanding**.

An institution in this group has an outstanding 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.

Decorah Bank & Trust Company's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and outstanding performance under the Community Development Test supports the overall rating. The following points summarize the bank's Lending Test and Community Development Test performance.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of small business, small farm, and home mortgage loans were originated or renewed inside the assessment area.
- The assessment area does not include any low- or moderate-income geographies; thus, review of geographic distribution would not result in meaningful conclusions. Therefore, this criterion was not evaluated.
- The distribution of borrowers reflects overall reasonable penetration among businesses and farms of different revenue sizes, as well as 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 Lending Test rating.

**The Community Development Test is rated Outstanding.**

Overall, the institution demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and the provision of community development services. Examiners considered the institution's capacity, as well as the needs and availability of opportunities in the assessment area.

## DESCRIPTION OF INSTITUTION

Decorah Bank & Trust Company is headquartered in Decorah, Iowa, and remains wholly owned by one-bank holding company Security Agency, Incorporated also located in Decorah, Iowa. The institution received an Outstanding rating at its previous FDIC Performance Evaluation dated November 16, 2020, based on Interagency Intermediate Small Institution Examination Procedures. In addition to the main office, management operates a drive-through branch in Decorah, Iowa, and a full-service branch in Cresco, Iowa, operating as Cresco Bank, a division of Decorah Bank & Trust Company. The institution also continues to operate its greenpenny digital branch, which concentrates on providing deposit services and solar energy loans with an emphasis on environmentally-friendly initiatives. No branches have been opened or closed and no merger or acquisition activities have occurred during the review period. Further, there are no lending affiliates or subsidiaries for consideration.

The bank offers traditional loan products, including agricultural, commercial, residential real estate, and consumer loans. While offering all loan types, management's primary business focus remains in commercial and agricultural lending, with residential real estate lending having become more prominent. During the review period, the institution has made specialized financing alternatives available through the following channels: Small Business Administration, Farm Services Agency, U.S. Department of Agriculture, Farmer Mac, Veterans Affairs, and Federal Home Loan Bank. Related programs are generally designed to assist small farms, small businesses, and individuals who may not qualify for loans through conventional financing methods. Secondary market financing options are also accessible through Decorah Bank & Trust Company for qualifying home mortgage borrowers. Finally, in response to the COVID-19 pandemic, the bank originated loans via the Small Business Administration's Paycheck Protection Program (PPP) to assist agricultural- and business-related entities in the area.

Decorah Bank & Trust Company provides a variety of deposit-related products that include checking, savings, money market, health savings, certificates of deposit, and individual retirement accounts. Alternative banking products or services include debit cards, direct deposit, internet and mobile banking, electronic bill pay, mobile check deposit, and electronic statements. Further, the institution maintains seven automated teller machines. Four machines are located at the bank's Decorah and Cresco offices, while three machines operate from Luther College, Oneota Community Food Co-op, and Winneshiek County Medical Center in Decorah, Iowa. Two of the off-site machines are cash-dispensing only; the remainder are full-service machines, including the interactive teller machine at the bank's main office drive-up. Finally, the institution also offers wealth management and trust services.

Assets totaled approximately \$666.4 million as of June 30, 2023, representing an increase of 19.9 percent since the September 30, 2020, Consolidated Reports of Condition and Income (Call Report). Total deposits equaled approximately \$576.1 million, representing a 23.4 percent increase, and total loans were approximately \$510.1 million, representing a 25.6 percent increase during the same timeframe. Portfolio concentrations remained generally consistent over the period. All loan categories experienced growth, with residential real estate and consumer lending outpacing agricultural and commercial lending. The influx of consumer lending correlates to greenpenny

activity, while management attributes overall loan and deposit increases to organic growth, changing rate environment, and general market conditions. The following table illustrates the composition of the loan portfolio as of June 30, 2023.

<b>Loan Portfolio Distribution as of 6/30/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	35,970	7.1
Secured by Farmland	98,403	19.3
Secured by 1-4 Family Residential Properties	78,309	15.3
Secured by Multifamily (5 or more) Residential Properties	22,909	4.5
Secured by Nonfarm Nonresidential Properties	89,293	17.5
<b>Total Real Estate Loans</b>	<b>324,884</b>	<b>63.7</b>
Commercial and Industrial Loans	84,700	16.6
Agricultural Production and Other Loans to Farmers	48,397	9.5
Consumer Loans	50,751	9.9
Obligations of State and Political Subdivisions in the U.S.	1,313	0.3
Other Loans	92	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(1)	(0.0)
<b>Total Loans</b>	<b>510,136</b>	<b>100.0</b>
<i>Source: Call Report</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit or community development needs of its assessment area.

## **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. Decorah Bank & Trust Company has defined a single assessment area encompassing the entireties of Howard and Winneshiek counties. These counties lie within the nonmetropolitan portion of northeastern Iowa. The bank's two Decorah offices are situated in upper-income Winneshiek County census tracts 9502 (main office) and 9503 (drive-through facility), while the Cresco branch is encompassed by middle-income Howard County census tract 9601. Assessment area boundaries have not changed since the prior evaluation.

### **Economic and Demographic Data**

According to 2020 U.S. Census data, the assessment area consists of eight census tracts with six middle- and two upper-income designations. Comparison of the 2020 Census and the 2015 American Community Survey evidences a singular change in income classification for Winneshiek County census tract 9502, which transitioned from middle income to upper income. Further, Winneshiek County census tracts 9501, 9502, 9504, and 9505 were designated as underserved middle-income nonmetropolitan geographies in 2020 and 2021; all but census tract 9502 maintained that designation in 2022 and 2023. The following table illustrates select demographic characteristics of the defined assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	8	0.0	0.0	75.0	25.0	0.0
Population by Geography	29,539	0.0	0.0	70.2	29.8	0.0
Housing Units by Geography	13,384	0.0	0.0	72.8	27.2	0.0
Owner-Occupied Units by Geography	9,342	0.0	0.0	73.7	26.3	0.0
Occupied Rental Units by Geography	2,677	0.0	0.0	64.5	35.5	0.0
Vacant Units by Geography	1,365	0.0	0.0	82.9	17.1	0.0
Businesses by Geography	3,559	0.0	0.0	66.1	33.9	0.0
Farms by Geography	615	0.0	0.0	91.5	8.5	0.0
Family Distribution by Income Level	7,824	16.2	16.9	25.1	41.8	0.0
Household Distribution by Income Level	12,019	19.4	16.7	19.8	44.0	0.0
Median Family Income - Nonmetropolitan Iowa		\$71,763	Median Housing Value			\$159,576
			Median Gross Rent			\$686
			Families Below Poverty Level			5.8%
Source: 2020 U.S. Census and 2022 D&B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%.						

According to 2022 D&B data, service industries represent the largest portion of agricultural and commercial operations at 29.1 percent by number, followed by non-classifiable establishments at 19.5 percent; agriculture, forestry, and fishing at 14.2 percent; and retail trade at 10.4 percent. This data also indicates that a notable portion of these operations are relatively small, with 67.1 percent having less than five employees and 93.4 percent operating from a single location.

FFIEC-estimated median family incomes were used to analyze home mortgage loans under the Borrower Profile criterion, as well as certain community development activities. The following table details these income levels for the nonmetropolitan portion of Iowa.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$78,900)	<\$39,450	\$39,450 to <\$63,120	\$63,120 to <\$94,680	≥\$94,680
Source: FFIEC				

### **Competition**

The assessment area is moderately competitive with regard to financial services. The June 30, 2023, FDIC Deposit Market Share Report reflects 11 institutions operating from 20 locations in the two counties comprising the assessment area. These institutions range in size from small community banks to larger financial institutions with branch locations in the assessment area. Decorah Bank & Trust Company ranks 1<sup>st</sup> amongst these institutions with 36.8 percent of deposit market share.

### **Community Contact**

As part of the evaluation process, examiners may contact third parties active in the assessment area to help identify credit needs. This information helps determine whether local financial institutions are responsive to community credit needs and provides context regarding available opportunities for area financial institutions. In conjunction with this evaluation, examiners reviewed a community contact interview with an individual possessing specific knowledge of the economic conditions within a portion of the assessment area.

According to the contact, land prices have risen in recent years, sometimes making it difficult for potential borrowers to provide the larger required down payments. Current economic conditions are more challenging for dairy farmers as prices are oftentimes not enough to cover expenses. Agricultural-related credit needs in the area include financing for year-to-year crop operating inputs, farm purchases, hog confinement units, and beef mono-slope buildings. The community representative stated that local banks are competitive, and that there is not a lack of available credit in the area. A current struggle for financial institutions is a lack of experienced agricultural lenders. This can create a challenge when partnering with other agencies or programs, which find that newer lenders need training on most stages of specialized loan transactions. The contact also stated that community outreach efforts have not resumed to pre-pandemic levels in most industries, creating additional challenges.

### **Credit and Community Development Needs and Opportunities**

Examiners reviewed information from bank management, demographic and economic reports, and the community contact to determine assessment area needs and opportunities. Examiners concluded that commercial, agriculture, and home mortgage loans represent the primary credit needs of Decorah Bank & Trust Company's assessment area.

Notably, affordable housing continues to be a significant need and challenge within the assessment area. Examiners reviewed housing studies conducted by the Upper Explorerland Regional Planning Commission for Howard and Winneshiek counties in 2019 and 2017, respectively. Both reports identify issues with affordability and availability, resulting in a shortage of housing for current and prospective residents. Specific to Winneshiek County, where a large portion of the bank's home mortgage lending occurs, an overabundance of homes is reported at higher value and rental points, while a shortage is noted in lower ranges. Comparatively, the Howard County study notes a general shortage of housing, as well as a need for the rehabilitation of existing housing stock. In the City of Cresco and across the broader county, shortages were reported in affordable rentals; affordable homes for sale; senior housing; and larger, high quality rentals. Both studies cite a demand, and shortage, in rental housing. Interest for this housing alternative reportedly stems from affordability considerations, as well as personal preference. According to 2020 U.S. Census reports for the assessment area, 19.5 percent of owner- and rental-occupied housing require payments that are greater than 30.0 percent of the inhabitant's monthly income. In comparison, 24.1 percent of housing in the Decorah area is at this level. The Decorah area also has higher levels of rental (26.1 percent versus 20.0 percent) and multi-family (8.8 percent versus 3.9 percent) dwellings than the overall assessment area, with a lower vacancy rate (6.4 percent versus 10.2 percent). All of the above factors evidence the need and challenges associated with affordable housing throughout the assessment area.

Finally, the assessment area's community development needs and opportunities also include economic development, revitalizing/stabilizing underserved geographies, and community services.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated November 16, 2020, to the current evaluation date of November 6, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the institution's CRA performance. Related procedures include the Lending and Community Development Tests, which the Appendices describe in detail. Examiners conducted a full-scope review to evaluate Decorah Bank & Trust Company's performance in the defined assessment area. Performance reviews considered the institution's lending activities in relation to demographics and credit needs of the assessment area.

### **Activities Reviewed**

The institution's primary product lines include commercial, agricultural, and residential real estate loans. Management's business focus continues to emphasize commercial and agricultural activities; however, residential real estate activity for the review period has been substantial, particularly when including applicable secondary market lending. Therefore, small business, small farm, and home mortgage lending were reviewed at the current evaluation. Further, examiners gave equal weighting to all three loan categories. Examiners based these conclusions on the bank's business focus and strategy, loan portfolio distribution, and records regarding the number and dollar volume of loans originated or renewed during the evaluation period.

For the Assessment Area Concentration review, examiners evaluated lending performance based on all small business, small farm, and home mortgage loans originated or renewed during calendar year 2022. Borrower Profile performance for small business, small farm, and home mortgage lending was evaluated using a sample of loans originated inside the assessment area during calendar year 2022. Management agreed that 2022 loan activity was representative of the institution's performance during the evaluation period. The following table provides universe and sample information.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Sample</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Business	261	27,598	53	3,863
Small Farm	275	31,253	53	6,461
Home Mortgage	324	67,040	109	17,442
<i>Source: Bank Data</i>				

For small business and small farm conclusions, 2022 D&B data provided a standard of comparison. When arriving at home mortgage conclusions, 2020 U.S. Census data provided a standard of comparison. Examiners obtained the data necessary for this evaluation from institution loan data and other records, individual customer loan files, interviews with bank management, and information gathered as part of the examination process. Examiners analyzed lending performance



by both the number and dollar volume of loans; however, the performance by number of loans was emphasized, as it is generally a better indicator of the number of businesses, farms, and individuals served.

For the Community Development Test, examiners reviewed data presented by management on community development loans, qualified investments, and community development services provided since the prior CRA evaluation.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Decorah Bank & Trust Company demonstrated reasonable performance under the Lending Test. The institution's performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria supports this conclusion. The following is a discussion of each performance criterion and its support for the rating.

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

Decorah Bank & Trust Company's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The institution's net loan-to-deposit ratio, calculated from Call Report data, averaged 83.6 percent over the 11 calendar quarters from December 31, 2020, to June 30, 2023. The net loan-to-deposit ratio ranged from a low of 78.8 percent as of December 31, 2021, to a high of 87.1 percent as of the most recent Call Report dated June 30, 2023. The bank's ratio has generally increased over the period, reflecting steady growth in both net loans and total deposits. Fluctuations are attributed to organic changes in market and demand.

To evaluate the bank's performance, examiners compared Decorah Bank & Trust Company's average net loan-to-deposit ratio to those of three similarly-situated institutions. Comparable institutions were selected based on similarities in lending focus, asset size, and/or geographic market served. As shown in the following table, the subject bank's ratio compares reasonably to those of the other institutions. For the period reviewed, ratios of the other banks ranged from a low of 72.4 percent to a high of 98.0 percent.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 6/30/2023 \$(000s)</b>	<b>Average Net Loan-to- Deposit Ratio (%)</b>
<b>Decorah Bank &amp; Trust Company, Decorah, Iowa</b>	<b>666,355</b>	<b>83.6</b>
CUSB Bank, Cresco, Iowa	520,614	83.0
FreedomBank, Elkader, Iowa	297,729	77.6
Waukon State Bank, Waukon, Iowa	406,588	85.9
<i>Source: Call Reports 12/31/2020 to 6/30/2023.</i>		

Decorah Bank & Trust Company also originates mortgage loans that are subsequently sold through a secondary market relationship; these loans are not included in the institution's loan-to-deposit ratio. Management reports originating and selling 809 loans totaling over \$152.6 million to the secondary market since the prior evaluation. While the sale of secondary market loans does not influence the average net loan-to-deposit ratio, this activity provides liquidity to originate other loans. Secondary market lending is responsive to assessment area credit needs by providing long-term home mortgage financing. Further, the institution offers letters of credit to commercial operations. These legal obligations also do not appear in the bank's lending activity or loan-to-deposit ratio. Since the prior evaluation, management has issued 32 letters of credit totaling nearly \$6.7 million.

### **Assessment Area Concentration**

Collectively, Decorah Bank & Trust Company made a majority of small business, small farm, and home mortgage loans, by number and dollar volume, within its assessment area. Of note, small business lending reflects an anomaly by dollar volume that is attributed to the broader market for greenpenny financing. Specifically, greenpenny loans accounted for 19.2 percent and 19.8 percent of the total small business loan universe by number and dollar volume, respectively. All greenpenny loans were to borrowers outside of the bank's assessment area. Overall, lending concentrations demonstrate the bank's willingness to meet the credit needs of the assessment area. Refer to the following table for details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total  #	Dollar Amount of Loans \$(000s)				Total  \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	151	57.9	110	42.1	261	12,892	46.7	14,706	53.3	27,598
Small Farm	193	70.2	82	29.8	275	22,034	70.5	9,219	29.5	31,253
Home Mortgage	220	67.9	104	32.1	324	42,006	62.7	25,034	37.3	67,040
Source: Bank Data. Due to rounding, totals may not equal 100.0%.										

### **Geographic Distribution**

The assessment area has no low- or moderate-income census tracts; therefore, examiners did not evaluate the Geographic Distribution criterion, as a review would not have yielded meaningful conclusions.

### **Borrower Profile**

The distribution of borrowers reflects an overall reasonable penetration among businesses and farms of different sizes and home mortgage borrowers of different income levels. This conclusion is supported by the bank's reasonable performance in all three lending products sampled. This analysis focused on the percentage of loans, by number, to businesses and farms with gross annual revenues of \$1.0 million or less, as well as on the percentage of home mortgage loans, by number, to low- and moderate-income borrowers.

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

The distribution of small business loans to operations of differing revenues is reasonable. The bank's level of lending to businesses with gross annual revenues of \$1.0 million or less is slightly below corresponding demographic data. However, the overall distribution is impacted by area businesses that did not report revenue information, as well as the presence of repeat borrowers. First, approximately 8.8 percent of assessment area businesses did not provide revenue information and cannot be further classified. Second, two borrowers account for 50.0 percent of the sample within the larger revenue category (6 of 12 loans). These multiple loans to the same borrower slightly skews percentages, as the same factor is not evident proportionally within the smaller revenue category. Refer to the following table for details.

<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	87.4	41	77.4	2,247	58.2
>\$1,000,000	3.8	12	22.6	1,616	41.8
Revenue Not Available	8.8	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>3,863</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

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

The distribution of small farm loans to operations of differing revenues is reasonable. As illustrated in the following table, the bank's level of lending to farms with gross annual revenues of \$1.0 million or less is comparable to corresponding demographic data.

<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	98.7	48	90.6	5,512	85.3
>\$1,000,000	0.8	5	9.4	949	14.7
Revenue Not Available	0.5	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>6,461</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

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

Overall, the distribution of home mortgage loans to borrowers of different income levels is reasonable, considering performance context. As evidenced in the following table, Decorah Bank & Trust Company's lending within the moderate-income category exceeds corresponding Census demographics. Additionally, examiners noted five loans within the middle-income category barely over the moderate-income threshold (i.e. by approximately \$2,500 or less).

Comparatively, the bank's lending to low-income borrowers is significantly below demographics. Review of 2020 U.S. Census data reveals that 5.8 percent of assessment area families are below the poverty level, thereby potentially limiting the demand and opportunity for mortgage lending to this subset of the low-income category. Additionally, as addressed within the performance context, the assessment area faces challenges with the affordability and availability of housing, issues that are magnified for lower-income residents, as well as the City of Decorah. The bank's mortgage lending is concentrated in the City of Decorah, which has a higher weighted average of median housing value than the broader assessment area. Based on 2020 U.S. Census data, the assessment area's weighted average of median housing was \$159,576 compared to \$197,633 for the two census tracts encompassing the City of Decorah. Nearly 56.0 percent of sampled home mortgage loans (61 of 109 loans) were to borrowers within Decorah.

Management expressed a desire to lend to qualified home mortgage borrowers, regardless of income level, but noted the potential impact of challenges presented by the assessment area's housing market. Bank officials identified affordability and availability as continued concerns that are being further compounded by market inflation. Home values and interest rates are on the rise, presenting additional difficulties for low- and moderate-income homebuyers. Management observed that sales are quick and generally over list price despite skyrocketing prices. Further, the Decorah area remains an attractive tourist destination. Management noted the related demand for short-term vacation rentals, and the resulting impact on housing inventory. Affordable homes listed for sale are acquired quickly for this purpose, and not recycled back into housing stock. Management's comments were consistent with Upper Explorerland's housing studies of Howard and Winneshiek counties.

The bank's lending and underwriting policies do not include minimum income parameters or other restrictions that would prevent qualified applicants from obtaining credit; however, general affordability and market constraints can be an obstacle given the loan product. Collectively, the bank's distribution of home mortgage loans reflects reasonable penetration among all income levels, including low and moderate income.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	16.2	5	4.6	508	2.9
Moderate	16.9	21	19.3	2,326	13.4
Middle	25.1	33	30.3	4,818	27.6
Upper	41.8	44	40.3	9,349	53.6
Not Available	0.0	6	5.5	441	2.5
<b>Total</b>	<b>100.0</b>	<b>109</b>	<b>100.0</b>	<b>17,442</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; 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 Lending Test rating.

## **COMMUNITY DEVELOPMENT TEST**

Decorah Bank & Trust Company demonstrated excellent responsiveness to the community development needs of the assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities to evaluate performance under this test. Because the bank was responsive to the community development needs of its assessment area, community development activities benefitting the broader statewide or regional area were included in the analysis.

Information from performance evaluations of three intermediate small institutions conducted during the evaluation period was used for comparative purposes under the Community Development Test. Examiners selected these institutions on the basis of similarities in asset size, business focus, or types of areas served. Overall, Decorah Bank & Trust Company's performance compared favorably to these institutions when considering available community development opportunities in the assessment area, and that one of the similarly-situated institutions received an Outstanding Community Development Test rating.

### **Community Development Loans**

Decorah Bank & Trust Company originated 691 community development loans totaling approximately \$74.3 million during the evaluation period. Of the bank's total, 619 loans totaling over \$17.7 million were originated as part of the Small Business Administration's PPP. These loans helped to promote economic development by financing businesses and farms as they struggled with the impact of the COVID-19 pandemic. As the bank was responsive to assessment area community development needs, the overall total also includes 134 community development loans totaling nearly \$17.4 million benefitting the broader statewide or regional area that includes the bank's assessment area. Decorah Bank & Trust Company extended loans to entities to support affordable housing and community services; promote economic development by supporting permanent job creation, retention, and/or improvement for low- and moderate-income persons; and aid revitalization or stabilization efforts.

Decorah Bank & Trust Company's total community development loans represent 11.2 percent of total assets and 14.8 percent of net loans, as of June 30, 2023. The comparable institutions had community development loans to total assets ratios ranging from 6.0 percent to 7.7 percent, and community development loans to net loans ratios ranging from 7.3 percent to 13.2 percent. Decorah Bank & Trust Company's ratios compare favorably to these institutions. All three comparable institutions' community development lending activity included all available rounds of PPP loans; however, due to the timing of Decorah Bank & Trust Company's evaluation period, PPP activity considered was limited to 2021. It is noteworthy that Decorah Bank & Trust Company's totals and ratios compare favorably to these institutions, even when PPP loans are excluded from the analysis. The following tables reflect the number and dollar volume of community development lending in each category by assessment area and activity year.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	1	201	0	0	545	39,570	11	17,192	557	56,963
Statewide Activities	0	0	0	0	54	6,893	8	790	62	7,683
Regional Activities	0	0	1	210	38	3,010	33	6,476	72	9,696
<b>Total</b>	<b>1</b>	<b>201</b>	<b>1</b>	<b>210</b>	<b>637</b>	<b>49,473</b>	<b>52</b>	<b>24,458</b>	<b>691</b>	<b>74,342</b>
<i>Source: Bank Data</i>										

Community Development Lending by Year										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	0	0	0	0	1	85	1	920	2	1,005
2021	0	0	0	0	605	22,234	39	6,550	644	28,784
2022	0	0	0	0	17	7,706	8	14,642	25	22,348
2023 (Year-to-Date)	1	201	1	210	14	19,448	4	2,346	20	22,205
<b>Total</b>	<b>1</b>	<b>201</b>	<b>1</b>	<b>210</b>	<b>637</b>	<b>49,473</b>	<b>52</b>	<b>24,458</b>	<b>691</b>	<b>74,342</b>
<i>Source: Bank Data</i>										

The following are examples of notable community development loans:

- Funding was extended to a minority-owned business within the broader regional area for the construction, expansion, and development of mixed-use property consisting of retail, business, and apartment space in a minority-based area. The property is also located in a low-income geography, which will revitalize the area by attracting residents and businesses. Further, proposed rents for all apartment units are within government fair market rent guidelines for affordability.
- Providing funding for multiple instances of new business start-ups or business purchases that support economic development through permanent job creation, retention, or improvement. In most cases, the majority of jobs impacted were low- and moderate-income wage earners. Further, several loan examples involved supporting economic development within farming operations, which are considered especially responsive given challenges faced in the agriculture sector identified by the community contact.

### **Qualified Investments**

During the evaluation period, Decorah Bank & Trust Company recorded 92 qualified investments totaling approximately \$7.5 million. Qualified donations and investments funded since the previous evaluation were considered under this component, as well as qualifying investments purchased prior to the evaluation period that remain outstanding. The total primarily consists of qualified investments, but also includes qualified donations of \$713,000. As the bank was responsive to assessment area community development needs, these totals also include 11 investments totaling approximately \$4.2 million benefitting the broader statewide or regional area that includes the bank's assessment area.

Decorah Bank & Trust Company's qualified investments represented 1.1 percent of the bank's total assets and 6.5 percent of total securities, as of June 30, 2023. Comparable institutions reported qualified investments to total assets and qualified investments to total securities ratios ranging from 0.8 percent to 2.2 percent and from 2.4 percent to 13.8 percent, respectively. Decorah Bank & Trust Company's performance compares reasonably to these institutions. Decorah Bank & Trust Company's ratios increased since the prior evaluation when qualified investments and donations represented 0.7 percent of total assets and 3.3 percent of total securities, as of September 30, 2020.

Examiners note Decorah Bank & Trust Company's volume of donations as particularly responsive, given that all donations benefitted the bank's assessment area and the dollar amount increased by 41.7 percent when compared to the last evaluation. Through its investments and donations, Decorah Bank & Trust Company supported community development needs through affordable housing, community services to low- and moderate-income individuals, economic development, and revitalization or stabilization efforts. The following tables reflect the number and dollar volume of qualified investments in each category by assessment area and activity year.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	1	2	14	28	42	357	24	2,906	81	3,293
Statewide Activities	0	0	0	0	0	0	4	1,610	4	1,610
Regional Activities	0	0	0	0	0	0	7	2,578	7	2,578
<b>Total</b>	<b>1</b>	<b>2</b>	<b>14</b>	<b>28</b>	<b>42</b>	<b>357</b>	<b>35</b>	<b>7,094</b>	<b>92</b>	<b>7,481</b>
<i>Source: Bank Data</i>										

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	4	1,598	4	1,598
2020 (Partial)	0	0	0	0	0	0	2	670	2	670
2021	0	0	0	0	0	0	10	4,500	10	4,500
2022	0	0	0	0	0	0	0	0	0	0
2023 (Year-to-Date)	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>6,768</b>	<b>16</b>	<b>6,768</b>
Qualified Grants & Donations	1	2	14	28	42	357	19	326	76	713
<b>Total</b>	<b>1</b>	<b>2</b>	<b>14</b>	<b>28</b>	<b>42</b>	<b>357</b>	<b>35</b>	<b>7,094</b>	<b>92</b>	<b>7,481</b>
<i>Source: Bank Data</i>										

Examples of qualified investments where the bank has been most responsive to community development needs include:

- Multiple large dollar donations provided to a local organization to assist in construction of a

new facility that would provide essential daycare and education services in an underserved middle-income geography. The project fosters economic development through low- or moderate-income job creation, retention, and improvement. This facility is one of few in the assessment area that provides infant care.

- Substantive donations were granted to a local organization to assist in facility construction and improvement that would foster economic development through low- or moderate-income job retention and improvement. This entity also helps support economic development by attracting and promoting tourism, which is essential to small business survival in the assessment area.
- Multiple donations were provided to organizations whose resources are dedicated toward providing community services to low- and moderate-income people for essential living services and to prevent and intervene in the areas substance abuse, domestic violence, and child abuse.

The equity investments that received consideration were not unique and are similar to those generally seen at other institutions.

### **Community Development Services**

The bank received consideration for a total of 90 community development services that primarily consisted of providing support to economic development-related organizations. Decorah Bank & Trust Company personnel provided technical or financial expertise to these organizations in many ways, all related to their employment with the institution. Employees dedicated their time and resources to 24 different organizations over the evaluation period, totaling 3,019 hours of service. Most notably, in a substantial majority of these entities, bank employees served in a board member or officer capacity. Further, examiners recognize that even with the COVID-19 pandemic and its public restrictions having a negative impact on opportunities available for employees to participate, the number of services performed still showed a modest increase compared to the prior evaluation.

Comparable institutions provided between 6 and 105 services; Decorah Bank & Trust Company compares favorably to most of these institutions. The following table illustrates the bank's community development services in each category by activity year. All community development services were provided inside the assessment area.

<b>Community Development Services</b>					
<b>Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Total</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2020 (Partial)	0	2	10	3	<b>15</b>
2021	1	3	12	3	<b>19</b>
2022	2	5	15	6	<b>28</b>
2023 (Year-to-Date)	2	4	17	5	<b>28</b>
<b>Total</b>	<b>5</b>	<b>14</b>	<b>54</b>	<b>17</b>	<b>90</b>
<i>Source: Bank Data</i>					

The following are notable examples of the bank's community development services:

- Bank representatives serve as directors for organizations that are focused on affordable



housing for low- and moderate-income individuals. This is particularly responsive given the assessment area housing needs identified by the community contact.

- A bank representative logged a substantial number of hours assisting an organization with their finances. This entity provides essential daycare and education services in an underserved middle-income geography.
- Multiple bank employees serve as board members, or in other important roles, sharing their technical expertise with various organizations that support economic development efforts in the area to foster low- or moderate-income job creation, retention, and improvement.

Decorah Bank & Trust Company offers retail services that increase access to financial services in the assessment area, which include the alternative services described under this document's Description of Institution. These services are generally free of charge to bank customers, which benefits low- and moderate-income individuals. A checking account is offered with no service fees for the consumer. Although as of 2023, the bank's two offices and five automated teller machines located in Winneshiek County are no longer located in census tracts designated as underserved middle-income geographies, they do continue to service the census tracts surrounding them, which continue to be classified as underserved.

As mentioned previously, the bank participates in various lending programs that aid small businesses, small farms, and potential homeowners. Specific programs utilized during the review period where data was provided included Farm Services Agency, U.S. Department of Agriculture, Farmer Mac, and Veterans Affairs; some of which consist of first-time homebuyer features. The bank originated 30 loans totaling over \$8.7 million during the evaluation period using these programs. Further, the bank granted loans in concert with grant funds offered through Upper Explorerland Regional Planning Commission that targets low- and moderate-income borrowers to develop, redevelop, rehabilitate, and renovate single-family and/or multi-family owner-occupied and rental dwellings. As a result, the bank originated five residential real estate loans, with loan amounts totaling \$492,000.

Decorah Bank & Trust Company implemented measures to accommodate customers affected by the COVID-19 pandemic, including waived non-sufficient fund and overdraft fees. Management also implemented specific loan accommodation programs. While most of these programs ran their course during the last evaluation period, the bank's Consumer and Homeowner Payment Relief programs were still being used by customers at the end of 2020 and into 2021. Such efforts are considered highly responsive to the needs of low- and moderate-income individuals, small businesses, and small farms affected by the pandemic.

Finally, the institution also invests in, and is involved with, numerous other community activities that do not specifically meet the definition of community development; bank personnel are commended for their involvement in these other community events.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

## **APPENDICES**

### **INTERMEDIATE 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).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## 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.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

**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.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**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 Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**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.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**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.