

PUBLIC DISCLOSURE

January 3, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Lake Central Bank
Certificate Number: 10989

40 Chestnut Street West
Annandale, Minnesota 55302

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.

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

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank originated a majority of its home mortgage loans in its assessment area. The bank originated a majority of its small business loans in its assessment area in 2021, but less than a majority in its assessment area in 2022.
- The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Lake Central Bank is headquartered in Annandale, Minnesota and operates a full-service branch in Clearwater, Minnesota. Lake Central Bank is wholly owned by Lake Central Financial, Inc., a two-bank holding company. The bank is affiliated with State Bank of Danvers, which was acquired in August 2023 by Lake Central Financial, Inc. There are no other lending subsidiaries or affiliates. Lake Central Bank received a Satisfactory rating at the previous FDIC CRA Performance Evaluation, dated February 27, 2018, using Interagency Small Institution Examination Procedures.

Lake Central Bank offers a variety of traditional loan products with its primary focus on home mortgage and commercial lending. Other lending products include consumer and agricultural loans. The bank's business focus remains generally unchanged since the previous examination, although changes in lending activity were noted during the review period as discussed in the applicable sections below. Lake Central Bank offers traditional deposit products, including checking, savings, and certificates of deposit accounts. Alternative banking services offered include wire transfer services, mobile banking, online banking, debit and ATM cards, as well as access to bank-owned ATMs and a wide network of non-proprietary ATMs.

As of September 30, 2023, the bank's assets totaled approximately \$217.1 million, loans totaled \$117.1 million, and deposits totaled \$205.5 million. The following table illustrates Lake Central Bank's loan distribution.

Loan Portfolio Distribution as of 09/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	4,917	4.2
Secured by Farmland	3,755	3.2
Secured by 1-4 Family Residential Properties	42,936	36.7
Secured by Multifamily (5 or more) Residential Properties	2,500	2.1
Secured by Nonfarm Nonresidential Properties	23,332	19.9
Total Real Estate Loans	77,440	66.1
Commercial and Industrial Loans	21,651	18.5
Agricultural Production and Other Loans to Farmers	1,151	1.0
Consumer Loans	15,060	12.9
Obligations of State and Political Subdivisions in the U.S.	1,788	1.5
Other Loans	4	<1.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Loans	117,094	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 financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. Lake Central Bank designated a single assessment area in south central Minnesota that includes selected census tracts in Meeker, Sherburne, Stearns, and Wright counties. Sherburne and Wright counties are part of the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin Metropolitan Statistical Area (MSA); Stearns County is part of the St. Cloud, Minnesota MSA, and Meeker County is part of the nonmetropolitan portion of Minnesota. The assessment area changed from the previous evaluation to include a census tract in Meeker County.

Economic and Demographic Data

The assessment area is defined as census tract 303.02 in Sherburne County, census tract 5601.00 in Meeker County, census tracts 112.01 and 112.02 in Stearns County, and census tracts 1003.00, 1004.01, 1004.02, 1005.00, 1012.00, and 1013.00 in Wright County. According to the 2020 U.S. Census data, two census tracts in the assessment are designated moderate-income and the remaining eight census tracts are designated middle-income. This is a change from the previous evaluation when the assessment area included only middle-income census tracts. The 2020 U.S. Census resulted in two of the census tracts transitioning to moderate income. The following table shows select demographic characteristics of the assessment area according to the 2020 U.S. Census.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.0	20.0	80.0	0.0	0.0
Population by Geography	40,040	0.0	21.3	78.7	0.0	0.0
Housing Units by Geography	18,079	0.0	20.4	79.6	0.0	0.0
Owner-Occupied Units by Geography	12,852	0.0	18.3	81.7	0.0	0.0
Occupied Rental Units by Geography	2,129	0.0	37.9	62.1	0.0	0.0
Vacant Units by Geography	3,098	0.0	17.1	82.9	0.0	0.0
Businesses by Geography	4,038	0.0	21.8	78.2	0.0	0.0
Farms by Geography	467	0.0	15.8	84.2	0.0	0.0
Family Distribution by Income Level	10,717	19.4	18.7	27.3	34.6	0.0
Household Distribution by Income Level	14,981	21.3	16.3	20.7	41.7	0.0
Median Family Income - Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA		\$103,977	Median Housing Value			\$246,726
Median Family Income - St. Cloud, Minnesota MSA		\$80,403	Median Gross Rent			\$839
Median Family Income – Nonmetropolitan Minnesota		\$74,737	Families Below Poverty Level			4.0%

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, the services industry represents the largest portion of business operations in the assessment area, at 29.2 percent; followed by non-classifiable establishments at 16.2 percent; construction at 15.0 percent; agriculture, forestry, and fishing at 10.5 percent; and finance, insurance, and real estate at 9.0 percent. Additionally, 71.8 percent of assessment area businesses have four or fewer employees, and 95.0 percent of businesses operate from a single location.

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

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA Median Family Income				
2021 (\$100,600)	<\$50,300	\$50,300 to <\$80,480	\$80,480 to <\$120,720	≥\$120,720
2022 (\$117,800)	<\$58,900	\$58,900 to <\$94,240	\$94,240 to <\$141,360	≥\$141,360
St. Cloud, Minnesota MSA Median Family Income				
2021 (\$79,000)	<\$39,500	\$39,500 to <\$63,200	\$63,200 to <\$94,800	≥\$94,800
2022 (\$88,500)	<\$44,250	\$44,250 to <\$70,800	\$70,800 to <\$106,200	≥\$106,200
Nonmetropolitan Minnesota Median Family Income				
2021 (\$72,400)	<\$36,200	\$36,200 to <\$58,240	\$58,240 to <\$86,880	≥\$86,880
2022 (\$83,600)	<\$41,800	\$41,800 to <\$66,880	\$66,880 to <\$100,320	≥\$100,320
<i>Source: FFIEC</i>				

Competition

Considering the small size of the assessment area, Lake Central Bank operates in a moderately competitive market for credit products. According to Reports of Condition and Income data filed by financial institutions, there were nine financial institutions operating within the assessment area. These institutions are primarily small community banks. Lake Central Bank is ranked 3rd with 18.4 percent of the deposit market share.

Lake Central Bank faces significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. The bank 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 2022 aggregate HMDA data, 183 HMDA-reporting institutions originated or purchased 1,262 home mortgage loans in the assessment area, reflecting a highly competitive market.

Lake Central Bank is also not required to collect or report small business CRA loan data and has elected not to do so. Therefore, examiners did not compare the bank's small business lending performance to aggregate CRA data within this evaluation. However, the aggregate CRA data provides an indication of the level of demand for small business loans and the level of competition within the assessment area. According to 2021 aggregate CRA data (most recent available), 100 CRA data reporters collectively reported 7,773 small business loans originated within the assessment area. This figure does not include the number of loans originated by smaller institutions that are not required to report small business lending data but operate within the assessment area. The overall volume of small business lending within the assessment area reflects a highly competitive market.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs. This information helps determine whether financial institutions are responsive to these needs. It also helps reveal what credit opportunities are available. For the current evaluation, examiners conducted a community contact with a representative of a local economic development agency that serves the assessment area.

The contact noted that parts of Wright County remain rural in nature, but communities along the Interstate 94 corridor are growing and businesses are expanding. Some local businesses are experiencing labor shortages and retention issues as the majority of residents commute outside the county for employment. As a result, the county is focusing on workforce development in an effort to encourage residents to find employment within the county. The contact also noted there are record numbers of market rate single-family homes being built in the larger communities; however, there is a continuing need for affordable housing in nearly all communities within the area. Furthermore, the county has a low vacancy rate and a low turnover of existing housing stock, making it difficult for lower income families to find housing. Overall, the contact stated there were a large number of banks in the area, and felt that housing development loans were the primary credit need of the community, but the home mortgage and small business loans are always needed. The contact added that all area financial institutions are receptive to the credit needs and there are no unmet needs.

Credit Needs

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated February 27, 2018, to the current evaluation dated January 3, 2024. Examiners used Interagency Small Institution Examination Procedures to evaluate Lake Central Bank's CRA performance. The procedures focus on the bank's performance under the Lending Test, as outlined in the Small Bank Performance Criteria Appendix.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business lending. This conclusion is based on discussions with bank management, review of bank records for the number and dollar volume of loan originations during the evaluation period, as well as a review of the Reports of Condition and Income. Consistent with management's assertion that home mortgage loans are the bank's primary business focus, home mortgage loans received greater weight when arriving at overall conclusions. Examiners did not evaluate agricultural or consumer lending activities as these product categories represents minimal portions of the loan portfolio and do not provide material support for conclusions.

Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period when considering changes in the economy and other economic factors. Specifically, home mortgage lending activity decreased from 2021 to 2022 due to increased interest rates and home purchase prices. In addition, commercial lending increased for the same time period due to an adjustment in the lending focus in 2022 to address the decline in home loan applications. Specifically, the bank used excess funds to purchase commercial loans that would have otherwise been lent for home mortgage lending. Due to the change in lending focus, examiners reviewed all home mortgage and small business loans originated or renewed in 2021 and 2022. An analysis of the prior two calendar years provides a better indication of the bank's lending performance during the entire evaluation period, especially when considering the bank's commercial loan purchase activity in 2022.

When analyzing the bank's 2021 home mortgage lending performance, 2015 American Community Survey (ACS) data provided a standard of comparison, while 2020 U.S. Census data provided a standard of comparison for the bank's 2022 home mortgage lending performance. D&B data for 2021 and 2022 provided a standard of comparison for the bank's small business lending performance. Examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All home mortgage and small business loans inside the assessment area were further reviewed to evaluate the Geographic Distribution criterion. Examiners reviewed a sample of home mortgage loans originated within the assessment area in 2021, and all home mortgage loans originated in the assessment area in 2022, to evaluate Borrower Profile performance. In addition, examiners reviewed a sample of small business loans originated within the assessment area in 2021 and 2022 to evaluate Borrower Profile performance. The following table provides information on the number and dollar volume of loans reviewed.

Loan Products Reviewed				
Loan Category	Universe		Reviewed/Sampled	
	#	\$(000s)	#	\$(000s)
Home Mortgage				
2021	100	26,790	41	12,016
2022	42	11,443	31	9,100
Small Business				
2021	196	14,134	51	2,483
2022	109	12,104	30	2,729

Source: Bank Data

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

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Lake Central Bank demonstrated reasonable performance under the Lending Test. The bank's performance under all of the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given the institutions size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio, calculated from Reports of Condition and Income data, averaged 54.2 percent over the past 23 quarters from March 31, 2018, through September 30, 2023. The ratio ranged from a high of 63.7 percent as of September 30, 2019, to a low of 39.7 percent as of December 31, 2021. The net loan-to-deposit ratio is comparable to similarly-situated institutions as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2023 (\$000s)	Average Net Loan-to- Deposit Ratio (%)
Lake Central Bank, Annandale, Minnesota	217,058	54.2
Harvest Bank, Kimball, Minnesota	223,873	73.4
Home State Bank, Litchfield, Minnesota	199,283	58.6
BankWest, Rockford, Minnesota	244,750	45.7

Source: Reports of Condition and Income 03/31/2018 through 9/30/2023

Assessment Area Concentration

Lake Central Bank originated a majority of its home mortgage and small business loans within its assessment area, although a majority of small business loans in 2022 were originated outside the assessment area. Management stated that a reduced demand for home mortgage loans due to rising interest rates and home prices in 2022 resulted in fewer home mortgage loans originated in comparison

to 2021 home mortgage lending. A community contact confirmed that increased home prices, higher interest rates, and a lack of affordable housing has decreased the demand for home mortgage loans in the assessment area. As a business strategy, when home mortgage loan demand is limited, management invests available funds in small business lending which resulted in purchasing participation loans, both inside and outside the assessment area. A review of 2022 small business loans revealed that purchased loans account for approximately 25 percent of all small business loans, with several large credits located outside of the bank’s assessment area. Although the number of small business loans was larger in 2021 than 2022, approximately 67.0 percent of those loans were originated under the SBA’s Paycheck Protection Program, an anomaly for that year and not representative of the bank’s typical small business lending patterns. Examiners considered this performance context data, loan demand, and community contact comments when evaluating the performance. The following table illustrates the bank’s performance.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	66	66.0	34	34.0	100	17,616	65.8	9,174	34.2	26,790
2022	31	73.8	11	26.2	42	9,100	79.5	2,343	20.5	11,443
Small Business										
2021	132	67.3	64	32.7	196	5,774	40.8	8,360	59.2	14,134
2022	47	43.1	62	56.9	109	4,817	39.8	7,287	60.2	12,104
<i>Source: Bank Data</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank’s reasonable home mortgage and excellent small business lending performance supports the overall conclusion. Examiners focused on the percentage of the bank’s home mortgage and small business lending in the moderate-income census tracts for 2022 loans. The assessment area did not include any low- and moderate-income geographies in 2021; therefore, an analysis of the bank’s 2021 lending would not result in a meaningful conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage lending reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank’s lending performance in moderate-income census tracts is similar to demographic data.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate	18.3	7	22.6	1,555	17.1
Middle	81.7	24	77.4	7,545	82.9
Total	100.0	31	100.0	9,100	100.0
<i>Source: 2020 U.S. Census Data; 2022 Bank Data</i>					

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. As shown in the following table, the bank’s lending performance in moderate-income census tracts exceeds demographic data.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	21.9	15	31.9	1,104	22.9
Middle	78.1	32	68.1	3,713	77.1
Total	100.0	47	100.0	4,817	100.0
<i>Source: 2022 D&B Data; 2022 Bank Data</i>					

Borrower Profile

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

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. As shown in the following table, the bank’s lending to low-income borrowers lags demographic data in 2021 and is comparable to demographic data in 2022. Lending to moderate-income borrowers exceeds demographic data in both years. Management indicated that high median housing values coupled with higher interest rates has resulted in a decline of home mortgage demand from low- and moderate-income borrowers. Additionally, as stated previously, the community contact noted that there is a shortage of affordable homes throughout the assessment area. Interest rates in 2022 experienced excessive increases, which created additional challenges for qualifying low- and moderate-income individuals based on standard underwriting criteria. Overall, considering these factors, the bank’s performance is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2021	18.6	5	12.2	705	5.9
2022	19.4	5	16.1	1,344	14.8
Moderate					
2021	21.0	11	26.8	1,749	14.6
2022	18.7	9	29.0	3,163	34.8
Middle					
2021	26.4	8	19.5	1,332	11.1
2022	27.3	3	9.7	614	6.7
Upper					
2021	34.0	15	36.6	7,480	62.2
2022	34.6	13	42.0	3,779	41.5
Income Not Available					
2021	0.0	2	4.9	750	6.2
2022	0.0	1	3.2	200	2.2
Total					
2021	100.0	41	100.0	12,016	100.0
2022	100.0	31	100.0	9,100	100.0
<i>Source: 2015 ACS Data; 2020 U.S. Census Data; Bank Data</i>					

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less. The following table illustrates the bank's lending performance to businesses with gross annual revenues of \$1 million or less is comparable to demographic data in 2021, but then lags demographic data in 2022. As previously stated, the assessment area is highly competitive for small business loans. Additionally, the community contact confirmed that financial institutions serving the area are meeting the needs of the assessment area. Also, management invested excess funds into commercial participation loans in response to declined home mortgage loan demand and participation loans are typically to higher revenue businesses. Considering these factors, performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2021	89.5	45	88.2	2,217	89.3
2022	90.9	16	53.3	988	36.2
> \$1,000,000					
2021	4.0	6	11.8	266	10.7
2022	3.2	14	46.7	1,741	63.8
Revenue Not Available					
2021	6.5	0	0.0	0	0.0
2022	5.9	0	0.0	0	0.0
Totals					
2021	100.0	51	100.0	2,483	100.0
2022	100.0	30	100.0	2,729	100.0
<i>Source: 2021 & 2022 D&B Data; Bank Data</i>					

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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