

PUBLIC DISCLOSURE

April 11, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

United Farmers State Bank
Certificate Number: 8821

15 4th Street Southwest
Adams, Minnesota 55909

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

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

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

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the small farm, small business, and home mortgage loans reviewed were located inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

United Farmers State Bank (UFSB), chartered in Adams, Minnesota is wholly owned by Adams Bancshares, Inc., a one bank holding company also located in Adams, Minnesota. UFSB operates its main office in Adams and branch offices in Dexter and Rose Creek, Minnesota. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated March 29, 2017, based on Interagency Small Institution Examination Procedures.

UFSB offers a wide range of loan products, including agricultural, commercial, home mortgage, and consumer loans. UFSB's business focus continues to be agricultural lending, followed by commercial lending. Home mortgage and consumer loans are offered; however, to a much lesser degree. The bank also offers agricultural loans through the Rural Finance Authority, Farm Service Agency, Agricultural Best Management Practices Program, Farmer Mac, and MetLife Investment Management's Agricultural Program. Additionally, UFSB offers commercial loans through the Small Business Administration (SBA), including participation in the SBA Paycheck Protection Program.

The bank continues to have third party relationships to refer long-term mortgage loans to the secondary market, which provides borrowers with long-term financing options. In 2022, the bank referred 12 loans totaling approximately \$1.9 million. Furthermore, the bank participates in the Federal Home Loan Bank's Downpayment Plus Program as well as a local city program to assist in offering down payment and closing cost assistance for low- and moderate-income borrowers.

The institution provides a variety of deposit services including checking, savings, health savings accounts, individual retirement accounts, and certificates of deposit. In addition to traditional banking services, customers have access to online banking, including electronic bill pay and periodic statements, and mobile banking, including mobile deposit.

As of December 31, 2022, assets totaled approximately \$195,449,000, loans totaled \$172,743,000, and deposits totaled \$172,443,000. The bank's loan portfolio distribution is illustrated in the following table.

Loan Portfolio Distribution as of December 31, 2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	2,649	1.5
Secured by Farmland	66,181	38.3
Secured by 1-4 Family Residential Properties	16,738	9.7
Secured by Multifamily (5 or more) Residential Properties	252	0.1
Secured by Nonfarm Nonresidential Properties	16,512	9.6
Total Real Estate Loans	102,332	59.2
Commercial and Industrial Loans	13,092	7.6
Agricultural Production and Other Loans to Farmers	54,229	31.4
Consumer Loans	2,151	1.3
Other Loans	939	0.5
Total Loans	172,743	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. UFSB designated a single contiguous assessment area comprised of all census tracts in Mower County, Minnesota and census tract 5601.00 in the adjacent Mitchell County, Iowa. Since the prior evaluation, bank management expanded the assessment area to include all census tracts in Mower County, as it had previously included only 4 of the 11 census tracts within this county. Mower County is located in the nonmetropolitan area of Minnesota while Mitchell County is located in the nonmetropolitan area of Iowa. UFSB’s offices are located in Mower County.

Economic and Demographic Data

According to 2020 U.S. Census data, the assessment area is comprised of one low-income, one moderate-income, and ten middle-income census tracts. The assessment area does not contain any upper-income census tracts. The following table illustrates 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)	12	8.3	8.3	83.3	0.0	0.0
Population by Geography	43,166	11.3	11.9	76.7	0.0	0.0
Housing Units by Geography	18,556	12.5	10.8	76.7	0.0	0.0
Owner-Occupied Units by Geography	12,390	4.9	7.5	87.6	0.0	0.0
Occupied Rental Units by Geography	4,647	29.8	18.0	52.2	0.0	0.0
Vacant Units by Geography	1,519	21.4	16.0	62.6	0.0	0.0
Businesses by Geography	3,045	14.7	7.6	77.7	0.0	0.0
Farms by Geography	504	0.6	0.2	99.2	0.0	0.0
Family Distribution by Income Level	11,154	22.1	19.1	23.2	35.6	0.0
Median Family Income Nonmetropolitan Minnesota	\$74,737		Median Housing Value			\$126,139
Median Family Income Nonmetropolitan Iowa	\$71,763		Median Gross Rent			\$737
				Families Below Poverty Level		8.2%

*Source: 2020 U.S. Census and 2022 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.*

According to 2022 D&B data, service industries represent the largest portion of business operations at 30.8 percent; followed by non-classifiable establishments at 16.6 percent; and agriculture, forestry, and fishing at 14.2 percent. Additionally, 67.0 percent of assessment area businesses have four or fewer employees, and 90.4 percent operate from a single location.

Examiners used the Federal Financial Institutions Examination Council (FFIEC) estimated median family income to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the 2022 median family income ranges for the nonmetropolitan areas of Minnesota and Iowa.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Nonmetropolitan MN Median Family Income (99999)				
2022 (\$83,600)	<\$41,800	\$41,800 to <\$66,880	\$66,880 to <\$100,320	≥\$100,320
Nonmetropolitan IA Median Family Income (99999)				
2022 (\$78,900)	<\$39,450	\$39,450 to <\$63,120	\$63,120 to <\$94,680	≥\$94,680

Source: FFIEC

Competition

The assessment area is a moderately competitive market for credit products and financial services. According to Consolidated Reports of Condition and Income (Reports of Condition) data filed by financial institutions, there are 17 financial institutions operating 21 locations within the assessment area. These institutions range from small community banks to larger national financial institutions. UFSB is ranked 2nd with 14.9 percent of the deposit market share.

UFSB is not required to collect or report small farm or small business CRA loan data and has elected not to do so. Therefore, examiners did not compare the bank's small farm or small business lending performance to aggregate CRA data within this evaluation. However, the aggregate CRA data provides an indication of the level of demand for small farm and small business loans and the level of competition within the assessment area. According to 2021 aggregate CRA data (most recent available), 13 CRA data reporters collectively reported 155 small farm loans originated within the counties in the assessment area. Additionally, 42 CRA data reporters collectively reported 516 small business loans originated within the counties in the assessment area. These figures do not include the number of loans originated by smaller institutions that are not required to report small farm or small business lending data but operate within the assessment area. The overall volume of small farm and small business lending in the assessment area reflects a highly competitive market.

UFSB also faces significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. UFSB was not required to collect or report home mortgage loan data during the review period and did not elect to do so. Therefore, examiners did not compare the bank's home mortgage lending performance to aggregate Home Mortgage Lending Act (HMDA) data within this evaluation. However, the aggregate HMDA data provides an indication of the level of demand for home mortgage loans and the level of competition within the assessment area. According to 2021 aggregate HMDA data (most recent available), 152 HMDA-reporting institutions originated or purchased 1,698 home mortgage loans in the assessment area also reflecting 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 credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. For this evaluation, examiners reviewed two recently conducted community contact discussions with individuals that serve the assessment area. The first contact is a representative of a government organization while the second contact is a representative of a regional business development organization.

The first contact noted that the agricultural economy of Mower County is excellent. With regards to the farming demographics, the contact noted that the population is getting older; however, there seems to also be more new producers starting the last few years. The contact discussed that larger farms have excellent profitability, while medium to small farms need and rely on off-farm income. The contact further stated that operating-related financing is switching to larger national outfits that use crop insurance to guarantee the loan. Overall, the contact indicated that local bank performance pertaining to agricultural lending has been good.

The second contact noted that during the global pandemic many small businesses failed, and a number of business owners used personal assets in an attempt to stay in business; with small town retail and food services businesses impacted the most. Although some businesses were able to maintain operations, owners faced profit margin reductions and employee shortages. However, the contact stated that, while at home during the pandemic, some people became inspired to start new businesses and create new products. These entrepreneurs and other very small businesses are now seeking funding and may be in need of micro-lending and/or technical assistance. Overall, the contact feels that community banks are doing a good job at meeting the needs of small businesses and small farms in the community.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm, small business, and home mortgage 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 March 29, 2017, to the current evaluation dated April 11, 2023. Examiners used Interagency Small Institution Examination Procedures to evaluate UFSB's CRA performance. These procedures focus on the bank's performance under the Lending Test as outlined in the Small Bank Performance Criteria Appendix.

Activities Reviewed

Examiners determined that the bank's major product line is agricultural loans followed by commercial loans. Home mortgage loans are also a product line, although offered to a far lesser degree. This conclusion considered discussions with management regarding the bank's business strategy, review of bank records of the number and dollar volume of loans originated during the evaluation period, and a review of the Reports of Condition data. When deriving overall conclusions, small farm loans received the most weight followed by small business loans and lastly by home mortgage loans. This is consistent with management's stated business focus and the volume of loans originated.

Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners reviewed all small farm, small business, and home mortgage loans originated or renewed in 2022, as this period was considered representative of the bank's performance during the entire evaluation period. D&B data for 2022 provided a standard of comparison for the bank's small farm and small business lending performance. The 2020 U.S. Census data provided a standard of comparison for the bank's home mortgage lending performance.

For the Lending Test, examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All loans originated inside the assessment area were further reviewed to evaluate the Geographic Distribution criterion. To evaluate the Borrower Profile criterion, examiners reviewed a sample of small farm, small business, and home mortgage loans originated or

renewed inside the assessment area. The table below provides information on the number and dollar volume of loans reviewed.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Farm	467	56,772	60	7,332
Small Business	182	21,827	51	5,082
Home Mortgage	61	10,880	36	5,585
<i>Source: 2022 Bank Data</i>				

While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of farms, businesses, and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

UFSB demonstrated satisfactory performance under the Lending Test. The bank’s performance under the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

The average net loan-to-deposit ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s net loan-to-deposit ratio, calculated from Reports of Condition data, averaged 102.4 percent over the past 24 calendar quarters from March 31, 2017, to December 31, 2022. The ratio ranged from a high of 116.3 percent as of September 30, 2018, to a low of 81.9 percent as of June 30, 2021. As illustrated in the following table, UFSB’s average net loan-to-deposit ratio exceeds all of the comparable institutions. Since 2020, UFSB’s net loan-to-deposit ratio has been trending downward because of an influx of deposits from stimulus payments, although it continues to remain higher than all three comparable institutions. Examiners selected comparable institutions based on their asset size, lending focus, and geographic location.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/22 \$(000s)	Average Net LTD Ratio (%)
First Farmers & Merchants State Bank Brownsdale, MN	98,894	82.6
First Farmers & Merchants State Bank of Grand Meadow Grand Meadow, MN	97,650	88.7
First State Bank Minnesota Le Roy, MN	93,409	72.9
United Farmers State Bank Adams, MN	195,449	102.4
<i>Source: Reports of Condition 3/31/2017 through 12/31/2022</i>		

Assessment Area Concentration

UFSB originated a majority of small farm, small business, and home mortgage loans within the assessment area as shown in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Farm	408	87.4	59	12.6	467	48,940	86.2	7,832	13.8	56,772
Small Business	154	84.6	28	15.4	182	14,374	65.9	7,453	34.1	21,827
Home Mortgage	52	85.2	9	14.8	61	8,526	78.4	2,354	21.6	10,880

Source: 2022 Bank records

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Examiners gave more weight to the reasonable small farm and small business lending performance when forming conclusions. Examiners focused on the percentage of lending by number of loans in the one low-income and one moderate-income census tract within the assessment area.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable penetration throughout the assessment area. The following table shows the bank’s lending in both the low- and moderate-income census tracts is comparable to demographic data. Demographic data indicates that a minimal percentage of farms in the assessment area are located in these census tracts, which limits the bank’s lending opportunities. Overall, the bank’s performance is comparable to demographic data and considered reasonable.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.6	1	0.3	75	0.1
Moderate	0.2	3	0.7	283	0.6
Middle	99.2	404	99.0	48,582	99.3
Totals	100.0	408	100.0	48,940	100.0

Source: 2022 D&B Data; 2022 Bank Data

Small Business Loans

The geographic distribution of small business loans reflects reasonable penetration throughout the assessment area. The following table shows the bank’s lending in both the low- and moderate-income census tracts is lower than demographic data. Management stated, and aggregate CRA data confirmed, the competition for small business loans is significant and affects lending opportunities in these areas. The distance from UFSB’s offices to the low-income and moderate-income census tracts also limits the bank’s ability to penetrate these areas, especially when considering the level of

competition already present. Specifically, examiners’ review of Report of Condition data filed by financial institutions confirmed that nine competing financial institutions operate an office in these two census tracts, which are located in downtown Austin, Minnesota. Further, many of these competing financial institutions engage in small business lending. Considering these factors, performance is considered reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	14.7	9	5.8	1,868	13.0
Moderate	7.6	3	2.0	25	0.2
Middle	77.7	142	92.2	12,481	86.8
Totals	100.0	154	100.0	14,374	100.0

Source: 2022 D&B Data; 2022 Bank Data

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor penetration throughout the assessment area. The following table shows the bank did not originate any home mortgage loans in the low- or moderate-income census tracts. However, it is important to note that UFSB does not have any offices located in or nearby these census tracts as previously mentioned. Further, as management previously stated and examiners confirmed, there is local lending competition from financial institutions operating in the low-income and moderate-income census tracts. The bank’s opportunity to originate home mortgage loans in the low-income and moderate-income census tracts is also limited as only 4.9 percent and 7.5 percent of owner-occupied housing units are located in these census tracts, respectively. These factors help provide some support for the bank’s absence of home mortgage lending in the low- and moderate-income census tract; however, the bank’s lending performance is considered poor.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	4.9	0	0.0	0	0.0
Moderate	7.5	0	0.0	0	0.0
Middle	87.6	52	100.0	8,526	100.0
Total	100.0	52	100.0	8,526	100.0

Source: 2020 U.S. Census; 2022 Bank Data

Borrower Profile

The bank’s lending performance demonstrates reasonable penetration among farms and businesses of different revenue sizes and individuals of different income levels. The bank’s reasonable small farm, small business, and home mortgage lending performance support this conclusion. Examiners focused on the percentage of lending to farms and businesses with gross annual revenues of \$1

million or less. They also focused on the percentage of home mortgage loans to low- and moderate-income borrowers.

Small Farm Loans

The distribution of sampled small farm loans reflects reasonable penetration to farms of different sizes. The following table shows that UFSB’s lending performance to farms with gross annual revenues of \$1 million or less lags demographic data. Management stated that the bank faces strong competition for agricultural loans from agricultural cooperatives, machinery and implement manufacturers, and competing financial institutions in the assessment area. Reports of Condition data, CRA aggregate data, and the community contact confirm the bank operates in a competitive market. Furthermore, according to 2017 Agricultural Census data, the most recent available, 46.3 percent of farms in Mower County did not report interest expenses, indicating that they do not borrow funds for their operations. Given these factors, performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.4	48	80.0	4,320	58.9
>1,000,000	1.2	12	20.0	3,012	41.1
Revenue Not Available	0.4	0	0.0	0	0.0
Total	100.0	60	100.0	7,332	100.0

Source: 2022 D&B Data; 2022 Bank Data

Small Business Loans

The distribution of sampled small business loans reflects reasonable lending penetration to businesses with gross annual revenues of \$1 million or less. The following table shows the bank’s lending performance to businesses with gross annual revenues of \$1 million or less is slightly lower, but still considered comparable to, demographic data, and considered reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.7	40	78.4	3,722	73.2
>1,000,000	4.3	11	21.6	1,360	26.8
Revenue Not Available	11.0	0	0.0	0	0.0
Totals	100.0	51	100.0	5,082	100.0

Source: 2022 D&B Data; 2022 Bank Data

Home Mortgage Loans

The distribution of sampled 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 performance to low-income borrowers is lower than demographic data and performance to moderate-income borrowers exceeds demographic data. Although lending performance to low-income borrowers is lower than demographic data, it is often difficult for these

borrowers to obtain a home mortgage loans given the requirements of obtaining such loans. In addition, 8.2 percent of families in the assessment area live below the poverty level. Examiners confirmed that based on calculations derived from the average median housing value within the assessment area and industry-standard underwriting criteria, these individuals are more likely to experience difficulty in qualifying for home mortgage loans due to monthly payment and down-payment requirements. Overall, the distribution of home mortgage lending to individuals of different income levels is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	22.1	3	8.3	347	6.2
Moderate	19.1	10	27.8	1,183	21.2
Middle	23.2	6	16.7	989	17.7
Upper	35.6	13	36.1	2,726	48.8
Not Available	0.0	4	11.1	340	6.1
Totals	100.0	36	100.0	5,585	100.0

Source: 2020 U.S. Census; 2022 Bank Data

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.