

# **PUBLIC DISCLOSURE**

June 12, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The State Exchange Bank  
Certificate Number: 17375

107 South Commercial Street  
Mankato, Kansas 66956

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.

## TABLE OF CONTENTS

Institution Rating .....	1
Scope of Evaluation .....	2
Description of Institution .....	3
Description of Assessment Area.....	4
Conclusions on Performance Criteria .....	7
Discriminatory or Other Illegal Credit Practices Review .....	10
Glossary .....	11

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory. An institution in this category has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The State Exchange Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test performance.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- The bank made a substantial majority of its small farm, small business, and home mortgage loans in the AA.
- The distribution of borrowers reflects a reasonable penetration of loans among farms and businesses of different sizes, and individuals of different income levels in the AA.
- The geographic distribution of loans was not analyzed since there are no low- or moderate-income census tracts in the AA; the entire AA is classified as middle-income.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the prior evaluation dated June 18, 2012, to the current evaluation dated June 12, 2018. Examiners used Interagency Small Institution Examination Procedures to evaluate The State Exchange Bank's CRA performance. These procedures consist of a CRA Small Bank Lending Test that considers the institution's performance according to the following criteria.

- LTD ratio
- AA concentration
- Borrower profile
- Geographic distribution
- Response to CRA-related complaints

This evaluation does not include any lending activity performed by affiliates.

### **Loan Products Reviewed**

The CRA emphasizes small farm, small business, and home mortgage lending. The scope of the Lending Test generally includes reviewing all three of these lending categories if they are significant product lines for the bank. These loan types are all considered significant product lines for the bank; therefore, all three lending categories were analyzed.

Small farm loans received the most weight in the overall conclusions for this evaluation because farm loans represented the largest component of the institution's loan portfolio. The number and dollar volume of loans are presented for each lending category reviewed; however, examiners emphasized performance by number of loans because it is a better indicator of the number of farms, businesses, and individuals being served.

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Furthermore, farm loan volume increased substantially and home mortgage loan volume increased slightly, while commercial loan volume declined during the evaluation period. Therefore, examiners selected a sample of outstanding loans originated, renewed, or extended in 2017 for each of the three lending categories reviewed. These samples were used to draw conclusions under the Lending Test. Bank officials confirmed that lending activity in 2017 was reflective of the entire evaluation period, although bank management stated that farm loan demand has been higher in the past two years.

The following table illustrates the number of loans reviewed and the total universe for each loan category for the stated review period.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Farm	101	5,572	31	1,992
Small Business	36	868	18	352
Home Mortgage	17	778	17	778
Source: 2017 Bank Data				

## DESCRIPTION OF INSTITUTION

### **Background**

The State Exchange Bank is a full-service institution headquartered in Mankato, Kansas. The bank operates its only office in Jewell County in northcentral Kansas. The State Exchange Bank is not owned by a holding company and has no affiliates or subsidiaries. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, dated June 18, 2012, based on Interagency Small Institution Examination Procedures.

### **Operations**

The State Exchange Bank operates one office in Mankato, located in census tract 5762. The institution is a community bank that offers agricultural, commercial, home mortgage, and consumer loans. Long-term, fixed-rate mortgage loans are typically not offered. The bank provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, and one bank-owned automated teller machine. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

### **Ability and Capacity**

Assets totaled approximately \$35 million as of March 31, 2018, and included total loans of \$16 million and securities totaling \$14 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of March 31, 2018		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	4,599	28.4
Secured by 1-4 Family Residential Properties	2,178	13.4
Secured by Multi-family (5 or more) Residential Properties	0	0.0
Secured by Non-farm Non-residential Properties	583	3.6
<b>Total Real Estate Loans</b>	<b>7,360</b>	<b>45.4</b>
Commercial and Industrial Loans	1,174	7.2
Agricultural Production and Other Loans to Farmers	5,614	34.7
Consumer	1,566	9.7
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	0	0.0
Lease Financing Receivables (net of unearned income)	486	3.0
Less: Unearned Income	(0)	(0.0)
<b>Total Loans</b>	<b>16,200</b>	<b>100.0</b>
<i>Source: Consolidated Reports of Condition and Income (Call Report).</i>		

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

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. The State Exchange Bank designated a single AA consisting of Jewell County, which is part of the non-metropolitan area of Kansas. The following sections discuss demographic and economic information for the AA.

### Economic and Demographic Data

The AA, which is rural with a limited population base, is comprised of two census tracts. The prior evaluation used 2000 U.S. Census data; at that time, the two Jewell County census tracts were numbered 9761 and 9762 and were classified as middle-income. The 2010 U.S. Census data changed the census tracts' numbers to 5761 and 5762 and classified the tracts as moderate-income and middle-income, respectively. Additionally, census tract 5762 was classified as a distressed<sup>1</sup> (population loss) and underserved<sup>2</sup> (remote/rural) non-metropolitan middle-income

<sup>1</sup>**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers: an unemployment rate of at least 1.5 times the national average; a poverty rate of 20 percent or more; or a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

geography for 2012 through 2016. The 2015 American Community Survey (ACS) changed the classification of census tract 5761 from moderate-income to middle-income. Thus, for 2017, both census tracts are classified as underserved and distressed.

The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.0	0.0	100.0	0.0	0.0
Population by Geography	3,038	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	2,028	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	1,150	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	283	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	595	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	213	0.0	0.0	100.0	0.0	0.0
Farms by Geography	111	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	920	22.2	22.9	23.2	31.7	0.0
Household Distribution by Income Level	1,433	28.1	17.2	21.8	32.8	0.0
Median Family Income Non-Metropolitan – Kansas		\$56,877	Median Housing Value			\$53,448
			Median Gross Rent			\$512
			Families Below Poverty Level			9.3%
Source: 2015 ACS and 2017 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.						

Certain key elements of demographic information are utilized for comparative purposes to help evaluate if the bank's lending performance is reasonable given the demographic composition of the AA. The key elements utilized, some of which appear in the table above, are specific to the type of loan being analyzed, as explained below.

According to the 2017 D&B data, there were 111 farms in the AA. Of these farming operations, 99.1 percent reported gross annual revenues (GARs) of \$1 million or less, and 0.9 percent reported GARs of more than \$1 million. The small farm lending analysis under the Borrower Profile criterion compares the distribution of farms by GAR level.

<sup>2</sup> **Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.



According to the 2017 D&B data, there were 213 businesses in the AA. Of these businesses, 69.0 percent reported GARs of \$1 million or less, 4.7 percent reported GARs of more than \$1 million, and 26.3 percent did not report revenue information. The small business lending analysis under the Borrower Profile criterion compares the distribution of businesses by GAR level. Agricultural industries represented the largest portion of businesses in the AA at 34.3 percent; followed by services (26.2 percent); public administration (8.6 percent); retail trade (7.1 percent); transportation and communication (6.8 percent); and finance, insurance, and real estate (5.3 percent).

The 2017 D&B data reflects that in total 81.8 percent of area farms and businesses have four or fewer employees, and 85.8 percent operate from a single location.

The 2017 median family income level, which is updated annually by the Federal Financial Institutions Examination Council (FFIEC), is used to analyze the home mortgage loans under the Borrower Profile criterion. Borrowers are classified as low-, moderate-, middle-, and upper-income based on the income ranges as presented in the following table.

Median Family Income Ranges for Non-Metropolitan Kansas				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2017 (\$60,300)	<\$30,150	\$30,150 to <\$48,240	\$48,240 to <\$72,360	≥\$72,360
Source: FFIEC				

According to the Kansas Department of Labor, the unemployment rate is low and has trended downward during the past year for Jewell County. Specifically, the unemployment rate in May 2018 (preliminary) was 2.8 percent compared to May 2017 when the unemployment rate was 3.6 percent. The Kansas unemployment rate was 3.4 percent in May 2018 (preliminary), which was down from 3.6 percent in May 2017.

### **Competition**

The FDIC Deposit Market Share data as of June 30, 2017 was utilized to assess competition throughout the AA. According to the data, there are a total of four institutions operating six offices within the bank's AA. The State Exchange Bank is the only financial institution headquartered in Jewell County; the remaining five offices are branches of three other institutions headquartered in north central Kansas. These institutions compete for loans and offer deposit products. The State Exchange Bank is ranked first in deposit market share, at 34.5 percent.

### **Community Contact**

In conjunction with CRA evaluations, regulatory agencies may interview members of a bank's community to gather perceptions on the credit needs and the performance of local banks in meeting these needs. In addition to identifying credit needs, community members may provide



information on general economic conditions, community development opportunities, and other matters impacting the banking environment in the area.

Examiners contacted a community member who works with area farmers. The contact indicated that the area's economy is depressed, suffering because of the agricultural downturn caused by low commodity prices and tight cash flows. The contact noted an increased need for farm loans due to the downturn that began a couple of years ago, after a period of strong farm incomes. Farmland values are slowly declining from the peak values in 2014 or 2015. Additionally, the contact stated that the area population is aging and declining. Some businesses have closed, but there are a few new businesses, such as the Dollar General in Mankato. The community contact indicated that farm loans are the most significant credit need in Jewell County, while commercial, home, and consumer loans are also needed. Overall, the contact indicated that financial institutions have been responsive to the community credit needs.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

The State Exchange Bank demonstrated reasonable performance under the Lending Test. Each of the factors analyzed below support this conclusion.

#### Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size and financial condition, as well as the credit needs of the AA. The bank's LTD ratio, calculated from Call Report data, averaged 46.0 percent over the past 24 calendar quarters from June 30, 2012, to March 31, 2018. The institution's loan and deposit base was relatively stable throughout the review period. As shown in the following table, the average LTD ratio for The State Exchange Bank is reasonable in relation to the average LTD ratios of other comparable institutions. Examiners considered asset size, geographic location, and lending focus when selecting the comparable institutions.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets as of 3/31/2018 \$(000's)	Average Net LTD Ratio (%)
Swedish-American State Bank, Courtland, Kansas	45,102	84.7
The Jamestown State Bank, Jamestown, Kansas	20,189	33.8
<b>The State Exchange Bank, Mankato, Kansas</b>	<b>35,181</b>	<b>46.0</b>
Commercial Bank, Nelson, Nebraska	47,624	60.0
<i>Source: Reports of Condition and Income 6/30/2012 through 3/31/2018</i>		

#### Assessment Area Concentration

The bank made a substantial majority of its small farm, small business, and home mortgage loans in the AA. Specifically, a substantial majority of reviewed small farm and small business loans,

and a majority of home mortgage loans were originated to farms, businesses, and individuals in the AA. As detailed in the following table, 93.5 percent of the reviewed small farm loans were extended to farmers in the AA, 100.0 percent of the reviewed small business loans were originated to businesses in the AA, and 76.5 percent of the reviewed home mortgage loans were extended to borrowers in the AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		#	\$	%	\$	%
Small Farm	29	93.5	2	6.5	31	1,978	99.3	14	0.7	1,992
Small Business	18	100.0	0	0.0	18	352	100.0	0	0.0	352
Home Mortgage	13	76.5	4	23.5	17	577	74.2	201	25.8	778
Source: 1/1/2017 - 12/31/2017 Bank Data										

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes, and individuals of different income levels in the AA. This is supported by the institution's reasonable performance in small farm lending and home mortgage lending and by the institution's excellent performance in small business lending. As mentioned previously, greater weight is placed on small farm lending since it is the bank's primary lending focus and the area's primary credit need. Examiners focused on the percentage of small farm loans and small business loans to operations with GARs of \$1 million or less, and the percentage of home mortgage loans extended to low- and moderate-income borrowers.

### ***Small Farm Loans***

The distribution of small farm loans reflects reasonable penetration of loans to farms with GARs of \$1 million or less. As the table below shows, D&B data for 2017 indicated that 99.1 percent of farms in the AA had GARs of \$1 million or less. In comparison, 100.0 percent of small farm loans reviewed were extended to farming operations with GARs of \$1 million or less. The bank's level of lending to farms with GARs of \$1 million or less is similar to the demographic data, thus demonstrating a reasonable performance for this category.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.1	29	100.0	1,978	100
>1,000,000	0.9	0	0.0	0	0.0
Revenue Not Available	0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>1,978</b>	<b>100.0</b>
<i>Source: 2017 D&amp;B Data, 1/1/2017 - 12/31/2017 Bank Data.</i>					

### ***Small Business Loans***

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1 million or less. As the table below shows, D&B data for 2017 indicated that 69.0 percent of businesses in the AA had GARs of \$1 million or less. In comparison, 100.0 percent of the small business loans reviewed were extended to businesses with GARs of \$1 million or less. The bank's level of lending to businesses with GARs of \$1 million or less significantly exceeds demographic data, thus demonstrating excellent performance for this category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	69.0	18	100.0	352	100.0
>1,000,000	4.7	0	0.0	0	0.0
Revenue Not Available	26.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>352</b>	<b>100.0</b>
<i>Source: 2017 D&amp;B Data, 1/1/2017 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0</i>					

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. As the following table shows, 30.8 percent of the reviewed home mortgage loans were extended to low-income borrowers. In comparison, 22.2 percent of families in the AA are classified as low-income, and 9.3 percent of the families in the AA are below the poverty level. Therefore, the bank's lending performance exceeded demographic data for low-income borrowers. Also, as the following table shows, 15.4 percent of the reviewed home mortgage loans were extended to moderate-income borrowers. In comparison, 22.9 percent of families in the AA are classified as moderate-income. Although the bank's lending performance to moderate-income borrowers lagged demographic data, the bank's performance is considered reasonable based on the overall performance to low- and moderate-income borrowers during the review period.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	22.2	4	30.8	76	13.2
Moderate	22.9	2	15.4	36	6.2
Middle	23.2	3	23.0	85	14.7
Upper	31.7	4	30.8	380	65.9
Not Available	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>577</b>	<b>100.0</b>
<i>Source: 2015 ACS; 1/1/2017 - 12/31/2017 Bank Data</i> <i>Due to rounding, totals may not equal 100.0</i>					

### **Geographic Distribution**

The geographic distribution of loans was not evaluated since an analysis would provide limited meaning because there are no low- or moderate-income census tracts within the AA.

### **Response to Complaints**

The bank did not receive 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**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

## 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/AA.

**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).

**Family Income:** Includes the income of all members of a family that are age 15 and older.



**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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**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 (for example, 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.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**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:** 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.