

# **PUBLIC DISCLOSURE**

April 29, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

State Bank & Trust of Kenmare  
Certificate Number: 2057

4 2nd Street Northwest  
Kenmare, North Dakota 58746

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.

State Bank & Trust of Kenmare's satisfactory 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 performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its small farm, small business, and home mortgage loans within its assessment area.
- The geographic distribution criterion was not evaluated as the bank's assessment area is comprised of only middle- and upper-income geographies. Therefore, the analysis would not result in meaningful conclusions.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue 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.

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the prior evaluation dated September 16, 2013, to the current evaluation dated April 29, 2019. Examiners used the Interagency Small Institution Examination Procedures to evaluate State Bank & Trust of Kenmare's CRA performance. These procedures considered the institution's performance according to the following Lending Test criteria.

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

### Loan Products Reviewed

Examiners determined that the bank's major product lines are agricultural, commercial, and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

Bank management indicated that the lending focus and product mix remained consistent throughout the evaluation period. Examiners analyzed all small business, small farm, and home mortgage loans originated, renewed, or extended, including those paid off, between January 1, 2018, and December 31, 2018. These loans were considered representative of the bank's lending during the entire evaluation period. The entire universe of loans was used to evaluate the Assessment Area Concentration criterion. During the review period, the bank originated, renewed, or extended 125 small farm loans totaling \$16,795,000, 53 small business loans totaling \$6,145,000, and 20 home mortgage loans totaling \$3,432,000.

Further, examiners reviewed a sample of small farm loans and all small business and home mortgage loans originated, renewed, or extended within the assessment area to evaluate the Borrower Profile criterion. The following table illustrates the loan products reviewed under the Borrower Profile criterion.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Farm	115	14,873	47	6,636
Small Business	33	3,209	33	3,209
Home Mortgage	10	1,359	10	1,359
Source: 1/1/2018 - 12/31/2018 Bank Data				

D&B data for 2018 provided a standard of comparison for small farm and business loans, while the 2015 American Community Survey (ACS) data provided a standard of comparison for home mortgage loans. The bank's record of originating small farm and small business loans contributed more weight to overall conclusions as agricultural and commercial lending are the bank's primary lending focuses, followed by home mortgage lending. Furthermore, this evaluation does not include any lending activity performed by the bank's affiliates.

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

## **DESCRIPTION OF INSTITUTION**

### **Background**

State Bank & Trust of Kenmare is headquartered in Kenmare, North Dakota and operates in the northwestern portion of the state. Jorgenson Holding Company, a two-bank holding company also located in Kenmare, owns the institution. The bank received a Satisfactory rating at its previous CRA Performance Evaluation conducted by the FDIC as of September 16, 2013. The evaluation was conducted using Interagency Small Institution Examination Procedures.

### **Operations**

State Bank & Trust of Kenmare operates its main office in Kenmare. The bank also operates two branch offices; one in Kenmare that accepts deposits and includes a drive-up facility and one full-service office in Berthold, North Dakota. The Kenmare branch office was purchased from BNC National Bank, Glendale, Arizona on December 9, 2017. The bank offers agricultural, commercial, and consumer loan products, including home mortgage loans. As noted earlier, State Bank & Trust of Kenmare's lending focus includes agricultural and commercial lending, followed by home mortgage lending. The bank also participates in government-sponsored loan programs, including programs from the Farm Service Agency and Small Business Administration, and programs through Bank of North Dakota.

State Bank & Trust of Kenmare provides a variety of deposit services including checking, savings, and certificates of deposit. Alternative banking services include internet and mobile banking, bill pay services, and 11 cash-dispensing automated teller machines.

### **Ability and Capacity**

As of December 31, 2018, State Bank & Trust of Kenmare reported total assets of \$138,047,000, net loans of \$69,013,000, and total deposits of \$121,057,000. Since September 30, 2013, total assets have increased by 24.5 percent, net loans have decreased by 8.2 percent, and total deposits have increased by 31.0 percent. The bank's loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of December 31, 2018		
Loan Category	\$(000s)	%
Construction and Land Development	488	0.7
Secured by Farmland	15,476	22.3
Secured by 1-4 Family Residential Properties	11,287	16.2
Secured by Multifamily (5 or more) Residential Properties	2,016	2.9
Secured by Nonfarm Nonresidential Properties	7,249	10.4
<b>Total Real Estate Loans</b>	<b>36,516</b>	<b>52.5</b>
Commercial and Industrial Loans	11,199	16.1
Agricultural Loans	17,761	25.6
Consumer Loans	2,913	4.2
Other Loans	1,141	1.6
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>69,530</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance is evaluated. State Bank & Trust of Kenmare has designated a single assessment area that includes a nonmetropolitan portion of North Dakota.

State Bank & Trust of Kenmare's assessment area includes all of Burke County, all of Renville County, census tract 9552 in northern Mountrail County, and census tracts 110 and 113 in western Ward County. The assessment area has not changed since the previous evaluation. The bank's offices are all located in middle-income census tracts in Ward County.

### Economic and Demographic Data

According to 2015 ACS data, the assessment area's five census tracts include four middle-income census tracts and one upper-income census tract. 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)	5	0.0	0.0	80.0	20.0	0.0
Population by Geography	16,025	0.0	0.0	70.2	29.8	0.0
Housing Units by Geography	7,995	0.0	0.0	70.1	29.9	0.0
Owner-Occupied Units by Geography	4,838	0.0	0.0	70.9	29.1	0.0
Occupied Rental Units by Geography	1,401	0.0	0.0	70.9	29.1	0.0
Vacant Units by Geography	1,756	0.0	0.0	67.3	32.7	0.0
Businesses by Geography	1,543	0.0	0.0	69.4	30.6	0.0
Farms by Geography	371	0.0	0.0	73.9	26.1	0.0
Family Distribution by Income Level	4,182	14.9	16.7	21.6	46.8	0.0
Household Distribution by Income Level	6,239	21.5	13.9	16.5	48.1	0.0
Median Family Income Nonmetropolitan North Dakota		\$72,620	Median Housing Value			\$143,843
			Median Gross Rent			\$714
			Families Below Poverty Level			5.8%
Source: 2015 ACS Census and 2018 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.						

The economy of the area is heavily dependent on agriculture and the primary crops include wheat, soybeans, and canola. The community contact stated that while yields, with the exception of soybeans, have been generally high in recent years, low commodity prices have impacted the agricultural industry. Further the community contact noted that this trend is likely to continue into the current season. Bank management added that if farmers are doing well, the local communities do well. Therefore, according to bank management, the local economy has become stagnant in recent years due to these lower commodity prices.

Regarding the housing industry, bank management felt that housing prices are somewhat inflated in the area, specifically in Kenmare. Management noted that while housing prices have slightly dropped, they are still high and many homes sit on the market. Further, management stated that there is affordable housing available in the area, as the Kenmare Housing Corporation and Kenmare Development Corporation both operate income-based housing.

Service industries represent the largest portion of businesses at 27.6 percent; followed by agriculture, forestry, and fishing at 19.4 percent; and retail trade at 9.1 percent. Major employers in the assessment area include the local school district, hospital, and other agricultural-related businesses. Data obtained from the U.S. Bureau of Labor and Statistics revealed that as of January 2019, the unemployment rates for Burke, Mountrail, Renville, and Ward counties were 2.3, 1.6, 2.9, and 3.1 percent, respectively. The comparable figures for the entire U.S. and the State of North Dakota were 4.4 and 3.0 percent, respectively. The assessment area's overall low unemployment rates demonstrate that the economy is doing well and is able to keep people

employed. Further, bank management noted that many employers in the area are actively seeking employees. Management also stated that the majority of farms have off-farm employment, primarily to obtain employment-related benefits, such as health insurance.

The analysis of small farm and small business loans under the Borrower Profile criterion compares the distribution of farms and businesses by gross annual revenue level. The 2018 FFIEC-updated median family income levels for nonmetropolitan North Dakota were used to analyze home mortgage lending under the Borrower Profile criterion and 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%
2018 (\$82,900)	<\$41,450	\$41,450 to <\$66,320	\$66,320 to <\$99,480	≥\$99,480
<i>Source: FFIEC</i>				

### **Competition**

The assessment area is fairly competitive for financial services. According to June 30, 2018 FDIC Deposit Market Share data, there were 15 FDIC-insured financial institutions operating 34 offices within the assessment area's counties. Of these institutions, State Bank & Trust of Kenmare ranked 10th with a deposit market share of 3.7 percent. First Western Bank & Trust maintained the largest deposit market share with 24.3 percent, followed by Bremer Bank, National Association, and Cornerstone Bank with deposit market shares of 11.7 percent each.

### **Community Contact**

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

Examiners conducted one community contact with a representative from an agricultural entity active throughout the assessment area. The community contact indicated that the primary credit needs of the assessment area include agricultural and commercial lending, followed by consumer-related lending. The contact noted that the local economy is stable and agreed that it is closely tied to agriculture. Overall, the contact felt that the local financial institutions are meeting the credit needs of the area.



## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

State Bank & Trust of Kenmare demonstrated satisfactory performance under the Lending Test.

### Loan-to-Deposit Ratio

The net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. State Bank & Trust of Kenmare's loan-to-deposit ratio, calculated from Reports of Condition and Income data, averaged 72.5 percent over the past 22 calendar quarters from September 30, 2013, to December 31, 2018. The bank's net loan-to-deposit ratio ranged from a low of 55.4 percent as of March 31, 2018, to a high of 85.1 percent as of September 30, 2014. Bank management noted that fluctuations are primarily due to the seasonality of the agricultural industry. As shown in the following table, State Bank & Trust of Kenmare's average net loan-to-deposit ratio is commensurate with the comparable institutions. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2018 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
State Bank & Trust of Kenmare Kenmare, North Dakota	138,047	72.5
The Citizens State Bank at Mohall Mohall, North Dakota	59,522	88.7
Liberty State Bank Powers Lake, North Dakota	89,206	57.3

*Source: Reports of Condition and Income 9/30/13 through 12/31/18*

### Assessment Area Concentration

Overall, State Bank & Trust of Kenmare made a majority of its loans within its assessment area. As detailed in the following table, the bank originated a majority of its small farm and small business loans, by both number and dollar volume, within the assessment area.

The bank originated 50 percent of its home mortgage loans, by number, within the assessment area. Bank management stated that the demand for home mortgage loans in the local communities have declined in recent years. Further, management noted that many of the home mortgage loans originated outside of the assessment area were to borrowers the bank has a current relationship with or that have ties to the Kenmare area. Of the home mortgage loans originated outside the assessment area, six were for properties in Minot, North Dakota. Minot borders the assessment area and is located approximately 50 miles from Kenmare and approximately 25 miles from Berthold. Therefore, it is reasonable that current customers of the bank would purchase residential properties in Minot. Further, while the majority of home mortgage loans, by dollar volume, were originated outside of the assessment area, the majority of

these loans were to borrowers in larger communities in North Dakota, such as Minot and Bismarck. These areas have much higher median housing values than the median housing value of the assessment area. Therefore, loans to these borrowers were generally for higher dollar amounts than those to borrowers within the assessment area.

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	115	92.0	10	8.0	125	14,873	88.6	1,922	11.4	16,795
Small Business	33	62.3	20	37.7	53	3,209	52.2	2,936	47.8	6,145
Home Mortgage	10	50.0	10	50.0	20	1,359	39.6	2,073	60.4	3,432
Totals	158	79.8	40	20.2	198	19,441	73.7	6,931	26.3	26,372
Source: 1/1/2018 - 12/31/2018 Bank Data										

### **Geographic Distribution**

This criterion was not evaluated as the assessment area is comprised of only middle- and upper-income geographies. Therefore, a geographic distribution analysis would not result in meaningful conclusions.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and home mortgage borrowers of different income levels. Examiners focused on the bank's performance, by number of loans, to farms and businesses with gross annual revenues of \$1 million or less and low- and moderate-income home mortgage borrowers.

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

The distribution of borrowers reflects reasonable penetration among farms of different sizes. As shown in the table below, 89.4 percent of the sampled small farm loans were originated to farms with gross annual revenues of \$1 million or less. According to demographic data, 99.5 percent of farms in the assessment area have revenues of \$1 million or less. While the bank's performance is below comparable demographic data, only five of the sampled loans were originated to farms with gross annual revenues greater than \$1 million. Further, three of the five loans were originated to the same borrower, which slightly skews the data. Therefore, the bank's performance is considered reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.5	42	89.4	5,026	75.7
>1,000,000	0.3	5	10.6	1,610	24.3
Revenue Not Available	0.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>6,636</b>	<b>100.0</b>
Source: 2018 D&B Data, 1/1/2018 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0					

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

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The following table illustrates that 84.8 percent of the reviewed loans were originated to businesses with gross annual revenues of \$1 million or less. This performance slightly exceeds comparable demographic data, which indicates that 76.0 percent of businesses in the assessment area have revenues of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	76.0	28	84.8	1,857	57.9
>1,000,000	5.5	5	15.2	1,352	42.1
Revenue Not Available	18.5	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>3,209</b>	<b>100.0</b>
Source: 2018 D&B Data, 1/1/2018 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0					

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

The distribution of borrowers reflects reasonable penetration among low- and moderate-income home mortgage borrowers. The following table illustrates that 20.0 percent of home mortgage loans were originated to low-income home mortgage borrowers. This is higher than comparable 2015 ACS data, which indicates that 14.9 percent of the families in the assessment area are low-income. However, the bank did not originate any home mortgage loans to moderate-income borrowers, while 2015 ACS data shows that 16.7 percent of families in the assessment area are moderate-income. Nevertheless, the bank's performance is considered reasonable. As noted previously, bank management stated that the demand for home mortgage loans in the local communities has decreased. Additionally, the medium housing value of \$143,843 makes it difficult for low- and moderate-income individuals to qualify for home mortgage loans.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	14.9	2	20.0	143	10.5
Moderate	16.7	0	0.0	0	0.0
Middle	21.6	1	10.0	18	1.3
Upper	46.8	7	70.0	1,198	88.2
Not Available	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>1,359</b>	<b>100.0</b>
<i>Source: 2015 ACS Census, 1/1/2018 - 12/31/2018 Bank Data</i> <i>Due to rounding, totals may not equal 100.0</i>					

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this criterion did not affect the rating.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices. Therefore, this consideration did not affect the institution's 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/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).

**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.