

PUBLIC DISCLOSURE

February 5, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Security State Bank
Certificate Number: 15749

117 N 3rd St
Emery, South Dakota 57332

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

1100 Walnut St, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

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

The following points summarize the institution's Community Reinvestment Act (CRA) performance:

- The loan-to-deposit ratio is less than reasonable given the bank's size, financial condition, and assessment areas' credit needs.
- The bank originated a substantial majority of its small farm and small business loans inside its assessment areas.
- The geographic distribution criterion was not evaluated as the bank's assessment areas are comprised solely of middle- and upper-income geographies. As a result, the analysis would not result in meaningful conclusions.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes.
- The institution has not received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DESCRIPTION OF INSTITUTION

The Security State Bank continues to operate from its main office in Emery, South Dakota, along with its sole branch in Canistota, South Dakota. Emery Security Bancorporation, Inc., Emery, South Dakota, a one-bank holding company owns 100 percent of the institution. The institution has not opened or closed any branches, and no merger or acquisition activities have occurred since the previous evaluation. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated February 13, 2018, based on Interagency Small Institution Examination Procedures.

The bank continues to offer traditional credit products including agricultural, commercial, and consumer loans, with agricultural and commercial lending being its primary focus. Additionally, the bank offers credit cards for business and consumer purposes. The bank also offers loans with guarantees from the Small Business Administration (SBA). As of the date of the evaluation, The Security State Bank has one SBA guaranteed loan on its books. Furthermore, the institution participated in government-sponsored loan programs designed to assist small businesses and farms. Specifically, the bank originated approximately 95 loans totaling approximately \$1.9 million through the SBA Paycheck Protection Program, which assisted small business and farms struggling

with the impact of the Coronavirus pandemic. The institution also provides a variety of traditional deposit services including checking, savings, and certificates of deposit. The bank operates two automated teller machines in Emery and Canistota. Finally, the bank also provides online banking as an alternative banking service.

As of December 31, 2023, the institution reported total assets of \$59.2 million, total loans of \$14.6 million, and total deposits of \$49.6 million. The table below illustrates the bank’s loan portfolio.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	2,028	13.9
Secured by 1-4 Family Residential Properties	0	0.0
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	410	2.8
Total Real Estate Loans	2,438	16.7
Commercial and Industrial Loans	7,083	48.5
Agricultural Production and Other Loans to Farmers	3,657	25.0
Consumer Loans	1,423	9.7
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	14,601	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 assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance is evaluated. The Security State Bank operates in two assessment areas in South Dakota, hereafter referred to as the Emery Assessment Area and the Canistota Assessment Area. The Emery Assessment Area is part of nonmetropolitan South Dakota, and the Canistota Assessment Area is part of the Sioux Falls, South Dakota-Minnesota Metropolitan Statistical Area (MSA). There have been no changes to either assessment area since the prior evaluation. Examiners analyzed the bank’s performance in each assessment area separately. Additional information on the individual assessment areas is presented later in the evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated February 13, 2018, to the current evaluation dated February 5, 2024. Examiners used Interagency Small Institution Examination Procedures to evaluate The Security State Bank’s CRA performance.

Examiners used full-scope examination procedures to assess the bank’s performance in both assessment areas. To assess overall performance, examiners gave greater weight to the bank’s performance in the Emery Assessment Area, since the majority of the loans and deposits are located in this assessment area. The following table provides a breakdown of loans, deposits, and branches by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Emery Assessment Area	9,861	72.6	35,604	61.6	1	50.0
Canistota Assessment Area	3,716	24.7	22,150	38.4	1	50.0
Total	13,577	100.0	\$57,754	100.0	2	100.0

Source: Bank Data; FDIC Summary of Deposits (06/30/2023)

Activities Reviewed

The bank’s primary lending focus is agricultural and commercial. This conclusion considered the bank’s business strategy, volume of loans originated during the evaluation period, and data from Reports of Condition and Income. Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners analyzed small farm and small business loans originated, extended, and renewed in 2023, for the Assessment Area Concentration criterion. Specifically, examiners reviewed 41 small farm loans totaling \$5.2 million and 25 small business loans totaling \$2.8 million. For the Borrow Profile criterion, examiners reviewed all 39 small farm loans in the assessment areas totaling \$4.5 million and all 24 small business loans in the assessment areas totaling \$2.6 million. D&B data for 2023 provided a standard of comparison for small business and small farm lending.

The bank’s small farm and small business lending performance were given equal weight to overall conclusions since they are both the bank’s primary lending focus. While both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of farms and businesses served. Home mortgage loans were not included in the review, as the bank has not originated any since the prior evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Security State Bank demonstrated satisfactory performance under the Lending Test. The bank's performance under the Assessment Area Concentration and Borrower Profile criteria support this conclusion.

Loan-to-Deposit Ratio

The Security State Bank's loan-to-deposit ratio is less than reasonable given the institution's size, financial condition, and credit needs of the assessment areas. The bank's net loan-to-deposit ratio, calculated from Reports of Condition and Income (Call Report) data, averaged 37.1 percent over the past 24 quarters from March 31, 2018 to December 31, 2023. Examiners compared The Security State Bank's average net loan-to-deposit ratio to four other institutions. The comparable institutions were generally selected based on asset size and portfolio composition, as there were few similarly situated institutions in the geographic location. Comparable institutions' average net loan-to-deposit ratio ranged from 32.1 percent to 65.3 percent. Although the bank's average net loan-to-deposit is above one of the comparable banks, the ratio is notably lower than the average net loan-to-deposit ratio at the prior evaluation when it was 47.4 percent.

The bank's ratio ranged from a low of 24.7 percent to a high of 52.3 percent. The loan-to-deposit ratio has generally trended downward since the prior examination, due to the consistent decline in net loans and growth in total deposits. While most comparable institutions have also experienced a decline in the loan-to-deposit ratio, net loans and total deposits have both grown with the total deposits growth outpacing net loans growth.

Management indicated that lending requests have declined due to decreasing populations and farm consolidations. The bank has denied very few loan requests since the prior evaluation, which shows that the bank is willing to lend, and its loan policies are not restrictive. Management also noted that several of its larger farm loans have gone to Farm Credit Services over the last several years due to lower interest rates. Discussions also reveal the bank has not been actively marketing in newspapers or print in its assessment area due to local newspapers becoming defunct. Nonetheless, the bank has been active in its communities sponsoring several community events and school functions. Furthermore, Board and management members are on the local economic development committee. In addition, the bank holds large deposits of public funds.

The factors detailed above help to explain the institution's low loan-to-deposit ratio; nevertheless, it is still considered less than reasonable given the bank's asset size and comparisons to the performances of similarly situated financial institutions. However, this assessment did not affect the bank's overall CRA rating of Satisfactory.

Assessment Area Concentration

As detailed in the following table, The Security State Bank made a substantial majority of its small farm and small business loans within its assessment areas.

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 Farm	39	95.1	2	4.9	41	4,545	88.2	610	11.8	5,155
Small Business	24	96.0	1	4.0	25	2,566	90.4	273	9.6	2,839

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

Geographic Distribution

The assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. Examiners focused on the percentage of loans to farms and businesses with gross annual revenues of \$1 million or less. The bank’s reasonable performance in both assessment areas supports this conclusion. Detailed discussion of the bank’s performance under this criterion is included in the individual assessment areas section of this evaluation.

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.

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.

EMERY ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN EMERY ASSESSMENT AREA

The Emery Assessment Area is within nonmetropolitan eastern South Dakota. Specifically, the assessment area includes all Hanson County. The bank has its main office in the assessment area located in Emery.

Economic and Demographic Data

The following table provides select demographic characteristics for the assessment area.

Demographic Information of the Emery Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1	0.0	0.0	100.0	0.0	0.0
Population by Geography	3,461	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	1,210	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	912	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	127	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	171	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	476	0.0	0.0	100.0	0.0	0.0
Farms by Geography	101	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	742	14.7	18.1	21.6	45.7	0.0
Household Distribution by Income Level	1,039	16.8	18.9	16.6	47.7	0.0
Median Family Income Non-MSAs - SD		\$73,083	Median Housing Value			\$139,900
			Median Gross Rent			\$715
			Families Below Poverty Level			6.5%
<small>Source: 2020 U.S. Census and 2023 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.</small>						

According to 2023 D&B data, the service industry represents the largest portion of the business sector in the assessment area at 24.4 percent and is followed by non-classifiable establishments and agricultural, forestry, and fishing at 21.8 and 17.5 percent, respectively. The majority of businesses are small with 93.1 percent operating from a single location and 67.8 percent employing four or less employees. The assessment area is dependent on the agricultural economy, and area farmers have experienced fair yields and commodity prices in recent years. In addition to agriculture, the area economy includes various employment sectors, such as healthcare, education, and manufacturing. Furthermore, the sole census tract in the assessment area has been considered a distressed county due to population loss every year since the prior evaluation.

Competition

The Security State Bank operates in a semi-competitive banking market, given the population and rural nature of the assessment area. Per the FDIC Deposit Market Share data as of June 30, 2023, three financial institutions operate three offices within Hanson County. Of these institutions, The Security State Bank ranked second with deposit market share of 33.4 percent.

Community Contact

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

For this evaluation, examiners conducted an interview with a representative that works in agriculture throughout the area. The contact stated that many of the businesses in the area are focused on agriculture, which is the primary credit need in the area. Due to drier weather in recent years, yields have been lower than anticipated; however, commodity prices have not been as impacted. The area is diversified in row crops as well as livestock. The contact also indicated that the cost of housing has continued to increase during the evaluation period. Finally, the contact stated that local financial institutions are responsive to the credit needs in the assessment area and making credit readily available.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that agricultural lending represents the primary credit need in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN EMERY ASSESSMENT AREA

LENDING TEST

The Security State Bank demonstrated reasonable performance under the Lending Test in the Emery Assessment Area. The bank's reasonable borrower profile performance supports this conclusion.

Geographic Distribution

The assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration throughout the Emery Assessment Area. The bank's reasonable small farm and small business lending performances support this conclusion.

Small Farm

The distribution reflects reasonable penetration among farms of different sizes throughout the assessment area. The bank’s performance in lending to farms with gross annual revenues less than or equal to \$1 million is similar to D&B data for the area.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	95.1	22	91.7	3,259	86.7
>\$1,000,000	4.9	2	8.3	500	13.3
Revenue Not Available	0.0	0	0.0	0	0.0
Total	100.0	24	100.0	3,759	100.0

Source: 2023 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%

Small Business

The distribution of borrowers reflects reasonable penetration among businesses of different sizes throughout the assessment area. The bank’s performance in lending to business with gross annual revenues less than or equal to \$1 million is comparable to D&B data for the area.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	85.9	7	77.8	209	35.5
>\$1,000,000	2.7	2	22.2	380	64.5
Revenue Not Available	11.4	0	0.0	0	0.0
Total	100.0	9	100.0	589	100.0

Source: 2023 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%

CANISTOTA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN CANISTOTA ASSESSMENT AREA

The Canistota Assessment Area is comprised of the southern half of McCook County and is the western edge of the Sioux Falls, South Dakota-Minnesota MSA. The bank has one branch in the assessment area located in Canistota.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Canistota Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1	0.0	0.0	100.0	0.0	0.0
Population by Geography	2,551	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	1,118	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	738	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	219	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	161	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	357	0.0	0.0	100.0	0.0	0.0
Farms by Geography	86	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	609	13.3	22.2	36.0	28.6	0.0
Household Distribution by Income Level	957	17.7	18.6	24.6	39.2	0.0
Median Family Income MSA - 43620 Sioux Falls, SD MSA		\$84,874	Median Housing Value			\$150,400
			Median Gross Rent			\$584
			Families Below Poverty Level			4.3%
<i>Source: 2020 U.S. Census and 2023 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Competition

The Security State Bank operates in a semi-competitive banking market, given the population and rural nature of the assessment area. Per the FDIC Deposit Market Share data as of June 30, 2023, four financial institutions operate five offices within the assessment area. Of these institutions, The Security State Bank ranked fourth with deposit market share of 10.5 percent.

Credit and Community Development Needs and Opportunities

Considering information from the bank management and demographic and economic data, examiners determined that agricultural and commercial lending represent the primary credit needs in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN CANISTOTA ASSESSMENT AREA

LENDING TEST

The Security State Bank demonstrated reasonable performance under the Lending Test in the Canistota Assessment Area. The bank's reasonable borrower profile performance supports this conclusion.

Geographic Distribution

The assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration throughout the Canistota Assessment Area. The bank’s excellent small farm and poor small business lending performances support this conclusion.

Small Farm

The distribution of borrowers reflects excellent penetration among farms of different sizes throughout the assessment area. All 15 small farm loans reviewed originated in the Canistota Assessment Area were to farms with gross annual revenue of \$1 million or less. The comparable D&B data reveals that 98.8 percent of the farms in this assessment area have gross annual revenue of \$1 million or less.

Small Business

The distribution of borrowers reflects poor penetration among businesses of different sizes throughout the assessment area. The bank’s performance in lending to businesses with gross annual revenues less than or equal to \$1 million is less than D&B data for the area. It was also noted that small business loans were only originated to nine specific borrowers, five of which were to businesses with gross annual revenues less than or equal to \$1 million and four of which were to businesses with gross annual revenues greater than \$1 million. While the lower number of specific borrowers may influence the data, the performance is still considered poor.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	93.0	8	53.3	436	22.1
>\$1,000,000	1.4	7	46.7	1,541	77.9
Revenue Not Available	5.6	0	0.0	0	0.0
Total	100.0	15	100.0	1,977	100.0

Source: 2023 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%

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 institution'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 institution 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.