

PUBLIC DISCLOSURE

February 12, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Tustin Community Bank
Certificate Number: 32908

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Tustin, California 92780

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

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

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INSTITUTION RATING

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

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

The following factors summarize the bank's Lending Test performance.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and AA credit needs.
- The institution originated and purchased a majority of its consumer automobile loans within the AA.
- The geographic distribution of consumer automobile loans reflects excellent dispersion throughout the AA.
- The distribution of borrowers reflects excellent penetration of loans among 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 overall rating.

DESCRIPTION OF INSTITUTION

Tustin Community Bank (TCB) is a single branch institution located in Tustin, California. TCB is a wholly owned subsidiary of Saddleback Bancorp, a single-bank holding company also headquartered in Tustin, California. The institution does not have any affiliates relevant to the CRA evaluation. TCB received an Outstanding CRA rating at its previous FDIC Performance Evaluation dated February 5, 2018 using Interagency Small Institution Examination Procedures. The institution has not engaged in any merger or acquisition activity since the prior evaluation, nor has it opened or closed any branch offices since the prior evaluation.

TCB’s primary business focus is consumer lending, specifically indirect automobile lending. To meet the credit needs of its AA, the bank partners with approximately 295 dealerships to support financing for LMI communities and individuals in need of automobile loans. The bank offers lending products such as consumer loans; commercial real estate loans, lines of credit, construction; and commercial loans and lines of credit. TCB offers products and services for both business and consumers such as: money market products, certificates of deposits, retirement accounts, and treasury services. TCB also offers alternative services for its consumers to assist with additional banking needs, such as: electronic statements, payments by ACH or debit card, online banking, and wire services.

During the COVID-19 pandemic, the bank originated 100 SBA Payment Protection Program (PPP) loans, totaling \$11.3 million in 2020 and 110 loans in 2021 totaling \$9.5 million. The December 31, 2023 Call Report reflects \$75.4 million in total assets, \$58.8 million in total loans, and \$60.4 million in total deposits. The following table depicts the institution’s loan portfolio distribution.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	5,885	10.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	6,504	11.1
Secured by Multifamily (5 or more) Residential Properties	7,477	12.7
Secured by Nonfarm Nonresidential Properties	10,543	17.9
Total Real Estate Loans	30,409	51.7
Commercial and Industrial Loans	2,573	4.4
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	25,760	43.8
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)	31	0.1
Less: Unearned Income	0	0.0
Total Loans	58,773	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the institution’s ability to meet AA credit needs.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA consist of the entirety of Los Angeles, Orange, San Bernardino, and Riverside Counties. TCB's AA changed since the prior evaluation, where the AA previously included the entirety of Orange County but portions of Los Angeles, San Bernardino, and Riverside Counties.

Economic and Demographic Data

According to the 2020 U.S. Census, the AA consists of 226 low-, 1,138 moderate-, 1,288 middle-, 1,350 upper-income census tracts, and 94 tracts with no income designations. The following table contains relevant demographic information for the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4,096	5.5	27.8	31.4	33.0	2.3
Population by Geography	17,800,837	4.9	28.0	32.6	33.4	1.1
Housing Units by Geography	6,227,476	4.7	25.9	31.8	36.5	1.1
Owner-Occupied Units by Geography	3,011,733	1.6	18.4	33.6	46.0	0.4
Occupied Rental Units by Geography	2,737,275	8.0	34.4	30.2	25.6	1.7
Vacant Units by Geography	478,468	4.5	24.6	30.1	38.7	2.1
Businesses by Geography	2,439,607	3.3	19.5	29.5	45.5	2.2
Farms by Geography	27,716	2.8	19.0	32.2	44.8	1.2
Family Distribution by Income Level	3,982,791	23.2	16.7	18.3	41.8	0.0
Household Distribution by Income Level	5,749,008	25.3	15.4	17.0	42.4	0.0
Median Family Income MSA - 11244 Anaheim-Santa Ana-Irvine, CA		\$106,451	Median Housing Value			\$610,568
Median Family Income MSA - 31084 Los Angeles-Long Beach-Glendale, CA		\$80,317	Median Gross Rent			\$1,631
Median Family Income MSA - 40140 Riverside-San Bernardino-Ontario, CA MSA		\$76,686	Families Below Poverty Level			9.8%
<i>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.</i>						

The FFIEC publishes annual estimates of updated median family incomes by MSA or MD. The table on the following page lists the FFIEC-estimated median family incomes in the AA for 2023.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Anaheim-Santa Ana-Irvine, CA Median Family Income (11244)				
2023 (\$127,800)	<\$63,900	\$63,900 to <\$102,240	\$102,240 to <\$153,360	≥\$153,360
Los Angeles-Long Beach-Glendale, CA Median Family Income (31084)				
2023 (\$98,200)	<\$49,100	\$49,100 to <\$78,560	\$78,560 to <\$117,840	≥\$117,840
Riverside-San Bernardino-Ontario, CA MSA Median Family Income (40140)				
2023 (\$94,500)	<\$47,250	\$47,250 to <\$75,600	\$75,600 to <\$113,400	≥\$113,400
<i>Source: FFIEC</i>				

Los Angeles County

As of November 2023, Moody’s Analytics indicates that economic activity for Los Angeles County is slowing down. The area’s leading provider for new jobs is healthcare, followed by construction and leisure/hospitality. Notable employment declines are in technology and film sectors, where the technology industry has experienced waves of layoffs while the film industry recovers from a prolonged strike. The area’s strengths include one of the largest ports in the United States, where over one third of United States imports pass through. One of the area’s weaknesses are high costs that negatively impact net migration gains.

Population demographics continue to decline. Net migration from California has increased since 2018, with totaling net outflow surpassing 382,000 persons. House prices continue to surpass the averages for California and the United States. The area’s top employers are Cedars Sinai Medical Center; Los Angeles International Airport; and University of California, Los Angeles.

Orange County

As of November 2023, Moody’s Analytics indicates that economic activity for Orange County is slowing down. The area’s leading provider for new jobs is healthcare, followed by leisure and hospitality. There is also modest growth in the technology and professional services sectors, despite noted declines in these sectors in other California counties. Manufacturing is declining as high interest rates have caused borrowing concerns for the sector. While consumer sentiment has decreased, it has not yet affected tourism in Orange County.

Population decline continues to abate growth in the county. Net migration has increased in 2021, totaling 29,923 persons. Increased inflation and elevated housing cost are some of the leading drivers of the outflow. Orange County’s top employers are Disney Resorts; University of California, Irvine; and St. Joseph Health.

Riverside and San Bernardino Counties

As of November 2023, Moody’s Analytics indicates that economic activity for Riverside and San Bernardino Counties is stable. Job growth remains consistent while overall breadth has expanded. The Counties experienced employment declines in the transportation and warehousing sectors, yet

steady job growth in the healthcare, construction, and consumer services industries. Logistics still account for nearly 15.0 percent of private sector employment. Increased military defense spending has assisted the region.

Population decline rebounded in 2023, differentiating from surrounding counties. Net migration decreased and experienced positive gains of 32.0 percent in 2023. Elevated inflation and housing prices continue to be a concern for the counties, as they rely on low-paying services to advance economic growth. The area's top employers are Stater Brothers Markets, Arrowhead Regional Medical Center, and U.S. Marine Corps. Air Ground Combat Center.

Competition

TCB operates in a highly competitive market with a substantial majority of institutions in the market area larger than TCB. According to the June 30, 2023 FDIC Deposit Market Share Report, there are 116 other financial institutions represented by 2,496 offices within the bank's AA. TCB's deposit market share is at 0.01 percent and ranks 101st amongst the peer group.

Community Contacts

Examiners reviewed the notes from a recent regulatory Interagency Listening Session that included 10 community-based organizations serving the AA. The community organizations support and facilitate housing programs, small business assistance, and community services for LMI individuals within the AA. The organizations highlighted that the AA is a high-cost area and that there is a critical housing shortage and a lack of affordable housing across the AA. Key challenges to increasing affordable housing rentals and for sale properties are a lack of excess land, land costs, project development timeframes, financing, and the area's skilled workforce. The pandemic resulted in significantly increased housing costs while rising interest rates left the area's LMI residents unable to afford a home. Many youth are aging out of foster care and will need housing. Additionally, seniors are being priced out of their housing due to rising taxes and other cost burdens. These factors have contributed to an increase in the LMI and homeless population. Further, there continues to be a population outflow from Los Angeles and Orange Counties to Riverside and San Bernardino Counties that is attributed to the high and rising costs of housing.

Credit Needs

The AA's primary credit needs are affordable housing and small business credit based on information obtained from the Interagency Listening Session, economic data, and demographic data.

SCOPE OF EVALUATION

General Information

Examiners used the Interagency Small Institution Examination Procedures to evaluate TCB's CRA performance. This evaluation covers the period from the prior evaluation dated February 5, 2018 to the current evaluation dated February 12, 2024.

Activities Reviewed

Examiners reviewed a sample of the institution's 2023 consumer automobile loans. Consumer automobile loans remain the bank's major product line considering the institution's business strategy, loan portfolio composition, and number and dollar volume of loans originated and purchased during the evaluation period. During 2023, TCB originated and/or purchased 979 consumer automobile loans totaling \$11.9 million as reported within the institution's internal records. Examiners reviewed a statistically significant sample of 63 consumer automobile loans totaling \$976,265. Bank management indicated that their loan originations and purchases remained consistent throughout the evaluation period and that 2023 data was representative of all years during the evaluation period.

TCB did not originate any HMDA or small farm loans since the prior evaluation. Although small business loans are not the institution's primary loan product and only originated nine small business loans during 2023, TCB originated SBA PPP loans in 2020 and 2021. Examiners analyzed these PPP loans and noted the bank's positive impact on its AA in meeting the small business credit needs during the COVID-19 pandemic. In total, TCB originated 100 PPP loans for \$11.3 million in 2020 and 110 PPP loans for \$9.5 million in 2021. These loans were given positive consideration in this evaluation, but are not presented in the Lending Test analysis due to the nominal volume compared to total consumer automobile loan originations and purchases.

For the Lending Test, examiners compared the sampled 2023 consumer auto loans to 2020 U.S. Census data. While 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 individuals served. Additionally, examiners placed greater weight on the Geographic Distribution and Borrower Profile criteria within the Lending Test.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

TCB demonstrated outstanding performance under the Lending Test. The performance is supported by a more than reasonable LTD ratio, a majority of loans originated and/or purchased within the AA, excellent geographic distribution dispersion, and excellent borrower profile penetration.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable considering seasonal variations given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio averaged 93.7 percent over the past 24 calendar quarters from March 31, 2018 to December 31, 2023. The ratio ranged from a quarter-end low of 56.6 percent as of March 31, 2022 to a quarter-end high of 95.7 percent as of June 30, 2018. The LTD ratio fluctuated during the evaluation period with a noted decrease beginning in June 30, 2021 and subsequent increase beginning in December 31, 2022. This fluctuation is attributed to the effects of the COVID-19 pandemic, where an increase in the bank's deposits outpaced its lending activities.

Examiners did not identify any similarly-situated banks with a comparable asset size, loan portfolio composition, and AA footprint. The following table depicts TCB's average net LTD.

LTD Ratio Comparison		
Bank	Total Assets as of 12/31/2023 (\$000s)	Average Net LTD Ratio (%)
Tustin Community Bank	75,401	93.7
<i>Source: Reports of Condition and Income 03/31/2018 – 12/31/2023</i>		

Assessment Area Concentration

TCB made a majority of consumer automobile loans in the AA as shown in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Consumer	53	84.1	10	15.9	63	832,575	85.3	143,690	14.7	976,265
<i>Source: Bank Data Due to rounding, totals may not equal 100.0% Dollar amounts for Consumer loans are multiplied by 1000.</i>										

Geographic Distribution

The geographic distribution of consumer automobile loans reflects excellent dispersion throughout the AA. The following table illustrates the bank’s geographic distribution of sampled 2023 consumer automobile loans within the AA compared to the 2020 U.S. Census data.

Geographic Distribution of Consumer Loans – 2023					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low	4.7	1	1.9	12	1.5
Moderate	26.0	20	37.7	283	33.9
Middle	32.0	23	43.4	404	48.6
Upper	36.3	9	17.0	133	16.0
Not Available	1.0	0	0.0	0	0.0
Totals	100.0	53	100.0	833	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

The bank’s lending in low-income census tracts was slightly below, but within a reasonable range, of the percentage of low-income households. TCB’s lending in moderate-income census tracts significantly exceeded the percentage of moderate-income households as reported by the 2020 U.S. Census. Overall, TCB’s geographic distribution performance is excellent.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, excellent penetration among individuals of different income levels. The following table illustrates the bank’s 2023 sampled consumer automobile loans by borrower income level.

Distribution of Consumer Loans by Borrower Income Level – 2023					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low	25.3	6	11.3	68	8.1
Moderate	15.4	21	39.6	311	37.4
Middle	17.0	15	28.3	239	28.7
Upper	42.4	11	20.8	214	25.7
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	53	100.0	833	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

The bank’s lending to low-income borrowers is below the percentage of low-income households. Although the bank’s performance to low-income borrowers is below comparable data, examiners

noted that the U.S. Census data does not reflect loan demand and that not all low-income households are seeking an automobile loan. Additionally, the AA has a high poverty rate of 9.8 percent. TCB's lending to moderate-income borrowers significantly exceeded and was more than double the percentage of moderate-income households. Overall, the performance demonstrates excellent penetration.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the overall 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 Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

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.