

PUBLIC DISCLOSURE

August 4, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers State Bank
Certificate Number: 5797

99 7th Street North
Northwood, Iowa 50459

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.

Farmers State Bank's satisfactory Community Reinvestment Act (CRA) performance under the applicable performance criteria supports the overall rating. Violations of Regulation Z, which implements the Truth in Lending Act, were identified during the CRA evaluation period but did not result in the downgrade of the bank's overall CRA 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.
- A majority of the small farm, small business, and home mortgage loans reviewed were located inside the assessment area.
- The geographic distribution of small farm, small business, and home mortgage loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Farmers State Bank is chartered in Northwood, Iowa. The institution continues to be controlled by Farmers State Bancshares, Inc., Mason City, Iowa, a one-bank holding company. Farmers State Bank received a Satisfactory rating at its previous FDIC Performance Evaluation dated November 12, 2014, which was based on Interagency Small Institution Examination Procedures.

Farmers State Bank operates eight full-service offices in northern Iowa, which are in the following cities: Clear Lake, Grafton, Joice, Mason City (2), Northwood, Saint Ansgar, and Ventura. The bank also operates an automated teller machine at five of its eight branches and one automated teller machine at a convenience store in Ventura. On August 1, 2017, Farmers State Bank closed its Plymouth branch, which was in a middle-income census tract. Since the previous CRA evaluation, the bank has not opened any offices, and no merger or acquisition activities have occurred.

The bank offers various loan products including agricultural, commercial, home mortgage, and consumer loans. According to bank management, agricultural, commercial, and home mortgage loans continue to represent the institution's primary business lines. The bank offers loans through the Farm Service Agency, Iowa Agricultural Development Authority, and Small Business Administration. Furthermore, the bank participated in the Small Business Administration Paycheck Protection Program by originating 120 loans totaling \$3.8 million from April 5, 2020 to June 2, 2020.

The bank continues to originate secondary market mortgage loans that are subsequently sold, which provides borrowers with long-term financing options. Furthermore, secondary market loan programs include Federal Housing Administration, U.S. Department of Veterans Affairs, and U.S. Department of Agriculture Rural Development. In 2019, the bank originated 25 secondary market loans totaling approximately \$3.6 million, which is similar to the bank's level of secondary market lending activity during each year since the previous CRA evaluation.

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

As of March 31, 2020, assets totaled approximately \$198,308,000; loans totaled \$110,651,000; and deposits totaled \$163,984,000. The loan portfolio distribution is displayed in the following table.

Loan Portfolio Distribution as of March 31, 2020		
Loan Category	\$(000s)	%
Construction and Land Development	2,858	2.6
Secured by Farmland	23,706	21.4
1-4 Family Residential	33,273	30.1
Multi-family (5 or more) Residential	388	0.3
Commercial Real Estate	9,144	8.3
Total Real Estate Loans	69,369	62.7
Commercial and Industrial	9,753	8.8
Agricultural	27,495	24.8
Consumer	3,868	3.5
Other	57	0.1
Lease Financing Receivable (net of unearned income)	109	0.1
Total Loans	110,651	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Farmers State Bank designated a single assessment area in the State of Iowa, which has not changed since the previous examination. The assessment area includes all census tracts in Cerro Gordo and Worth counties as well as census tract 5602 in Mitchell County. All counties are part of the nonmetropolitan area of Iowa.

Economic and Demographic Data

According to 2015 American Community Survey (ACS) data, the assessment area is comprised of 1 moderate-income, 12 middle-income, and 2 upper-income census tracts. The assessment area does not contain any low-income census tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	15	0.0	6.7	80.0	13.3	0.0
Population by Geography	54,538	0.0	8.5	81.4	10.1	0.0
Housing Units by Geography	27,328	0.0	9.0	79.8	11.2	0.0
Owner-Occupied Units by Geography	17,588	0.0	6.5	83.6	9.9	0.0
Occupied Rental Units by Geography	6,521	0.0	18.0	74.1	7.9	0.0
Vacant Units by Geography	3,219	0.0	4.5	70.8	24.8	0.0
Businesses by Geography	4,588	0.0	12.5	79.7	7.8	0.0
Farms by Geography	611	0.0	2.3	86.3	11.5	0.0
Family Distribution by Income Level	15,063	19.3	19.2	23.0	38.5	0.0
Household Distribution by Income Level	24,109	25.0	17.0	18.8	39.3	0.0
Median Family Income Nonmetropolitan IA		\$61,681	Median Housing Value			\$122,576
			Median Gross Rent			\$611
			Families Below Poverty Level			9.3%

Source: 2015 ACS and 2019 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

According to 2019 D&B data, service industries represent the largest portion of farm and business operations at 35.8 percent; followed by retail trade at 12.9 percent; and agriculture, forestry, and fishing at 11.8 percent. Additionally, 67.7 percent of assessment area farms and businesses have 4 or fewer employees, and 86.5 percent operate from a single location.

The Federal Financial Institutions Examination Council-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the assessment area are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Nonmetropolitan IA Median Family Income				
2019 (\$66,900)	<\$33,450	\$33,450 to <\$53,520	\$53,520 to <\$80,280	≥\$80,280

Source: FFIEC

Competition

The assessment area is a moderately competitive market for credit products and financial services. According to FDIC Deposit Market Share data as of June 30, 2019, there were 11 financial institutions operating 32 locations within Cerro Gordo, Mitchell, and Worth counties. These institutions range from small community banks to larger national financial institutions. Farmers State Bank is ranked 5th with an 8.3 percent deposit market share.

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 local financial institutions are responsive to these needs. It also shows what credit opportunities are available.

Examiners reviewed a recently completed community contact for this performance evaluation. The contact was a representative of an economic development organization that serves the assessment area. The contact stated that the housing sector is growing. New housing construction projects include apartments and single-family homes; however, the homes are not considered affordable housing units. The contact stated the agricultural sector has declined. Trade and weather related issues continue to challenge farmers. Wind turbines have provided a source of revenue for some farmers and municipalities through lease agreements and taxes. The contact stated the commercial sector is trying to grow; however, due to population loss there are not enough employees to fill open positions. A recruiting program helps by bringing displaced residents from Puerto Rico into the area to help fill open positions. The contact stated that local down payment assistance programs are utilized, and financial institutions are meeting the business credit needs.

Credit Needs

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated November 12, 2014, to the current evaluation dated August 4, 2020. Examiners used Interagency Small Institution Examination Procedures to evaluate Farmers State Bank's CRA performance. These procedures focus on the bank's performance under the Lending Test as outlined in the Small Bank Performance Criteria Appendix.

Activities Reviewed

Examiners determined that the bank's major product lines are small farm loans followed by small business and home mortgage loans. This conclusion considered discussions with management regarding the bank's business strategy, review of bank records of the number and dollar volume of loans originated during the evaluation period, and a review of the Consolidated Report of Condition and Income (Report of Condition). Small farm lending received the most weight when deriving overall conclusions. This is consistent with the bank's loan portfolio composition and volume of loans recently originated.

Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners reviewed all small farm, small business, and home mortgage loans originated or renewed in 2019, as this period was considered representative of the bank's performance during the entire evaluation period. D&B data for 2019 provided a standard of comparison for the bank's small farm and small business lending

performance. The 2015 ACS data provided a standard of comparison for the bank's home mortgage lending performance.

Examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All loans inside the assessment area were further reviewed to evaluate the Geographic Distribution criterion. Finally, examiners reviewed samples of small farm, small business, and home mortgage loans originated inside the assessment area, to evaluate the Borrower Profile criterion. The table below provides information on the number and dollar volume of loan products reviewed.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Farm	454	28,901	58	3,570
Small Business	253	9,686	51	1,819
Home Mortgage	138	13,734	47	5,193
<i>Source: 2019 Bank Records</i>				

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 farms, businesses, and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Farmers State 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 loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's ratio, calculated from Report of Condition data, averaged 60.2 percent over the past 22 calendar quarters from December 31, 2014, to March 31, 2020. Since the previous CRA evaluation, the quarterly loan-to-deposit ratio has steadily increased. The ratio ranged from a low of 56.4 percent as of June 30, 2017, to a high of 66.6 percent as of March 31, 2020. As shown in the following table, Farmers State Bank's average loan-to-deposit ratio is lower than comparable institutions. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Management stated, and examiners confirmed, that the bank has sold over \$19.1 million in secondary market loans from January 1, 2015 to year-to-date 2020, which contributes to the lower loan-to-deposit ratio.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/20 \$(000s)	Average Net LTD Ratio (%)
Farmers State Bank Northwood, Iowa	198,308	60.2
NSB Bank Mason City, Iowa	220,428	87.0
St. Ansgar State Bank Saint Ansgar, Iowa	117,113	84.3
The Home Trust & Savings Bank Osage, Iowa	250,694	75.1

Source: Reports of Condition 12/31/2014 through 3/31/2020

Assessment Area Concentration

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

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	328	72.2	126	27.8	454	19,644	68.0	9,257	32.0	28,901
Small Business	167	66.0	86	34.0	253	5,998	61.9	3,688	38.1	9,686
Home Mortgage	107	77.5	31	22.5	138	10,443	76.0	3,291	24.0	13,734

*Source: 2019 Bank records
Due to rounding, totals may not equal 100.0%*

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable small farm, small business, and home mortgage lending performance supports this conclusion. Examiners focused on the percentage of lending by number of loans in the moderate-income census tract.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion. The following table indicates that the bank did not originate any small farm loans in the moderate-income census tract. However, the bank's opportunity to originate small farm loans in the moderate-income census tract is limited as only 2.3 percent of assessment area farms are located in this area, which includes the urban area of Mason City, Iowa.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	2.3	0	0.0	0	0.0
Middle	86.3	321	97.9	18,844	95.9
Upper	11.5	7	2.1	800	4.1
Totals	100.0	328	100.0	19,644	100.0
<i>Source: 2019 D&B Data; 2019 Bank Data Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. The following table shows that the bank's lending performance in the moderate-income census tract is lower than demographic data. Management commented that the Mason City area, which includes the sole moderate-income census tract, is highly competitive. Furthermore, there are local alternative financing options available through revolving loan funds and small business loan programs. Examiners confirmed that the moderate-income census tract is currently served by six financial institutions, according to 2019 Reports of Condition data. These factors provide for fewer small business lending opportunities within the moderate-income census tract. Lastly, the community contact indicated that financial institutions are meeting the business credit needs.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	12.5	5	3.0	224	3.7
Middle	79.7	148	88.6	5,257	87.6
Upper	7.8	14	8.4	517	8.6
Totals	100.0	167	100.0	5,998	100.0
<i>Source: 2019 D&B Data; 2019 Bank Data Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion. The following table shows that the bank's lending performance in the moderate-income census tract reasonably compares to demographic data.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate	6.5	9	8.4	893	8.6
Middle	83.6	91	85.0	8,146	78.0
Upper	9.9	7	6.5	1,404	13.4
Total	100.0	107	100.0	10,443	100.0

*Source: 2015 ACS Data; 2019 Bank Data
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The bank's lending performance demonstrates overall reasonable performance for this criterion. The penetration among farms of different revenue sizes and individuals of different income levels is reasonable. Small business lending performance is excellent, but received less weight in the overall conclusions, as previously stated. Examiners focused on the percentage of small farm and small business loans to operations with gross annual revenues of \$1 million or less. They also focused on the percentage of home mortgage loans to low- and moderate-income borrowers.

Small Farm Loans

The distribution of sampled small farm loans reflects reasonable lending penetration to farms with gross annual revenues of \$1 million or less. As shown in the following table, the bank's performance reasonably compares to demographic data.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.7	57	98.3	3,550	99.4
>1,000,000	0.5	1	1.7	20	0.6
Revenue Not Available	0.8	0	0.0	0	0.0
Total	100.0	58	100.0	3,570	100.0

*Source: 2019 D&B Data; 2019 Bank Data
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The distribution of sampled small business loans reflects excellent lending penetration to businesses with gross annual revenues of \$1 million or less. As shown in the following table, the bank's performance significantly exceeds demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	80.1	49	96.1	1,659	91.2
>1,000,000	5.6	2	3.9	160	8.8
Revenue Not Available	14.3	0	0.0	0	0.0
Totals	100.0	51	100.0	1,819	100.0
<i>Source: 2019 D&B Data; 2019 Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of sampled home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. As shown in the following table, the bank's lending performance to low-income borrowers is slightly lower than demographic data and performance to moderate-income borrowers exceeds demographic data. Management stated that although its lending performance to low-income borrowers is lower than demographic data, it is difficult for these borrowers to obtain a home mortgage loan. Examiners confirmed that based on calculations derived from the average median housing value within the assessment area and industry-standard underwriting criteria, these individuals are more likely to experience difficulty in qualifying for home mortgage loans due to monthly payment and down-payment requirements. Overall, the distribution of home mortgage lending to individuals of different income levels is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	19.3	6	12.8	259	5.0
Moderate	19.2	12	25.5	887	17.1
Middle	23.0	11	23.4	1,514	29.1
Upper	38.5	6	12.8	1,188	22.9
Not Available	0.0	12	25.5	1,345	25.9
Totals	100.0	47	100.0	5,193	100.0
<i>Source: 2015 ACS Data; 2019 Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Illegal credit practices inconsistent with helping to meet community credit needs were identified during the CRA evaluation period. A violation of Section 1026.23 of Regulation Z, which implements provisions regarding a consumer's right of rescission under Truth in Lending, was cited at the examination.

The bank's overall CRA rating was not lowered from a Satisfactory because the impact and severity of this violation was minimal compared to the overall scale of the bank's business and lending activity. In addition, management ceased the practice upon notification of the violation, has procedures in place to prevent further infractions, and committed to take full corrective action.

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 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;
- 4) The geographic distribution of the bank's loans; 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.

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.