

PUBLIC DISCLOSURE

March 07, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

St. Ansgar State Bank
RSSD# 115146

237 West 4th Street
Saint Ansgar, Iowa 50472

Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

St. Ansgar State Bank is rated Satisfactory.

St. Ansgar State Bank is meeting the credit needs of its assessment area based on an analysis of the bank's lending activities. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The majority of small business and small farm loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activity reflects reasonable penetration among businesses and farms of different sizes. No CRA-related complaints were received by the institution or this Reserve Bank since the previous examination.

SCOPE OF EXAMINATION

St. Ansgar State Bank's (SASB) performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Interagency CRA Examination Procedures for Small Institutions. Performance was evaluated in the context of information about the institution and its assessment area, including the bank's asset size, financial condition, competition, and economic and demographic characteristics.

The evaluation included a full-scope review of the bank's sole assessment area, which consists of the entirety of Mitchell County within Iowa's Non-Metropolitan Statistical Area (IA Non-MSA). The bank is primarily an agricultural and commercial lender. Thus, the lending test included an analysis of a sample of small business and small farm loans. Greater weight was given to small farm performance, as agricultural loans represent the majority of the loan portfolio.

Performance in the assessment area was evaluated using the streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16 quarter average loan-to-deposit ratio ending on September 30, 2021, was calculated and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's small business and small farm loans originated from January 1, 2021 to December 31, 2021 were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's small business and small farm loans originated in the assessment area, from January 1, 2021 to December 31, 2021 were analyzed to determine the extent to which the bank is making loans in geographies of different income levels.

- ***Lending to Businesses and Farms of Different Sizes*** – The bank’s small business and small farm loans originated in the assessment area, from January 1, 2021 to December 31, 2021 were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Neither SASB nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: economic development and community service.

DESCRIPTION OF INSTITUTION

SASB is a subsidiary of St. Ansgar Bancorporation, a one-bank holding company located in St. Ansgar, Iowa. SASB operates out of one main office with a full-service automated teller machine (ATM) in Saint Ansgar, Iowa as well as one branch location with a cash-only ATM in Stacyville, Iowa. The holding company continues to conduct nonbanking activities d/b/a St. Ansgar Bancorporation Insurance. SASB continues to hold an affiliate relationship with Green Energy MCI, LLC due to common ownership/control by two members of the bank’s board of directors. SASB does not have any subsidiaries.

The bank’s total assets equaled \$155.9 million as of December 31, 2021, according to the Uniform Bank Performance Report (UBPR). The bank offers a full range of standard and non-complex loan and deposit products and services. Details of the bank’s portfolio mix are shown in the table below. While the bank is primarily an agricultural lender it offers commercial, residential real estate, and consumer loan products. This mix of lending activities affords the bank with substantial opportunities to meet the specific credit needs of its community.

According to the June 30, 2021 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, St. Ansgar State Bank ranks second out of six FDIC-insured institutions operating in the assessment area, with a market share of 19.1 percent. The Home Trust & Savings Bank maintained the largest market share with a 36.9 percent share of the deposit market, while First Citizens Bank maintained the third largest share at 17.7 percent of the deposit market.

Composition of Loan Portfolio As of December 31, 2021		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Agricultural	\$51,939	56.8
Commercial	\$16,950	18.5
Residential Real Estate	\$14,971	16.4
Other	\$5,764	6.3
Consumer	\$1,840	2.0
Total	\$155,972	100.0
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>		

There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

The bank was rated satisfactory under the CRA at its previous evaluation conducted on January 8, 2018.

DESCRIPTION OF ASSESSMENT AREA¹

SASB is an intrastate bank with two locations in the non-metropolitan area of Mitchell County, Iowa. The bank’s assessment area encompasses Mitchell County in its entirety and remains unchanged since the previous evaluation. Mitchell County consists of 3 middle-income census tracts. This represents a change in the census tract composition compared to the previous examination, as one upper-income census tract was re-designated to a middle-income tract.

Additional assessment area demographic information is provided in the following table.

¹ Census tract designations are based on American Community Survey income data. For years 2017 and after, the designations are based on 2011-2015 ACS data. For years 2016 and before, the designations are based on 2006-2010 ACS data. For examinations that include performance before and after 2017, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

Assessment Area: 2021 IA Non MSA									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	489	16.7	
Moderate-income	0	0.0	0	0.0	0	0.0	583	19.9	
Middle-income	3	100.0	2,925	100.0	158	5.4	648	22.2	
Upper-income	0	0.0	0	0.0	0	0.0	1,205	41.2	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	3	100.0	2,925	100.0	158	5.4	2,925	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0		0	0.0	0	0.0	0	0.0	
Moderate-income	0		0	0.0	0	0.0	0	0.0	
Middle-income	4,897		3,646	100.0	74.5	712	14.5	539	11.0
Upper-income	0		0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0		0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	4,897		3,646	100.0	74.5	712	14.5	539	11.0
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	654	100.0	601	100.0	44	100.0	9	100.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	654	100.0	601	100.0	44	100.0	9	100.0	
	Percentage of Total Businesses:			91.9		6.7		1.4	
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	220	100.0	219	100.0	1	100.0	0	0.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	220	100.0	219	100.0	1	100.0	0	0.0	
	Percentage of Total Farms:			99.5		0.5		0.0	
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS									
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>									

Population Change

The table below presents a period of relative stability in the assessment area population, showing a marginal decline of 0.1 percent from 2010 to 2015, according to the U.S. Census Bureau data. Population in the Non-MSA Iowa and the State of Iowa similarly remained stable, respectively exhibiting a 0.9 percent decline and a 1.5 percent rise between periods. Both community representatives indicated a low supply of available housing, suggesting a limiting factor in population growth in the assessment area. While the metrics below depict this minor population reduction, one community representative noted that while Mitchell County did not suffer true population loss, population levels in several surrounding counties declined. Representatives attributed the assessment area's ability to retain steady population levels to job growth in the area, particularly within the manufacturing sector, and further suggested continued growth due to increased remote working opportunities and various efforts in the county to increase economic development.

Population Change 2010 and 2015			
Area	2010 Population	2015 Population	Percentage Change
Mitchell County	10,776	10,762	-0.1%
Non-MSA Iowa	1,261,493	1,250,756	-0.9%
State of Iowa	3,046,355	3,093,526	1.5%

*Source: 2010 U.S. Census Bureau Decennial Census
2011 - 2015 U.S. Census Bureau American Community Survey*

Income Characteristics

The U.S. Census Bureau data in the table below illustrates the changes in median family income (MFI) from 2006-2010 and 2011-2015. The MFI in Mitchell County experienced a 7.1 percent decrease, compared to a 0.7 percent and 0.2 percent increase in Non-MSA Iowa and the State of Iowa, respectively. One community representative indicated that many employment opportunities are offered within the retail and service industries in the assessment area, but they are comprised of lower-level wage jobs, which reasonably supports the decrease in MFI. Another representative expects an increase in MFI as the area is experiencing a tightened labor market due to the COVID-19 pandemic and subsequent wage increases as employers compete to retain and/or attract employees.

Median Family Income Change 2010 and 2015			
Area	2010 Median Family Income	2015 Median Family Income	Percentage Change
Mitchell County	\$68,992	\$64,078	-7.1%
Non-MSA Iowa	\$61,224	\$61,681	0.7%
State of Iowa	\$67,302	\$67,446	0.2%
<i>Source: 2006 - 2010 U.S. Census Bureau American Community Survey 2011 - 2015 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

Housing Characteristics

The bank’s assessment area includes 4,897 housing units. The majority of housing units are owner-occupied at 74.5 percent, whereas rental units comprise 14.5 percent of total units. Within the assessment area, 11.0 percent of housing units are vacant, which is slightly higher than the percentage of vacant units within the State of Iowa (8.7 percent). The high rate of owner occupancy aligns with the area’s affordability as noted by community representatives, both depicting a housing market less susceptible to inflation and volatility compared to surrounding areas.

The following table presents the recent housing cost burden within the assessment area, Non-MSA Iowa, and the State of Iowa. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. As evidenced by the table below, low-income individuals are impacted at a higher percentage than moderate-income individuals as both renters and owners. Renters across all income levels in Mitchell County and Non-MSA Iowa experience housing cost burden at 18.3 percent and 32.8 percent, respectively. These are both lower than the housing cost burden compared to renters in the State of Iowa, which is at 38.2 percent. Owners across all income levels in Mitchell County and Non-MSA Iowa experience housing cost burden at 14.8 percent and 14.9 percent. These are slightly lower than the housing cost burden experienced as a whole in the State of Iowa, which is figured at 15.4 percent.

Local community representatives indicated that while housing is more affordable in Mitchell County when compared to the rest of Iowa, there remains a shortage of housing that is necessary to support the growing workforce. Both representatives confirmed additional housing stock to be a top priority for continuing economic growth.

2020 Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Mitchell County	45.9%	2.2%	18.3%	48.4%	29.1%	14.8%
Non-MSA Iowa	64.3%	14.3%	32.8%	54.3%	20.8%	14.9%
State of Iowa	71.3%	21.3%	38.2%	57.5%	25.1%	15.4%

Cost Burden is housing cost that equals 30 percent or more of household income

Source: U.S. Department of Housing and Urban Development (HUD), 2013-2017 Comprehensive Housing Affordability Strategy

Employment Conditions

The table below reflects unemployment rates from the U.S. Bureau of Labor Statistics from 2016-2020. Overall, the assessment area has consistently had more favorable unemployment rates than both Non-MSA Iowa and the State of Iowa. All areas experienced a surge in unemployment, in 2020 due to the COVID-19 pandemic. In 2020, unemployment in Mitchell County stood at 3.4 percent, falling below the rates of the Non-MSA Iowa and the State of Iowa, at 4.9 percent and 5.3 percent, respectively. Community representatives indicated a tight labor market in Mitchell County as challenges of filling open positions are exacerbated by remote work options presenting residents with competitive employment opportunities outside the area. Additional factors contributing to the disparity of unfilled positions compared to the labor supply include the re-opening of the economy in the aftermath of the pandemic, as well as new businesses moving into the area, creating additional job openings. According to one representative, one local initiative is engaged in efforts to bring permanent skilled workers and their families to the area from abroad in response to the current and persistent issue of labor shortages.

Unemployment Rates					
Area	2016	2017	2018	2019	2020
Mitchell County	2.6%	2.1%	1.8%	1.7%	3.4%
Non-MSA Iowa	3.8%	3.2%	2.7%	2.9%	4.9%
Iowa	3.6%	3.1%	2.6%	2.8%	5.3%

Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics

Community Representatives

Examiners contacted two community representatives to obtain context surrounding the assessment area’s banking needs and local economic conditions. Both representatives agreed that while the area was impacted by the COVID-19 pandemic, the economy has since recovered and is seeing new economic growth. Further, manufacturing industries were noted to be growing as some local manufacturers, such as Grain Millers Inc. and Valent BioSciences LLC, have expanded their workforces. Increased wages in the area are attributed to a shortage of labor, increasing competition among employers to retain and/or attract employees. While both community representatives spoke positively of financial institutions in the area, one noted that access to credit

for small businesses is more difficult to obtain than that of agricultural and consumer credit. Both representatives agreed that while more affordable than the rest of the state, housing stock in the assessment area is low compared to the current demand across rental and owner-occupied units.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

SASB’s performance relative to the lending test is rated Satisfactory. Overall, the bank is meeting the credit needs of its assessment area based on an analysis of the bank’s lending activities. The loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The majority of small business and small farm loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activity reflects a reasonable penetration of loans to businesses and farms of different sizes. No CRA-related complaints were received by the institution or the Reserve Bank since the previous examination.

Loan-to-Deposit Ratio

SASB’s loan-to-deposit (LTD) ratio is reasonable given the bank's asset size, financial condition, and assessment area credit needs. As of September 30, 2021, the 16-quarter average LTD ratio was 81.9 percent. The LTD ratio is above the majority of its competitors', indicating reasonable lending activity in relation to the bank's deposit share. The LTD has remained stable since the previous evaluation. For reference, the average LTD ratio over 16 quarters in 2018 was 82.9 percent and was also deemed reasonable.

Comparative Loan-to-Deposit Ratios as of September 30, 2021	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
St. Ansgar St. Bank	81.9
Competitors	
CUSB Bank	84.8
Citizens State Bank	80.7
Farmers Trust & State Bank	77.9
Farmers & Merchants	66.3
Iowa Trust & Savings Bank	53.6

Assessment Area Concentration

The following table summarizes the bank's lending inside and outside its assessment area for small business and small farm loans. During the review period, SASB originated a majority of loans in

the assessment area. The bank originated 82.2 percent of all loans by number and 81.7 percent of all loans by dollar amount within the assessment area, indicating the bank is actively serving its local community. Agriculture lending makes up the largest portion of the bank’s lending activities and the vast majority of their small farm lending takes place in the assessment area, 86.1 percent by number and 89.6 percent by dollar amount. Further, the bank originated a majority of its small business loans, 76.8 percent by number and 68.5 percent by dollar amount, in the assessment area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	63	76.8	\$4,700	68.5	19	23.2	\$2,163	31.5
Small Farm	99	86.1	\$10,309	89.6	16	13.9	\$1,202	10.4
Total Loans	162	82.2	\$15,009	81.7	35	17.8	\$3,365	18.3

Geographic Distribution of Loans

The assessment area is comprised only of middle- income census tracts, therefore a meaningful analysis of the geographic distribution could not be performed. The dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included the assessment area. Examiners determined that there were no conspicuous unexplained lending gaps in the assessment area. Therefore, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Lending to Businesses and Farms of Different Sizes

SASB’s distribution of loans reflects a reasonable penetration among businesses and farms of different revenue sizes. Greater weight was given to small farm performance, as agricultural loans represent the majority of the loan portfolio.

Small Farm Loans

SASB’s distribution of small farm loans reflects reasonable penetration among farms of different revenue sizes. The bank originated 91.9 percent of agricultural loans by number to farms with annual revenues of \$1 million or less, which is similar to the 93.8 percent of loans made to farms of this size at the previous evaluation. This performance is below assessment area demographics of 99.5 percent of farms in the assessment area with revenues of \$1 million or less. Additionally, 71.4 percent of the bank’s small farm loans were made in amounts of \$100,000 or less, which are most impactful and beneficial to small farms.

Small Farm Lending By Revenue & Loan Size							
Assessment Area: 2021 IA Non MSA							
Product Type		Bank & Demographic Comparison					
		Count		2021		Total Farms	
		Bank		Dollar	Bank		
#	%	\$ 000s	\$ %	%			
Small Farm	Revenue	\$1 Million or Less	91	91.9	9,470	91.9	99.5
		Over \$1 Million	8	8.1	839	8.1	0.5
		Unknown	0	0.0	0	0.0	0.0
		Total	99	100.0	10,309	100.0	100.0
	Loan Size	\$100,000 or Less	69	69.7	2,924	28.4	
		\$100,001 - \$250,000	20	20.2	3,447	33.4	
		\$250,001 - \$500,000	10	10.1	3,939	38.2	
		Total	99	100.0	10,310	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	65	71.4	2,790	29.5	
		\$100,001 - \$250,000	17	18.7	3,092	32.6	
		\$250,001 - \$500,000	9	9.9	3,589	37.9	
		Total	91	100.0	9,471	100.0	

Originations & Purchases
 2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS
 Note: Percentages may not add to 100.0 percent due to rounding

Small Business Loans

The distribution of small business loans reflects reasonable penetration of lending activity among businesses of different revenue sizes. The bank originated 90.5 percent of its small business loans by number to businesses with annual revenues of \$1 million or less, which is below demographics. This does represent an increase from the 82.0 percent of loans made to business of this size during the previous evaluation. Of the loans made to businesses with revenues of \$1 million or less, 91.2 percent by number were made in amounts of \$100,000 or less, which is considered most beneficial to small businesses, further demonstrating the bank’s willingness to meet small business credit needs. The bank was also heavily involved in participating in the Paycheck Protection Program (PPP), further demonstrating its responsiveness to the ongoing credit needs of businesses within the assessment area in response to the COVID-19 pandemic.

Small Business Lending By Revenue & Loan Size								
Assessment Area: 2021 IA Non MSA								
Product Type		Bank & Demographic Comparison						
		2021		2021		Total Businesses %		
	Revenue	Count Bank		Dollar Bank			%	
		#	%	\$ 000s	\$ %			
Small Business	Revenue	\$1 Million or Less	57	90.5	2,591	55.1	91.9	
		Over \$1 Million	6	9.5	2,109	44.9	6.7	
		Unknown	0	0.0	0	0.0	1.4	
		Total	63	100.0	4,700	100.0	100.0	
	Loan Size	\$100,000 or Less	53	84.1	1,067	22.7		
		\$100,001 - \$250,000	3	4.8	540	11.5		
		\$250,001 - \$1 Million	7	11.1	3,093	65.8		
		Total	63	100.0	4,700	100.0		
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	52	91.2	1,051	40.6		
		\$100,001 - \$250,000	2	3.5	415	16.0		
		\$250,001 - \$1 Million	3	5.3	1,125	43.4		
		Total	57	100.0	2,591	100.0		
Originations & Purchases								
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Response to Complaints

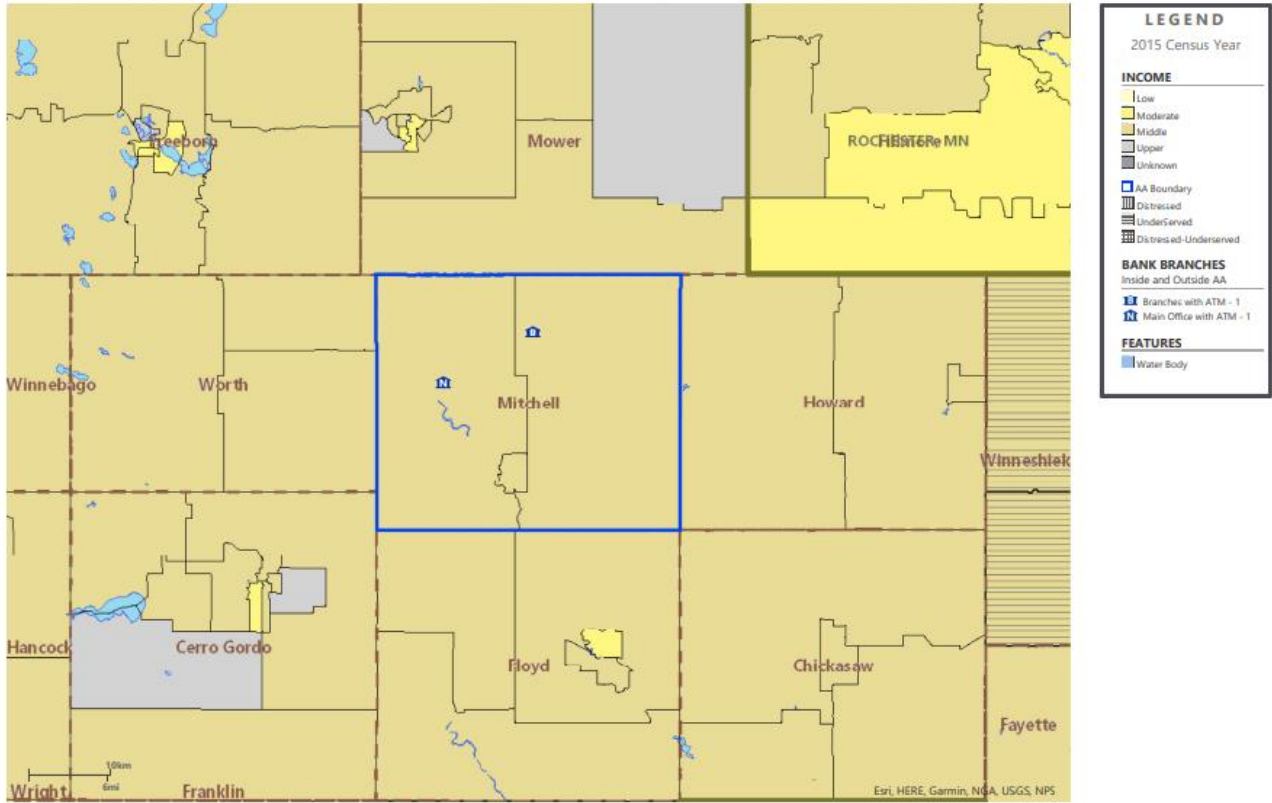
Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Map of Assessment Area

St. Ansgar State Bank 115146
IA Non MSA



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		January 1, 2021 through December 31, 2021	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
St. Ansgar State Bank			Small Business Loans Small Farm Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
Green Energy MCI	Common Ownership		None
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Iowa Non-MSA	Full Scope	N/A	N/A

APPENDIX C – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.²

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

² Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

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, which 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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

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.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 percent and less than 80 percent in the case of a census tract;

- 3) Middle-income – an 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 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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.

Qualified Investment: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand 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.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).