

# **PUBLIC DISCLOSURE**

November 13, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Citizens Bank  
RSSD# 186744

2601 4<sup>th</sup> Street  
Mason City, Iowa 50401

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.

## TABLE OF CONTENTS

<b>PERFORMANCE EVALUATION .....</b>	<b>2</b>
<b>INSTITUTION'S CRA RATING .....</b>	<b>2</b>
FIRST CITIZENS BANK OVERALL CRA RATING: SATISFACTORY.....	2
PERFORMANCE TEST RATING TABLE.....	2
SUMMARY OF MAJOR FACTORS THAT SUPPORT THE RATING .....	2
DESCRIPTION OF INSTITUTION .....	3
<b>SCOPE OF THE EXAMINATION .....</b>	<b>5</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA.....</b>	<b>6</b>
LENDING TEST .....	6
INVESTMENT TEST.....	10
SERVICE TEST .....	12
<b>IOWA.....</b>	<b>14</b>
DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON-METROPOLITAN IOWA .....	15
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IOWA .....	23
DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON-METROPOLITAN MINNESOTA .....	34
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNESOTA .....	41
SERVICE TEST .....	47
<b>APPENDIX A – MAPS OF ASSESSMENT AREAS.....</b>	<b>49</b>
<b>APPENDIX B – SCOPE OF EXAMINATION .....</b>	<b>51</b>
<b>APPENDIX C – GLOSSARY .....</b>	<b>53</b>

**INSTITUTION’S CRA RATING**

**First Citizens Bank Overall CRA Rating: Satisfactory**

**Performance Test Rating Table**

The following table indicates the performance level of First Citizens Bank with respect to the lending, investment, and service test.

First Citizens Bank			
Performance Levels	Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory			
Low Satisfactory	√	√	√
Needs to Improve			
Substantial Noncompliance			

*\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating*

**Summary of Major Factors that Support the Rating**

Lending Test:

- Lending levels reflect good responsiveness to assessment area credit needs;
- A substantial majority of loans were made in the bank’s assessment areas;
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas;
- The distribution of borrowers reflects, given the product lines offered, adequate penetration among customers of different income levels and business and farms of different sizes;
- The bank exhibits an adequate record of serving the credit needs of low-income individuals

- and areas and very small businesses and farms;
- The bank made a low level of community development loans; and
- Makes extensive use of innovative and/or flexible lending practices in serving assessment area credit needs.

Investment Test:

- The bank made an adequate level of qualified community development investments and grants, particularly those not routinely provided by private investors, rarely in a leadership position;
- The bank made rare use of innovative and/or complex investments to support community development initiatives; and
- The bank exhibits good responsiveness to credit and community development needs.

Service Test:

- Delivery systems are accessible to the bank's geographies and individuals of different income levels in its assessment area;
- The bank's record of opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or to low- and moderate-income individuals;
- Services do not vary in a way that inconveniences the needs of its assessment area. Particularly to moderate-income geographies and/or low- and moderate-income individuals; and
- The bank provides an adequate level of community development services.

## FIRST CITIZENS BANK

### DESCRIPTION OF INSTITUTION

First Citizens Bank with total assets of \$1.6 billion, as of June 30, 2023, is a wholly owned subsidiary of First Citizens Financial Corporation, a one-bank holding company, with both the holding company and the bank's main office located in Mason City, Iowa. The bank maintains a branch presence in both Iowa and Minnesota of which seven locations, including the main office are within the Iowa Non-MSA (metropolitan statistical area) assessment area, and one location is in Mora, Minnesota within the Minnesota Non-MSA assessment area. The bank also operates two full-service automated teller machines (ATMs) and six cash-only ATMs throughout north central Iowa. Additionally, there is one cash-only ATM located in Mora, Minnesota. During the evaluation period, the bank closed two cash-only ATMs in the Iowa Non-MSA assessment area. The bank had no branch openings or closing since the previous performance evaluation dated August 23, 2021. The bank also provides banking services through both online banking and mobile banking.

The bank offers a variety of lending products including commercial loans, agricultural loans, residential real estate loans and consumer loans. The distribution of the bank’s loan portfolio is primarily in the state of Iowa at 94.8 percent and the remaining 5.2 percent in Minnesota. First Citizens Bank is primarily a commercial and agricultural lender with 57.6 percent, and 25.9 percent of the loan portfolio, respectively, as of June 30, 2023. The bank offers standard, non-complex deposit and savings products including checking, savings, and business/commercial checking and savings accounts as well as providing investment management and wealth advisory services. The bank’s marketing efforts are primarily through social media, billboards, radio, and occasional use of television. Additionally, the bank utilizes sponsorships of local events and teller window paper handouts.

Details of the allocation of the bank’s loan portfolio by product are provided in the following table.

<b>Composition of Loan Portfolio as of June 30, 2023 (000's)</b>		
<b>Loan Type</b>	<b>\$</b>	<b>%</b>
Commercial	671,696	57.6
Agricultural	302,145	25.9
Residential Real Estate	136,216	11.7
Consumer	30,749	2.6
Other	26,257	2.2
Total	1,167,063	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding</i>		

First Citizens Bank is an interstate institution with two designated assessment areas, the Iowa Non-MSA assessment area serves the north central portion of Iowa that borders Minnesota, and the Minnesota Non-MSA assessment area serves a portion of central Minnesota north of Minneapolis. The Iowa Non-MSA assessment area delineates Cerro Gordo, Chickasaw, Floyd, Franklin, Hancock, Howard, Mitchell, Worth, and Wright Counties in their entirety. Additionally, First Citizens Bank delineates two contiguous census tracts (701.00 and 703.00) located in Butler County, Iowa. The Minnesota Non-MSA includes 12 contiguous census tracts that include Kanabec County in its entirety which consists of four census tracts, five of Isanti County’s nine census tracts, and three of Pine County’s nine census tracts.

The two assessment areas are unchanged geographically from the previous performance evaluation dated August 23, 2021. However, changes did occur within census tract configurations as a result of the median family income levels (MFI) for census tracts calculated using the income data from the United States Census Bureau’s American Community Survey (ACS) and geographic designations from the Office of Management and Budget (OMB) being updated approximately every five years. The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending and community development activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions

from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

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

At its previous evaluation conducted on August 23, 2021, the bank was rated as Satisfactory under the CRA.

## SCOPE OF THE EXAMINATION

First Citizens Bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's Large Institution CRA Examination Procedures. The CRA performance evaluation assesses the bank's responsiveness and effectiveness in meeting the credit and community development needs in its assessment area. The evaluation was performed in the context of information about the institution, such as asset size, financial condition, market presence of other financial institutions, as well as local economic and demographic characteristics.

The bank has delineated two assessment areas, Iowa Non-MSA and Minnesota Non-MSA. The evaluation consisted of two full-scope reviews on each assessment area based on deposit market share, branch concentration; volume of home mortgage lending; small business and small farm lending and an evaluation of the needs of assessment area communities. The Iowa Non-MSA assessment area received more weight due to the bank's branch concentration, volume of residential real estate lending, small business and small farm lending, and community credit needs. The bank's level of community development activities in loans, investments, and community services in each assessment area was also evaluated.

Performance within both assessment areas was evaluated using the following performance standards:

- *Level of Lending Activity:* A sample of the bank's residential real estate loan originations and CRA-reportable loans originated from January 1, 2022, through December 31, 2022, were reviewed to determine the responsiveness to credit needs in the assessment area.
- *Lending in the Assessment Area:* A sample of the bank's residential real estate loans and CRA-reportable loans, originated from January 1, 2022, through December 31, 2022, were analyzed to determine the percentage of loans in the bank's combined assessment area.
- *Geographic Distribution of Lending in the Assessment Area:* A sample of residential real estate loans and CRA-reportable loans originated from January 1, 2022, through December 31, 2022, were analyzed to determine the extent to which the bank is lending in census tracts of different income levels, particularly those designated as low-or moderate-income.

- *Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes:* A sample of residential real estate loans and CRA-reportable loans originated from January 1, 2022, through December 31, 2022, were analyzed to determine the distribution among borrowers of different income levels, particularly low- or moderate-income borrowers, and to businesses and farms of different revenue sizes.
- *Community Development Lending:* The number volume, dollar volume, innovativeness, and complexity of community development loans from August 24, 2021, through November 13, 2023 were evaluated for their responsiveness to community credit needs.
- *Innovative or Flexible Lending Practices:* The degree to which the bank uses innovative and flexible lending practices to address the credit needs of low- and moderate-income individuals or geographies and small businesses and farms was assessed.
- *Investments:* Qualified investments, grants, and donations made from August 24, 2021, through November 13, 2023, were reviewed to determine the bank's responsiveness to community development needs. In addition, outstanding qualified investments made prior to August 24, 2021, were also considered. Qualified investments were also evaluated to determine the bank's use of innovative or complex investments.
- *Services:* The distribution of the bank's branch offices, banking services, hours of operation, availability of loan and deposit products, and the extent and innovativeness of community development services undertaken from August 24, 2021, through November 13, 2023, were reviewed.

In addition, five community representatives were contacted in connection with the examination to provide information regarding local economic and socio-economic conditions in the assessment area. Organizations focusing on economic development, affordable housing, and agriculture were contacted. Refer to individual assessment area summaries for community representative information.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

First Citizens Bank's performance relative to the lending test is rated low satisfactory. Factors contributing to the rating include: lending activity reflects good responsiveness to credit needs in its assessment areas; a substantial majority of loans were made in the bank's assessment areas; geographic distribution of loans reflects adequate penetration throughout the assessment areas; distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses and farms of different sizes; an adequate record of serving the credit needs of

low-income individuals and areas, and very small businesses (and farms); the bank made a low level of community development loans; and extensive use of innovative and/or flexible lending practices in serving assessment area needs.

### Level of Lending Activity

First Citizens Bank’s lending levels reflect good responsiveness to credit needs in its assessment area, considering the number and amount of residential real estate, small business, and small farm loans in its assessment area. Overall, the 2,193 loan originations represent a 25.1 percent increase by number volume over the bank’s performance in the previous evaluation period. The \$277.2 million in originations represented a 20.5 percent increase over the previous evaluation period. Of the 1,914 loans originated within the combined assessment area, there were 1,701 originations in the Iowa Non-MSA or 88.9 percent, which is consistent with the concentration of bank operations.

The following table represents the number of residential real estate loans and the number of small business and small farm loans the bank reported through its CRA reporting.

Summary of Lending Activity January 1, 2022 – December 31, 2022				
Loan Type	#	%	\$(000s)	%
Residential Real Estate Loans	546	24.9	75,536	27.3
Small Business	874	39.9	100,354	36.2
Small Farm	773	35.2	101,294	36.5
<b>TOTAL LOANS</b>	<b>2,193</b>	<b>100.0</b>	<b>277,184</b>	<b>100.0</b>
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>				

### Assessment Area Concentration

First Citizens Bank made a substantial majority of its residential real estate and CRA-reportable loans in its combined assessment area indicating a strong focus on lending within the two assessment areas. Overall, the bank originated 87.3 percent of its loans by number and 76.6 percent by dollar volume within the combined assessment area. Residential real estate loans originated in the bank’s assessment area represented 88.5 percent of all such loans originated in the combined assessment area by number and 66.1 percent by dollar. Small business loans originated in the combined assessment area represented 85.8 percent by number and 75.0 percent by dollar. Lastly, the concentration of small farm loans in the combined assessment area was comparable by number to residential real estate lending and small business by number at 88.1 percent but had a stronger concentration by dollar at 86.1 percent. Overall, the level of lending within the assessment area of 87.3 percent was consistent with the bank’s prior evaluation performance.



The following table summarizes the bank’s lending inside and outside its combined assessment area for residential real estate loans and CRA-reportable (small business and small farms) loans from January 1, 2022, through December 31, 2022.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Loans	483	88.5	49,954	66.1	63	11.5	25,582	33.9
Small Business	750	85.8	75,235	75.0	124	14.2	25,119	25.0
Small Farm	681	88.1	87,172	86.1	92	11.9	14,122	13.9
<b>TOTAL LOANS</b>	<b>1,914</b>	<b>87.3</b>	<b>212,361</b>	<b>76.6</b>	<b>279</b>	<b>12.7</b>	<b>64,823</b>	<b>23.4</b>
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>								

### Geographic and Borrower Distribution

First Citizens Bank’s geographic distribution of loans reflects adequate penetration throughout the assessment areas. The distribution of borrowers reflects, given the product lines offered, adequate penetration among individuals of different income levels and businesses and farms of different sizes. The bank exhibits an adequate record of serving the credit needs of low-income individuals and areas and very small businesses and farms. Additionally, the bank makes extensive use of innovative or flexible lending practices in serving assessment area credit needs. The conclusions are based upon the bank’s record of lending in the two full-scoped review assessment areas that include the Iowa Non-MSA and Minnesota Non-MSA.

The following table summarizes lending volume by number for flexible programs utilized by the bank, accompanied by a detailed description of each.

Innovative and Flexible Lending Program Volume for 2022	
Program	Loan (#)
Farm Service Guaranteed Farm Loans	7
Freddie Mac Home Possible Loans	9
Iowa Finance Authority Home Loans	8
Small Business Administration Program	21
USDA Rural Housing Loans	23

Details of the loan types are highlighted below:

- Farm Service Guaranteed Farm Loans – First Citizens Bank participates in the FSA Guaranteed Farm Loans. The bank originated three loans totaling \$1.3 million in Iowa and four loans totaling \$835,000 in Minnesota.

- Freddie Mac Home Possible Loans – Only three percent downpayment is required for properties located within the city limits of Mason City, Iowa when the USDA Rural Housing program is not available. Through the Freddie Mac Home Possible program, First Citizens Bank would continue to service these loans. The bank originated nine loans totaling \$890,714 in Iowa.
- Iowa Finance Authority Home Loans – The use of the program is limited to Mason City. Additionally, grants are available for qualified military/veterans purchasing homes in Iowa. Servicing is transferred after loan closing. In 2022, the bank originated eight loans totaling \$851,715.
- Small Business Administration Program – This facilitates small business loans in the community utilizing SBA/7a, SBA/Express, SBA/Low Doc, and SBA 504 Programs. The bank originated six loans totaling \$1.3 million in Iowa and 15 loans totaling \$1.6 million in Minnesota.
- USDA Rural Housing Loans – Loans are available for first-time homeowners with little or no down payment. Loans may exceed home value and include 100% of purchase as well as closing costs. Loans have a 30-year fixed rate with a USDA guaranty. Loans are sold to the secondary market with First Citizens Bank retaining servicing for the customers. The bank originated 23 loans totaling \$2.2 million in Iowa. None were originated in Minnesota.

The bank has also originated a diverse number of portfolio loans where standard loan programs could not meet the community's needs that involve borrowers who may have had low credit scores, irregular income, seasonal income, and non-conforming properties:

- HELOC – 116 loans totaling \$8.0 million.
- Home Equity – 122 loans totaling \$4.3 million.
- First Lien – 117 loans totaling \$21.5 million.
- Construction – 16 loans totaling \$5.5 million.

Although the bank does not have a specific home improvement program, beginning in 2023 it has offered below market interest rates to help meet the needs of individual homeowners seeking to rehabilitate or upgrade their properties. A community representative indicated there was a need for home rehabilitation loans for the aging properties in the area and the bank's initiative to make such loans more accessible reflects responsiveness to the community's need.

## **COMMUNITY DEVELOPMENT LENDING**

First Citizens Bank made a low level of community development loans. The bank originated nine community development loans, totaling \$6.2 million during this evaluation period. Of which five are participation loans in the broader statewide regional area (BSRA), which are credited at the institution level. Additional details of the bank's community development lending can be found within the individual assessment area analyses.

The following table provides a summary of the bank’s community development lending.

Community Development Loans (Dollars in 000s)										
Assessment Area	Affordable Housing		Community Service		Economic Development		Revitalization and Stabilization		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Iowa Non-MSA	1	1,308	1	1,250	0	0	0	0	2	2,558
Minnesota Non-MSA	0	0	0	0	1	1,100	1	1,500	2	2,600
Broader Statewide Regional Area	0	0	0	0	0	0	5	1,060	5	1,060
Total	1	1,308	1	1,250	1	1,100	6	2,560	9	6,218

## INVESTMENT TEST

First Citizens Bank’s performance relative to the investment test is low satisfactory based on making an adequate level of qualified investments, particularly those not routinely provided by private investors, and rarely in leadership positions. While the bank made rare use of innovative or complex qualified investments to support community development initiatives, it demonstrates good responsiveness to the credit and community development needs of its assessment areas based on the breadth of community organizations, to which it has made grants and donations, including those involved in affordable housing, community services, and revitalization/stabilization. In total, there were 53 such organizations whose activities met the definition of community development.

During the evaluation period, the bank originated \$5.5 million in funded and unfunded current period investments, an increase from the previous evaluation’s \$2.7 million. There was also an additional \$3.1 million dollars in prior period investments with current outstanding balances. The investment dollars were virtually evenly allocated between the two assessment areas with the balance in the broader statewide and regional areas. The bank’s investments were primarily in affordable housing and community services.

The following table summarizes the investments distribution.

Qualified Investments (Dollars in 000s)							
Assessment Area	Current Period Funded				Current Period Funded	Prior Period Outstanding Balances	Total Unfunded
	Affordable Housing	Community Service	Economic Development	Revitalization and Stabilization			
Iowa Non-MSA	744.1	0	0	0	744.1	273.8	1,648.5
Minnesota Non-MSA	503.6	0	0	0	503.6	2,000.0	0
Broader Statewide Regional Area	0	2,560.9	0	0	2,561.9	821.2	0
Total	1,247.7	2,560.9	0	0	3,808.6	3,095.0	1,648.5

In addition, the bank and its foundation, the First Citizens Charitable Foundation, made a total of \$347,650 in community development grants and donations in the current 27-month evaluation period, which is a 28.0 percent decrease from the \$482,905 in donations from the previous evaluation, a 26-month review period. Of the total donations qualified, 61.4 percent were disbursed by the foundation and 38.6 percent were disbursed by the bank. A large percentage, 77.4 percent, of the donations were directed towards the Iowa Non-MSA, totaling \$269,650. Further analysis indicates that \$299,200 in donations, or 86.1 percent, went towards organizations with a community service focus, followed by \$27,000, or 7.7 percent, in donations going towards affordable housing initiatives. Overall, 44 organizations with a community development purpose received donations from the bank.

Community Development Donations										
Assessment Area	Affordable Housing		Community Service		Economic Development		Revitalization and Stabilization		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Iowa Non- MSA	5	22,000	50	226,200	5	9,950	4	11,500	64	269,650
Minnesota Non-MSA	1	5,000	6	24,500	0	0	0	0	7	29,500
Broader Statewide Regional Area	0	0	10	48,500	0	0	0	0	10	48,500
Total	6	27,000	66	299,200	5	9,950	4	11,500	81	347,650

## SERVICE TEST

First Citizens Bank's performance with respect to the service test is low satisfactory. The bank's service delivery systems are accessible to geographies and individuals of different income levels in its assessment areas. The bank's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and to low- and moderate-income individuals. Services and business hours do not vary in a way that inconveniences the needs of its assessment areas, particularly moderate-income geographies and low- and moderate-income individuals. The bank provides an adequate level of community development services.

### Retail Services

The bank's retail delivery services are accessible to geographies and individuals of different income levels in its assessment area. To the extent changes have been made, its record of opening and closing branches has not generally adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies or to low- and moderate-income individuals. Its services and business hours do not vary in a way that inconveniences its assessment areas, particularly moderate-income geographies or low- or moderate-income individuals.

The bank maintains a branch presence in both Iowa and Minnesota of which seven, including the main office, are within the Iowa Non-MSA assessment area and one in Mora, Minnesota that is in the Minnesota Non-MSA assessment area. The bank has two branches located in moderate-income census tracts with one in each of the assessment areas. The bank also operates two full-service ATMs and six cash-only ATMs throughout north central Iowa. Additionally, there is one cash-only ATM located in Mora, Minnesota. During the evaluation period the bank closed two cash-only ATMs in the Iowa Non-MSA assessment area, including one in a moderate-income census tract. The ATM located in the moderate-income census tract was closed due to low consumer usage as competing ATMs were available in nearby retail establishments.

Bank locations are open Monday through Friday with standard hours between 8:00 a.m. to 5:00 p.m., along with drive-up services Monday through Saturday. However, the bank branch in Kanawha, Iowa has lobby hours by appointment only and no Saturday drive through availability. All products and services are consistent among all branches. The bank offers services through its website, mobile/internet banking, and remote deposit capture. Additionally, the bank has various social media accounts where it communicates general information about the bank, information sharing with its customer base, and to spotlight community events.

### Community Development Services

The bank provides an adequate level of community development services. Bank personnel provided 548 community development service hours to organizations during the evaluation period. This is a decrease since the previous evaluation of 38.4 percent, which had 890 community development service hours. Services were mostly devoted to economic development services representing 51.1 percent of the total service hours. However, services by number of activities were mostly devoted to organizations providing community services to low- or moderate-income individuals or families. Service hours were dispersed throughout the assessment areas with 482 hours, or 88.0 percent, occurring in the Iowa Non-MSA and 66 hours, or 12.0 percent, occurring in the Minnesota Non-MSA. The bank’s level of services hours in each respective assessment area is largely correlated to the number of branches the bank operates in those assessment areas. Further, many service hours took the form of leadership roles on boards and committees, as well as for financial literacy purposes.

Community Development Services					
Assessment Area	Affordable Housing	Community Service	Economic Development	Revitalization and Stabilization	Total Hours
Iowa Non- MSA	46	145	280	11	482
Minnesota Non-MSA	0	66	0	0	66
Total	46	211	280	11	548
<i>Note: Hours were rounded to the nearest decimal point and may not add to the totals, which were also rounded to the nearest decimal point.</i>					

### FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

## IOWA

### **CRA RATING FOR IOWA<sup>1</sup>: SATISFACTORY**

**The Lending Test is rated:** Low Satisfactory

**The Investment Test is rated:** Low Satisfactory

**The Service Test is rated:** Low Satisfactory

#### **Lending Test:**

- The geographic distribution of loans reflects adequate penetration throughout the assessment area;
- The distribution of borrowers reflects, given the product lines offered, adequate penetration among customers of different income levels and business and farms of different sizes;
- The bank exhibits an adequate record of serving the credit needs of low-income individuals and areas and very small businesses and farms;
- The bank made a low-level of community development loans; and
- Extensive use of innovative and/or flexible lending practices in serving assessment area credit needs of low-or moderate-income individuals or geographies.

#### **Investment Test:**

- An adequate level of qualified community development investments and grants, particularly those not routinely provided by private investors, although rarely in a leadership position;
- The bank made rare use of innovative and/or complex investments to support community development initiatives; and
- The bank exhibits good responsiveness to credit and community development.

#### **Service Test:**

- The bank service delivery systems are accessible to the bank's geographies and individuals of different income levels in its assessment areas;
- To the extent changes have been made, its record of opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and to low- and moderate-income individuals;
- The bank's services and business hours do not vary in a way that inconveniences the needs of its assessment area. Particularly to moderate-income geographies and/or low- and moderate-income individuals; and
- The bank provides an adequate level of community development services.

---

<sup>1</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

## SCOPE OF EXAMINATION

Full-scope examination procedures were used to evaluate the bank’s performance in the Iowa Non-MSA assessment area. The performance criteria and review periods are consistent with the scope described in the overall scope of the Performance Evaluation. The state of Iowa is comprised of only one assessment area, the Iowa Non-MSA. Therefore, the state lending, investment, and services conclusions are described in the assessment area analysis below.

## DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-METROPOLITAN IOWA

First Citizens Bank’s Iowa Non-MSA single assessment area is comprised of the following counties: Cerro Gordo, Chickasaw, Floyd, Franklin, Hancock, Howard, Mitchell, Worth, and Wright Counties in their entirety, and two contiguous census tracts (701.00 and 703.00) in Butler County. There have been no changes to the assessment area since the previous evaluation of August 23, 2021. The bank’s main office, a branch, and three ATMs are in Mason City, (Cerro Gordo County) Iowa. The bank also has single branch locations in Charles City (Floyd County), Clarion (Wright County), Kanawha (Hancock County), New Hampton (Chickasaw County), and Osage (Mitchell County) Iowa with a single ATM at each branch. There is also one cash-only ATM located in a moderate-income census tract in Cerro Gordo County. During the evaluation period the bank closed one cash-only ATM located in a moderate-income census tract in Charles City as well as a cash-only ATM located in a middle-income census tract in Clarion.

*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). The income data used to calculate geographic income designations changed between 2020 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.*

<b>Census Tract Designation Changes</b>			
<b>American Community Survey Data (ACS)</b>			
<b>Tract Income Designations</b>	<b>2020 Designations (#)</b>	<b>2022 Designations (#)</b>	<b>Net Change (#)</b>
Low	0	0	0
Moderate	2	4	+2
Middle	39	36	-3
Upper	2	4	+2
<b>Total</b>	<b>43</b>	<b>44</b>	<b>+1</b>
<i>Source: U.S Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S Census Bureau: Decennial Census: American Community Survey Data 2016-2020</i>			



As the above table indicates the Iowa Non-MSA assessment area, though not expanding by geography from the previous evaluation, had one additional census tract that was delineated in Cerro Gordo County. The two aforementioned middle-income census tracts in Butler County were designated as underserved. Mason City, which is in Cerro Gordo County is the only municipality in the assessment area with a population greater than 10,000, and with an approximate population of 27,000, accounts for approximately 19.5 percent of the total population of the assessment area. The June 30, 2022, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share report ranks First Citizens Bank first out of 33 FDIC-insured institutions operating in the bank's assessment area with 19.1 percent of the market's deposits, which is substantially more than First Security Bank and Trust Company (Charles City, Iowa) and CUSB Bank (Cresco, Iowa), who are second and third in market share at 8.6 percent and 8.2 percent, respectively. For reference, the 33 total FDIC-insured depository institutions operating in the assessment area maintain a total of 89 branch offices, First Citizens Bank's seven branch office locations represent 7.9 percent of all branch locations.

Information about the census-related and business and farm demographic characteristics of the assessment area for 2022 is provided in the following table.

2022 IA Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,697	17.7
Moderate	4	9.1	4,173	11.0	629	15.1	7,729	20.4
Middle	36	81.8	30,278	79.8	1,923	6.4	8,718	23.0
Upper	4	9.1	3,475	9.2	128	3.7	14,782	39.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>44</b>	<b>100.0</b>	<b>37,926</b>	<b>100.0</b>	<b>2,680</b>	<b>7.1</b>	<b>37,926</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	8,252	4,325	9.7	52.4	2,983	36.1	944	11.4
Middle	53,006	36,229	81.4	68.3	11,024	20.8	5,753	10.9
Upper	6,711	3,976	8.9	59.2	1,425	21.2	1,310	19.5
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>67,969</b>	<b>44,530</b>	<b>100.0</b>	<b>65.5</b>	<b>15,432</b>	<b>22.7</b>	<b>8,007</b>	<b>11.8</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	918	12.6	809	12.3	94	16.2	15	11.0
Middle	5,691	78.1	5,122	77.9	459	79.0	110	80.9
Upper	680	9.3	641	9.8	28	4.8	11	8.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>7,289</b>	<b>100.0</b>	<b>6,572</b>	<b>100.0</b>	<b>581</b>	<b>100.0</b>	<b>136</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>90.2</b>		<b>8.0</b>		<b>1.9</b>
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	34	1.9	34	1.9	0	0.0	0	0.0
Middle	1,595	89.7	1,584	89.7	10	90.9	1	100.0
Upper	149	8.4	148	8.4	1	9.1	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>1,778</b>	<b>100.0</b>	<b>1,766</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>
<b>Percentage of Total Farms:</b>				<b>99.3</b>		<b>0.6</b>		<b>0.1</b>
Source: 2022 FFIEC Census Data								
2022 Dun & Bradstreet Data								
2016-2020 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

## Population Characteristics

The table below presents the population trends for the assessment area, individual counties, and the state of Iowa, from 2015-2020. According to the U.S. Census Bureau demographic data, the assessment area's population in 2020 at 146,334 represents a decrease of 1.8 percent compared to 2015. Population estimates by the U.S. Census Bureau for 2022 indicate that the assessment area is continuing to experience a decline in population. One of the community representatives indicated that the population migration out of the assessment area was primarily young adults attracted to more urban areas for employment, housing, and lifestyle opportunities. They also noted there are instances where not only young adults, but also other family members who still wanted to be near them, are leaving the area. Recent studies completed by the Iowa State University Extension & Outreach Farm, Food, and Enterprise Development unit as well as two other housing studies on seven individual counties in the assessment area, indicated in aggregate that more of the employed residents are traveling outside their respective counties for their jobs than employed non-residents commuting into the assessment area, which also may indicate population migration trends outside of the assessment area for employment considerations. Another community representative also indicated that there has been an inflow of individuals with immigrant status and of low- and moderate-income individuals from other major midwestern cities who had found themselves on long waiting lists for rental housing.

The aggregate loss by percentage is comparable to the overall Non-MSA areas of the state of Iowa. Butler and Franklin Counties experienced the largest decrease by percentage; however, the U.S. Census Bureau population estimates for 2022 indicated that rate of loss had markedly slowed in these two counties. Iowa ranked 38<sup>th</sup> of the 50 states in terms of population growth by percentage from 2010 to 2020. The overall growth in population for the state of Iowa was primarily in the counties of Dallas, Johnson, Linn, and Polk each of which contain large metropolitan centers.

2022 IA Non MSA Population Change			
Area	2015 Population	2020 Population	Percent Change
2022 IA Non MSA	149,077	146,334	-1.8%
Butler County, IA	14,966	14,334	-4.2%
Cerro Gordo County, IA	43,481	43,127	-0.8%
Chickasaw County, IA	12,244	12,012	-1.9%
Floyd County, IA	16,050	15,627	-2.6%
Franklin County, IA	10,489	10,019	-4.5%
Hancock County, IA	11,092	10,795	-2.7%
Howard County, IA	9,494	9,469	-0.3%
Mitchell County, IA	10,762	10,565	-1.8%
Worth County, IA	7,563	7,443	-1.6%
Wright County, IA	12,936	12,943	0.1%
Non MSA Iowa	1,250,756	1,232,642	-1.4%
Iowa	3,093,526	3,190,369	3.1%
<i>Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census</i>			

## Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 37,926 families, reflecting a 1.7 percent decrease from the previous evaluation. By income category, 17.7 percent are designated as low-income and 20.4 percent are moderate-income. These percentages reflect little change in the aggregate of these categories from the previous evaluation. There was a decrease, however, in the percentage of families living below the poverty level as it decreased from 7.9 to 7.1 percent.

The following table compares the median family income for the assessment area and the state of Iowa. According to the U.S. Census Bureau, median family income in the assessment area increased 5.8 percent from 2015 to 2020. This was below both the general Iowa Non-MSA of 6.5 percent and the 7.4 percent for the full state of Iowa. Chickasaw, Floyd, and Worth Counties exhibited increases greater than 10 percent. One community representative commented that counties with companies that had skilled labor needs such as manufacturing tend to have higher wage levels than those who contained industries requiring unskilled or lower skilled labor citing egg production companies as an example of the latter.

2022 IA Non MSA Median Family Income Change			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
2022 IA Non MSA	\$67,117	\$71,004	5.8%
Butler County, IA	\$69,608	\$68,904	-1.0%
Cerro Gordo County, IA	\$69,278	\$73,237	5.7%
Chickasaw County, IA	\$67,163	\$75,797	12.9%
Floyd County, IA	\$61,189	\$74,894	22.4%
Franklin County, IA	\$64,064	\$61,971	-3.3%
Hancock County, IA	\$70,365	\$72,182	2.6%
Howard County, IA	\$66,835	\$66,267	-0.9%
Mitchell County, IA	\$70,010	\$73,550	5.1%
Worth County, IA	\$66,937	\$76,059	13.6%
Wright County, IA	\$64,749	\$64,072	-1.0%
Non MSA Iowa	\$67,391	\$71,763	6.5%
Iowa	\$73,712	\$79,186	7.4%
<i>Source: 2011 - 2015 U.S. Census Bureau American Community Survey 2016 - 2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars</i>			

## Housing Characteristics

There are a total of 67,969 housing units in the assessment area reflecting a nominal increase of 0.6 percent from the previous evaluation. Most of the housing units are owner-occupied at 65.5 percent, 22.7 percent are rental units, and 11.8 percent are vacant. U.S. Census Bureau data indicates that there has been a significant upward trend in the housing price index with year over year increases in 2021 compared to 2020 ranging from 5.6 percent in Chickasaw County to 20.8 percent in Hancock County.

The following table presents the recent housing cost burden within the 10-county assessment area 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. The range for renters runs from a low of 18.5 percent in Mitchell County to a high 39.0 percent in Floyd County. None of the community contacts could comment specifically on the differentials between counties, one did indicate that the drop in the number in the average household from 2.4 persons to 1.7 persons over the recent decades has created a need for 30.0 percent more housing in the general area, which could lead to higher purchase prices and rents. A study on Floyd County by the Iowa State University Extension & Outreach Community Economic Development area noted that the homeownership rate in the county was above recommended levels by percentage showing a need for more rental units.

2022 IA Non MSA Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
2022 IA Non MSA	64.6%	12.3%	31.9%	51.1%	18.1%	13.1%
Butler County, IA	58.7%	4.1%	25.2%	60.0%	14.7%	13.8%
Cerro Gordo County, IA	70.5%	16.7%	36.5%	52.0%	19.1%	13.0%
Chickasaw County, IA	60.8%	6.5%	30.4%	45.8%	16.6%	13.4%
Floyd County, IA	63.0%	8.7%	39.0%	41.8%	16.0%	12.2%
Franklin County, IA	71.1%	0.0%	25.4%	57.4%	20.7%	15.2%
Hancock County, IA	72.8%	14.6%	33.5%	56.9%	14.4%	12.2%
Howard County, IA	61.6%	4.0%	23.6%	40.4%	22.5%	13.0%
Mitchell County, IA	37.7%	19.0%	18.5%	55.1%	29.5%	15.5%
Worth County, IA	43.5%	14.6%	22.3%	49.3%	11.5%	10.4%
Wright County, IA	64.3%	19.6%	31.4%	49.2%	16.1%	12.2%
Non MSA Iowa	63.7%	13.0%	32.5%	53.8%	19.0%	14.5%
Iowa	70.6%	17.7%	37.7%	56.8%	22.5%	15.0%
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy</i>						

A characteristic not reflected in the above table is the age of housing stock in the assessment area. The median age of housing stock ranged from 58 years to 71 years. A study of six counties (Cerro Gordo, Floyd, Franklin, Hancock, Mitchell, and Wright) by Iowa State University Extension & Outreach Community Economic Development indicated that each county has over 30.0 percent of their housing stock was built in 1939 or earlier. A separate study done by the Butler Grundy Development Alliance in 2019 indicated that 41.0 percent of the homes in Butler County were built prior to 1939, compared to 26.0 percent of the homes in Iowa and 13.0 percent nationally.

### Employment Characteristics

The table below presents unemployment data between 2017 and 2021 in the counties that comprise the assessment area in the Iowa Non-MSA and the state of Iowa. Overall, the area experienced stabilized unemployment rates within the past five years (2017-2021) with the notable increase in 2020 due to the widespread economic downturn caused by the COVID-19 pandemic. Additional statistical data, supplied by the Bureau of Labor Statistics through the majority of 2022, indicated continued improvement as the unemployment rates decreased to percentages comparable to 2019. There is an evident trend of increases in unemployment during the first quarter of each year, which one community contact attributed to construction slowdowns due to weather. One

community contact commented that there was still a labor shortage with many businesses having open positions.

Gross Domestic Product (GDP) is another indicator of the economic conditions within the assessment area. Statistical data from the Bureau of Economic Statistics considering results from all industries located in the assessment area and displayed economic recovery from the COVID-19 pandemic of 2020 with the performance of many of the counties in 2021 exceeding that of 2019.

2022 IA Non MSA Unemployment Rates					
Area	2017	2018	2019	2020	2021
2022 IA Non MSA	3.0%	2.5%	2.6%	4.7%	4.0%
Butler County, IA	3.5%	2.7%	3.0%	4.5%	3.8%
Cerro Gordo County, IA	3.0%	2.6%	2.6%	5.1%	4.3%
Chickasaw County, IA	3.1%	2.7%	2.7%	4.6%	3.6%
Floyd County, IA	3.2%	2.7%	3.4%	5.9%	4.3%
Franklin County, IA	2.7%	2.1%	2.2%	3.7%	3.7%
Hancock County, IA	2.6%	2.3%	2.3%	4.5%	3.8%
Howard County, IA	3.0%	2.5%	2.7%	4.3%	3.8%
Mitchell County, IA	2.1%	1.8%	1.6%	3.3%	3.0%
Worth County, IA	3.0%	2.7%	2.7%	5.2%	4.2%
Wright County, IA	3.4%	2.6%	2.4%	3.9%	4.1%
Non MSA Iowa	3.2%	2.6%	2.7%	4.8%	4.1%
Iowa	3.1%	2.5%	2.6%	5.1%	4.2%

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

## Industry Characteristics

Manufacturing companies are the largest non-agricultural private sector employers in the assessment area accounting for 27.3 percent of the workforce. Health care and social assistance positions are the next largest group at 11.1 percent. Accommodation and food services, construction, and wholesale trade (intermediate step in the distribution of merchandise) were approximately equivalent in their share of the work force at 6.0 percent each. When factoring in government employment, that sector would be the second largest employer in the assessment area.

Agriculture is a significant portion of the assessment area's economy. A community representative noted that there have been several factors that have contributed to overall strong revenue growth among farmers including increased demand for certain crop products due to shortages from international producers, increased government subsidies, and crop insurance. However, the assessment area had a decline of 1.9 percent in the number of businesses from the previous evaluation and a 3.1 percent decline in the number of farms.

## **Community Representatives**

Three community representatives were interviewed to gain a perspective of the economic and socioeconomic conditions, affordable housing options, and relevant credit needs of the area. Two representatives spoke to the strength of the local economy, indicated by the low unemployment rates; however, there is still a need for both skilled and unskilled workers in the assessment area. One representative indicated that the agricultural economy was particularly strong, and that farm revenues and land prices were increasing benefiting from both global situations and government subsidies. This has led to a reduced need for credit among some farm owners as they can now self-finance. Another representative noted the escalation of housing prices and rents and the need of both affordable housing and home improvement loan programs due to the aging housing stock. None of the representatives expressed any concerns with the responsiveness of financial institutions to the credit needs of the assessment area with one of them mentioning First Citizens Bank by name as being particularly responsive.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IOWA**

### **Lending Test**

The geographic distribution of loans reflects adequate penetration throughout the assessment area; distribution of borrowers reflects, given the product lines offered, adequate penetration among individuals of different income levels and businesses and farms of different sizes; an adequate record of serving the credit needs of low-income individuals and areas and very small businesses and farms; the bank made a low-level of community development loans; and extensive use of innovative and/or flexible lending practices in serving assessment area credit needs.

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects adequate penetration throughout the assessment area. The bank's assessment area includes four moderate-, 36 middle, and four upper-income census tracts. There are no low- or unknown-income tracts in the assessment area.

An analysis of the dispersion of lending was completed as part of the evaluation. Overall, the bank made loans in 44 of the 44 census tracts; however, there were nominal lending volumes in some census tracts including one of the moderate-income census tracts and one of the underserved-census tracts. Based upon this analysis, there were no conspicuous, unexplained lending gaps in the assessment area.

A detailed discussion of residential real estate loans, small business loans, and small farm loans is provided below.



Residential Real Estate Loans

In 2022, the geographic distribution of residential real estate loans reflects adequate penetration throughout the assessment area.

The bank originated 4.5 percent of its residential real estate loans by number in moderate-income census tracts, which is below the percentage of owner-occupied units in such tracts at 9.7 percent. The bank originated 86.6 percent of its residential real estate loans by number in middle-income census tracts, which is above the percentage of owner-occupied units in such tracts at 81.4 percent. The bank originated 8.9 percent of its residential real estate loans by number in upper-income census tracts, which is comparable to the percentage of owner-occupied units at 8.9 percent in such tracts.

The following table presents the bank’s geographic distribution of residential real estate loans in 2022.

Distribution of 2022 Residential Lending By Income Level of Geography					
Assessment Area: IA Non MSA					
Geographic Income Level	Bank Loans				Owner Occupied Units %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	5	4.5	778	6.3	9.7
Middle	97	86.6	9,497	77.3	81.4
Upper	10	8.9	2,009	16.4	8.9
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	112	100.0	12,283	100.0	100.0

Source: 2022 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

Small Business Loans

In 2022, the geographic distribution of small business loans reflects poor penetration throughout the assessment area.

The bank originated 5.7 percent of its small business loans by number in moderate-income census tracts, which is below the percentage of total businesses at 12.6 percent in such tracts. The bank originated 90.8 percent of its small business loans by number in middle-income census tracts, which is above the percentage of total businesses at 78.1 percent in such tracts. The bank originated 3.5 percent of its small business loans by number in upper-income census tracts, which is below the percentage of total businesses at 9.3 percent in such tracts.

The following table presents the bank’s geographic distribution of small business lending in 2022. assessment area.

<b>Distribution of 2022 Small Business Lending By Income Level of Geography</b>					
<b>Assessment Area: IA Non MSA</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	
<b>Low</b>	0	0.0	0	0.0	0.0
<b>Moderate</b>	38	5.7	4,133	6.0	12.6
<b>Middle</b>	600	90.8	62,685	90.4	78.1
<b>Upper</b>	23	3.5	2,535	3.7	9.3
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Tract-Unk</b>	0	0.0	0	0.0	0.0
<b>Total</b>	661	100.0	69,353	100.0	100.0
<i>Source: 2022 FFIEC Census Data 2022 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

### Small Farm Loans

In 2022, the geographic distribution of small farm loans reflects good penetration throughout the assessment area.

The bank originated 1.6 percent of its small farm loans by number in moderate-income census tracts which is comparable to the percentage of total farms at 1.9 percent in such tracts. The bank originated 89.6 percent of its small farm loans by number in middle-income census tracts, which is also comparable to the percentage of total farms at 89.7 percent in such tracts. The bank originated 8.8 percent of its small farm loans by number in upper-income census tracts, which is again comparable to the percentage of total farms at 8.4 percent in such tracts.

The following table presents the bank’s geographic distribution of small farm lending in 2022.

Distribution of 2022 Small Farm Lending By Income Level of Geography					
Assessment Area: IA Non MSA					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	10	1.6	1,380	1.6	1.9
Middle	558	89.6	74,243	87.1	89.7
Upper	55	8.8	9,590	11.3	8.4
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>623</b>	<b>100.0</b>	<b>85,213</b>	<b>100.0</b>	<b>100.0</b>

Source: 2022 FFIEC Census Data  
2022 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

## Lending to Borrowers of Different Income Levels and Lending to Businesses and Farms of Different Sizes

First Citizen Bank’s distribution of borrowers reflects, given the product lines offered, adequate penetration among individuals of different income levels and businesses and farms of different sizes. A detailed discussion of residential real estate lending, small business lending, and small farm lending is provided below.

The bank makes extensive use of innovative and/or flexible lending practices in serving assessment area credit needs. Examples of products offered by the bank include the following: Freddie Mac Home Possible, Iowa Finance Authority Home Loans, and USDA Rural Housing Loans, which are all designed to assist low- and moderate-income borrowers to become homeowners. The bank has established a portfolio mortgage program to enable borrowers to obtain loans who may not qualify under standard mortgage underwriting guidelines. The bank also participates in a variety of Small Business Administration Loan Programs for the purpose of facilitating small businesses financing. Further, the bank participates in the Farm Service Agency Guaranteed Farm Loan Program.

### Residential Real Estate Loans

In 2022, the distribution of residential real estate loans reflects good penetration among individuals of different income levels.

The bank originated 13.4 percent of its residential loans by number to low-income borrowers, which is below the percentage of families by family income at 17.7 percent. The bank originated 19.6 percent of its residential real estate loans by number to moderate-income borrowers, which is comparable to the percentage of families by family income at 20.4 percent. The bank originated 23.2 percent of its residential real estate loans by number to middle-income borrowers, which is

comparable to the percentage of families by family income at 23.0 percent. The bank originated 35.7 percent of its residential real estate loans by number to upper-income borrowers, which is below the percentage of families by family income at 39.0 percent. The bank also originated 8.0 percent of its residential real estate loans by number to borrowers of unknown income.

The following table presents the bank’s borrower distribution of residential real estate loans in 2022.

Distribution of 2022 Residential Lending By Borrower Income Level					
Assessment Area: IA Non MSA					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	%	
Low	15	13.4	971	7.9	17.7
Moderate	22	19.6	2,123	17.3	20.4
Middle	26	23.2	1,770	14.4	23.0
Upper	40	35.7	5,540	45.1	39.0
Unknown	9	8.0	1,879	15.3	0.0
<b>Total</b>	112	100.0	12,283	100.0	100.0

Source: 2022 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

### Small Business Loans

In 2022, the distribution of small business loans reflects poor penetration among businesses of different sizes.

The bank originated 35.4 percent of small business loans to businesses with revenues of \$1 million or less. This rate was substantially below the percentage of total businesses in the assessment area at 90.2 percent. However, of the loans made to small businesses with known incomes of \$1 million or less, 88.5 percent were in the amounts of \$100,000 or less, which are considered most beneficial to small business credit needs.

The following table presents the bank’s borrower distribution of small business loans in 2022.

<b>Distribution of 2022 Small Business Lending By Revenue Size of Businesses</b>					
<b>Assessment Area: IA Non MSA</b>					
	<b>Bank Loans</b>				<b>Total Businesses</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	<b>%</b>
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	234	35.4	12,734	18.4	90.2
<b>Over \$1 Million</b>	348	52.6	50,413	72.7	8.0
<b>Revenue Unknown</b>	79	12.0	6,206	8.9	1.9
<b>Total</b>	661	100.0	69,353	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	465	70.3	21,452	30.9	
<b>\$100,001 - \$250,000</b>	127	19.2	18,669	26.9	
<b>\$250,001 - \$1 Million</b>	69	10.4	29,232	42.1	
<b>Total</b>	661	100.0	69,353	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	207	88.5	6,256	49.1	
<b>\$100,001 - \$250,000</b>	17	7.3	2,640	20.7	
<b>\$250,001 - \$1 Million</b>	10	4.3	3,838	30.1	
<b>Total</b>	234	100.0	12,734	100.0	
<i>Source: 2022 FFIEC Census Data</i>					
<i>2022 Dun &amp; Bradstreet Data</i>					
<i>2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

### Small Farm Loans

In 2022, the distribution of small farm loans reflects good penetration among farms of different sizes.

The bank originated 78.8 percent to farms with total revenues of \$1 million or less. This was below the percentage of total farms in the assessment area at 99.3 percent. However, of the total number of small farm loans, 59.5 percent were made in amounts of \$100,000 or less, which are considered most beneficial to small farm credit needs.

The following table presents the bank’s borrower distribution of small farm loans in 2022.

Distribution of 2022 Small Farm Lending By Revenue Size of Farms					
Assessment Area: IA Non MSA					
	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	491	78.8	62,688	73.6	99.3
<b>Over \$1 Million</b>	98	15.7	20,153	23.7	0.6
<b>Revenue Unknown</b>	34	5.5	2,372	2.8	0.1
<b>Total</b>	623	100.0	85,213	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	351	56.3	15,939	18.7	
<b>\$100,001 - \$250,000</b>	163	26.2	28,752	33.7	
<b>\$250,001 - \$500,000</b>	109	17.5	40,522	47.6	
<b>Total</b>	623	100.0	85,213	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	292	59.5	12,915	20.6	
<b>\$100,001 - \$250,000</b>	123	25.1	22,212	35.4	
<b>\$250,001 - \$500,000</b>	76	15.5	27,561	44.0	
<b>Total</b>	491	100.0	62,688	100.0	
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

## Community Development Loans

First Citizens Bank made a low-level of community development loans. Within the assessment area the bank originated two community development loans totaling \$2.6 million. This was significantly below its performance in the previous evaluation of \$16.3 million or a decrease of 84.0 percent. While this is a significant decrease, it should be noted, at the previous evaluation, the bank was evaluated as an Intermediate Small Bank. Under the Intermediate Small Bank test, the bank was previously able to qualify community development loans, that are now evaluated under the retail lending test instead of the community development lending due to their dollar amount being under \$1 million. The two qualified loans were to organizations/businesses that were focused on community services and affordable housing.

The following table summarizes the bank’s community development lending performance.

Community Development Loans (Dollars in 000s)										
Assessment Area	Affordable Housing		Community Service		Economic Development		Revitalization and Stabilization		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Iowa Non- MSA	1	1,308	1	1,250	0	0	0	0	2	2,558

## Investment Test

First Citizens Bank’s performance relative to the Investment Test in the Iowa Non-MSA is adequate. The bank’s record of performance in the assessment area demonstrates an adequate level of qualified community development investments and donations, particularly those not routinely provided by private investors, although rarely in a leadership position. The bank made rare use of innovative and/or complex investments to support community development initiatives; however, the bank exhibited good responsiveness to credit and community development needs, especially with donations and grants through its charitable foundation.

The following table summarizes its investment performance of \$2.7 million with the primary amount of funds reserved through the First Citizens Charitable Foundation for disbursement.

Qualified Investments (Dollars in 000s)							
Assessment Area	Current Period Funded				Current Period Funded	Prior Period Outstanding Balance	Total Unfunded
	Affordable Housing	Community Service	Economic Development	Revitalization and Stabilization			
Iowa Non-MSA	744.1	0	0	0	744.1	273.8	1,648.5

The bank distributed a total of \$269,650 in qualified grants and donations in the current evaluation period primarily through the First Citizens Charitable Foundation. Most of the grants were distributed amongst organizations providing community services. The bank’s total qualified grants decreased by 40.3 percent relative to the prior evaluation period when donations totaled \$451,405 in the Iowa Non-MSA. The foundation made additional substantial contributions which did not meet the definition of community development.

Community Development Donations					
Assessment Area	Affordable Housing	Community Service	Economic Development	Revitalization and Stabilization	Total
	\$	\$	\$	\$	\$
Iowa Non-MSA	22,000	226,200	9,950	11,500	269,650

## Service Test

First Citizens Bank’s performance relative to the Service Test in the Iowa Non-MSA is adequate. The bank’s delivery systems are accessible to the bank’s geographies and individuals of different income levels in the assessment area; the bank’s record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly to moderate-income geographies and low- and moderate-income individuals; services do not vary in a way that

inconveniences the needs of its assessment area, particularly moderate-income geographies and low- and moderate-income individuals; and the bank provides an adequate level of community development services.

### **Retail Services**

The bank's retail delivery services are accessible to geographies and individuals of different income levels in its assessment area. To the extent changes have been made, its record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies or to low- or moderate-income individuals. Its services (including, where appropriate business hours) do not vary in a way that inconveniences its assessment areas, particularly moderate-income geographies or low- or moderate-income individuals.

The bank operates from seven locations and eight automated teller machines (ATMs), two of which are full service. There is currently one branch in a moderate-income census tract or 14.3 percent of total branches in the assessment area and six branches in middle-income census tracts or 85.7 percent.

Since the previous evaluation, the bank closed two cash-only ATMs, one in a moderate-income census tract in Charles City, Iowa and one in a middle-income census tract in Clarion, Iowa. The ATM located in the moderate-income census tract was closed due to low consumer usage as competing ATMs were available in nearby retail establishments. Further, the bank no longer maintains lobby hours on Saturdays at any of its locations.

Bank locations are open Monday through Friday with standard hours between 8:00 a.m. to 5:00 p.m., along with drive-up services Monday through Saturday. However, the bank branch in Kanawha has lobby hours by appointment only Monday through Friday and no Saturday drive through availability. Products and services are consistent among all branches. Additionally, the bank offers services through its website (<https://myfcb.bank>), mobile/internet banking, and remote deposit capture.

### **Community Development Services**

The bank provides an adequate level of community development services. Employees provided 482 hours in the Iowa Non-MSA or 88.0 percent, of the bank's 548 total hours of qualified community development services. The service hours took the form of leadership roles on boards and committees, as well as for financial literacy purposes. Compared to the previous evaluation (784 service hours), the bank's performance decreased by 38.5 percent. This is partially attributable to a combination of bank reducing its involvement or no longer participating in organizations in which its staff had contributed their financial expertise in the previous evaluation period.



<b>Community Development Services</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Service</b>	<b>Economic Development</b>	<b>Revitalization and Stabilization</b>	<b>Total Hours</b>
Iowa Non- MSA	46	145	280	11	482

## MINNESOTA

### **CRA Rating for Minnesota: Satisfactory**

**The Lending Test is rated: Low Satisfactory**

**The Investment Test is Rated: Low Satisfactory**

**The Service Test is Rated: Low Satisfactory**

#### **Lending Test:**

- The geographic distribution of loans reflects poor penetration throughout the assessment area;
- The distribution of borrowers reflects, given the product lines offered, good penetration among customers of different income levels and businesses and farms of different sizes;
- The bank exhibits an adequate record of serving the credit needs of low-income individuals and areas and very small businesses and farms;
- The bank made a low-level of level of community development loans; and
- Makes use of innovative and/or flexible lending practices in serving the assessment area's credit needs.

#### **Investment Test:**

- The bank made an adequate level of qualified community development investments and donations, particularly those not routinely provided by private investors, rarely in a leadership position;
- The bank made rare use of innovative and/or complex investments to support community development initiatives;
- The bank exhibits adequate responsiveness to credit and community development needs.

#### **Service Test:**

- Delivery systems are accessible to the bank's geographies and individuals of different income levels in its assessment areas;
- The bank's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to moderate-income geographies and/or low- and moderate-income individuals;
- Services do not vary in a way that inconveniences the needs of its assessment area, particularly to moderate-income geographies and/or low- and moderate-income individuals; and
- The bank provides an adequate level of community development services.

## SCOPE OF THE EXAMINATION

Full-scope examination procedures were used to evaluate the bank’s performance in the Minnesota Non-MSA assessment area. The performance criteria and review periods are consistent with the scope described in the overall scope of the Performance Evaluation. The state of Minnesota is comprised of only one assessment area: the Minnesota Non-MSA. Therefore, the state lending, investment and services conclusions are described in the assessment area analysis below.

## DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-METROPOLITAN MINNESOTA

First Citizens Bank’s Minnesota Non-MSA assessment area is comprised of the following counties: Kanabec County in its entirety, five of nine census tracts in Isanti County, and three of nine census tracts in Pine County. There have been no changes to the assessment area since the previous evaluation of August 23, 2021. The bank has a single branch location with an ATM located in Mora, Minnesota.

*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). The income data used to calculate geographic income designations changed between 2020 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.*

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designations	2020 Designations (#)	2022 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	5	5	0
Middle	6	7	-3
Upper	0	0	+2
Total	11	12	+1
<i>Source: U.S Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S Census Bureau: Decennial Census: American Community Survey Data 2016-2020</i>			

As the above table indicates, the Minnesota Non-MSA assessment area, though not expanding by geography from the previous evaluation, had one additional census tract that was delineated in Isanti County. The June 30, 2022, FDIC Deposit Market Share report ranks First Citizens Bank first out of 13 FDIC-insured institutions operating in the bank’s assessment area with 16.4 percent of the

market's deposits. Northview Bank (Sandstone, MN) and First Bank & Trust (Brookings, SD) are second and third in market share at 14.8 percent and 11.3 percent, respectively. Although the bank maintains most of the market share in the assessment area, from 2021 through 2022, the bank experienced significant outflows in deposits as a major depositor had removed substantial amounts from their account.

Information about the census-related and business and farm demographic characteristics of the assessment area for 2022 is provided in the following table.

2022 MN Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	3,076	25.4
Moderate	5	41.7	4,650	38.4	366	7.9	2,698	22.3
Middle	7	58.3	7,455	61.6	388	5.2	2,800	23.1
Upper	0	0.0	0	0.0	0	0.0	3,531	29.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>12</b>	<b>100.0</b>	<b>12,105</b>	<b>100.0</b>	<b>754</b>	<b>6.2</b>	<b>12,105</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	8,429	5,292	35.5	62.8	2,306	27.4	831	9.9
Middle	13,551	9,616	64.5	71.0	1,552	11.5	2,383	17.6
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>21,980</b>	<b>14,908</b>	<b>100.0</b>	<b>67.8</b>	<b>3,858</b>	<b>17.6</b>	<b>3,214</b>	<b>14.6</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	921	45.6	821	44.5	83	61.0	17	45.9
Middle	1,097	54.4	1,024	55.5	53	39.0	20	54.1
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>2,018</b>	<b>100.0</b>	<b>1,845</b>	<b>100.0</b>	<b>136</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>91.4</b>		<b>6.7</b>		<b>1.8</b>
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	36	25.2	34	24.1	2	100.0	0	0.0
Middle	107	74.8	107	75.9	0	0.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>143</b>	<b>100.0</b>	<b>141</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>98.6</b>		<b>1.4</b>		<b>0.0</b>
Source: 2022 FFIEC Census Data								
2022 Dun & Bradstreet Data								
2016-2020 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

## Population Characteristics

The table below presents the population trends for the assessment area, individual counties, and the state of Minnesota, from 2015-2020. According to the U.S. Census Bureau demographic data, the assessment area’s population in 2020 is 86,043, which represents an increase of 3.0 percent compared to 2015. Isanti County, which is the largest of the three counties, has experienced the largest growth by number and percentage. Two community representatives indicated that Isanti County’s proximity to the Minneapolis metro area with higher paying jobs and accessibility by a four-lane highway as reasons for its growth.

Minnesota ranked 27<sup>th</sup> of the 50 states in terms of population growth by percentage from 2010 to 2020. The overall growth in population for the state of Minnesota was primarily in the counties of Carver, Scott, Wright, Olmsted, Washington, Hennepin, Clay, Dakota, and Anoka indicating the strongest growth by geography was primarily in and around the Minneapolis metro area.

2022 MN Non MSA Population Change			
Area	2015 Population	2020 Population	Percent Change
2022 MN Non MSA	83,517	86,043	3.0%
Isanti County, MN	38,296	41,135	7.4%
Kanabec County, MN	16,003	16,032	0.2%
Pine County, MN	29,218	28,876	-1.2%
Non MSA Minnesota	1,243,105	1,259,719	1.3%
Minnesota	5,419,171	5,706,494	5.3%

*Source: 2011-2015 U.S. Census Bureau American Community Survey  
2020 U.S. Census Bureau Decennial Census*

## Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 12,105 families reflecting a 2.1 percent increase from the previous evaluation. By income category, 25.4 percent are designated as low-income, and 22.3 percent are moderate-income. These percentages reflect little change from the previous evaluation where 25.1 percent were designated as low-income in the previous evaluation and 23.2 percent as moderate-income. However, there was a significant decline by percentage regarding families below the poverty level dropping from 9.2 percent to 6.2 percent.

The following table compares the median family income for the assessment area, the individual counties that comprise the assessment area, and the state of Minnesota. According to the U.S. Census Bureau, median family income in the assessment area increased 14.5 percent from 2015 to 2020. This was significantly above the overall Non MSA Minnesota of 8.5 percent, and above the state percentage of 10.1 percent. The two community representatives indicated that the area in

general benefits from its proximity to Minneapolis that offers better paying jobs as well as the Welia Health Hospital in Kanabec County and Pine Technical and Community College in Pine County.

2022 MN Non MSA Median Family Income Change			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
2022 MN Non MSA	\$67,077	\$76,805	14.5%
Isanti County, MN	\$77,697	\$86,442	11.3%
Kanabec County, MN	\$61,922	\$71,371	15.3%
Pine County, MN	\$58,494	\$68,972	17.9%
Non MSA Minnesota	\$68,881	\$74,737	8.5%
Minnesota	\$84,188	\$92,692	10.1%
<i>Source: 2011 - 2015 U.S. Census Bureau American Community Survey 2016 - 2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

## Housing Characteristics

There are a total of 21,980 housing units in the assessment area. Most of the housing units are owner-occupied at 67.8 percent, 17.6 percent are rental units, and 14.6 percent are vacant. U.S. Census Bureau data indicates that there has been a significant upward trend in the housing price index with year over year increases in 2022 compared to 2021 ranging from 11.6 percent in Kanabec County to 13.0 percent in Isanti County.

Both community representatives indicated that there is a high demand and low supply for homes in the area. Supply has been impacted by rising interest rates, and the cost of construction has deterred builders from bringing more product to market over concerns the property may not sell. However, one of the community representatives did note that people would still rather live in these counties than in urban areas as the cost of housing is still relatively cheaper and they either work remotely or travel to work.

One of the community contacts spoke of the availability of Housing Choice Rental Assistance Program that creates Section 8 Housing and Economic Development Authorities (EDAs) own various apartment buildings to specifically sell to low- and moderate-income individuals. Nonprofit Central Minnesota Housing Partnership also sell to low- and moderate-income individuals and create senior housing.

The following table presents the recent housing cost burden within the three-county assessment area and the state of Minnesota. 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. Residents of Isanti County who displayed higher median family incomes also

experienced a lower level of cost burden as owners than Kanabec and Pine counties, however, per Housing and Urban Development, Isanti County has a much higher 2022 fair market rent for two-bedroom properties at \$1,329 compared to \$921 and \$877 for Kanabec and Pine counties, respectively, which is indicative of the higher cost burden for all renters in the county.

2022 MN Non MSA Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
2022 MN Non MSA	60.0%	32.8%	40.2%	58.3%	30.9%	21.7%
Isanti County, MN	62.8%	27.7%	42.0%	56.1%	27.8%	19.7%
Kanabec County, MN	56.3%	35.6%	38.2%	63.5%	36.0%	23.0%
Pine County, MN	57.9%	37.1%	38.9%	58.5%	32.2%	23.7%
Non MSA Minnesota	64.0%	20.4%	37.8%	55.3%	23.6%	17.3%
Minnesota	71.1%	24.8%	41.2%	59.5%	27.2%	17.0%
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy</i>						

## Employment Characteristics

The following table presents unemployment data between 2017 and 2021 in the counties that comprise the Minnesota Non-MSA assessment area and the state of Minnesota. Overall, the area experienced stabilized unemployment rates within the past five years (2017-2021) with the notable increase in 2020 due to the widespread economic downturn caused by the COVID-19 pandemic. Additional statistical data, supplied by the Bureau of Labor Statistics through the majority of 2022, indicated continued improvement as the unemployment rates continue to decrease. There is an evident trend of increases in unemployment during the first quarter of each year, which one community representative attributed to trade workers primarily working in warm weather. Both community contacts indicated Isanti County's lower unemployment rate was attributable to its proximity to the Minneapolis metro area. One representative commented that there was still a labor shortage particularly in the fields of teaching and medical related positions.

Gross Domestic Product (GDP) is another indicator of the economic conditions within the assessment area. Statistical data from the Bureau of Economic Statistics considering results from all industries located in the assessment area displayed economic recovery from the COVID-19 pandemic of 2020 with the performance of each of the three counties in 2021 exceeding that of 2019.



2022 MN Non MSA Unemployment Rates					
Area	2017	2018	2019	2020	2021
2022 MN Non MSA	5.2%	4.8%	5.2%	7.9%	4.6%
Isanti County MN	4.4%	4.0%	4.3%	6.9%	4.1%
Kanabec County MN	6.1%	5.8%	6.2%	8.3%	5.3%
Pine County MN	5.8%	5.2%	5.8%	8.9%	5.0%
Non MSA Minnesota	4.2%	3.9%	4.3%	6.1%	3.6%
Minnesota	3.5%	3.1%	3.4%	6.3%	3.4%

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

## Industry Characteristics

Health care and social assistance represent the largest private sector employers in the assessment area accounting for 22.1 percent of the workforce with retail trade comparable at 20.9 percent. Accommodation and food services follow at 12.7 percent with manufacturing at 11.8 percent. When factoring in government, employment this sector would be the largest employer in the assessment area. One community representative noted that the high number of government jobs may somewhat skew median family income data. Per the U.S. Bureau of Labor Statistics, Isanti County has a plurality of the number of businesses with 47.9 which was also alluded to by one of the community representatives. Overall, the total number of businesses declined by 2.6 percent from the previous evaluation.

Agriculture is not a significant economic factor within the assessment area as there are not many farms. One community representative commented that this was due to the hilliness, wetlands, and wooded areas that inhibit the growth of crops. The total number of farms decreased by 12.8 percent from the previous evaluation.

## Community Representatives

Two community representatives, with a focus on affordable housing and economic development, were contacted to increase understanding of the credit needs and market conditions of the assessment area. Both expressed similar comments with respect to Isanti County benefiting from its location near the Minneapolis metro area. Additionally, each indicated affordable housing was a need in the area due to high demand and low supply. Also, they noted that there was a shortage of workers though not necessarily related to issues with skill requirements. One of the community representatives praised the local financial institutions for meeting the area's credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNESOTA

### LENDING TEST

First Citizens Bank's performance relative to the lending test in the Minnesota Non-MSA is adequate. The geographic distribution of loans reflects poor penetration throughout the assessment area. The distribution of borrowers reflects, given the product lines offered, good penetration among individuals of different income levels and businesses and farms of different sizes. The bank also exhibits a good record of serving the credit needs of low-income individuals and areas and very small businesses and farms. The bank makes a low-level level of community development loans and makes use of innovative and flexible lending practices in serving assessment area credit needs.

#### **Geographic Distribution of Loans**

In 2022, the geographic distribution of loans reflects poor penetration throughout the assessment area. The bank's assessment area includes five moderate- and seven middle-income census tracts. There are no low-, upper-, or unknown income census tracts in the assessment area. The bank having only one location in the assessment area, along with the relative lack of significant geographic concentration of homes, businesses, and small farms contributed to its performance.

A 2022 analysis of lending dispersion was completed as part of the evaluation. The bank made loans in 10 of the 12 census tracts; however, there was nominal lending volume in some of the census tracts. Based upon this analysis, there were no conspicuous, unexplained lending gaps in the assessment area.

A detailed discussion of residential real estate loans, small business loans, and small farm loans is provided below.

#### Residential Real Estate Loans

In 2022, the geographic distribution of residential real estate loans reflects poor penetration throughout the assessment area.

The bank originated 12.5 percent of its residential real estate loans in the moderate-income census tracts, which is substantially below the percentage of owner-occupied units at 35.5 percent. The bank originated 87.5 percent of its residential real estate loans in middle-income census tracts, which is substantially above the percentage of owner-occupied units at 64.5 percent.

The following table presents the bank's geographic distribution of residential real estate loans in 2022.

Distribution of 2022 Residential Lending By Income Level of Geography					
Assessment Area: MN Non MSA					
Geographic Income Level	Bank Loans				Owner Occupied Units %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	2	12.5	230	10.9	35.5
Middle	14	87.5	1,889	89.1	64.5
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	16	100.0	2,119	100.0	100.0

Source: 2022 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

### Small Business Loans

In 2022, the geographic distribution of small business loans reflects poor penetration throughout the assessment area.

The bank originated 15.7 percent in moderate-income census tracts, which is substantially below the percentage of total businesses at 45.6 percent. The bank originated 84.3 percent of its small business loans by number, in middle-income census tracts, which is substantially above the percentage of total businesses at 54.4 percent.

The following table presents the bank’s geographic distribution of small business loans in 2022.

Distribution of 2022 Small Business Lending By Income Level of Geography					
Assessment Area: MN Non MSA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	14	15.7	545	9.3	45.6
Middle	75	84.3	5,337	90.7	54.4
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	89	100.0	5,882	100.0	100.0

Source: 2022 FFIEC Census Data  
2022 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

Small Farm Loans

The geographic distribution of small farm loans reflects poor penetration throughout the assessment area.

The bank originated 10.3 percent in moderate-income census tracts, which is below the percentage of total farms at 25.2 percent. The bank originated 89.7 percent in middle-income census tracts, which is significantly above the percentage of total farms at 74.8 percent.

The following table presents the bank’s geographic distribution of small farm loans in 2022.

Distribution of 2022 Small Farm Lending By Income Level of Geography					
Assessment Area: MN Non MSA					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	6	10.3	158	8.1	25.2
Middle	52	89.7	1,801	91.9	74.8
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>58</b>	<b>100.0</b>	<b>1,959</b>	<b>100.0</b>	<b>100.0</b>

Source: 2022 FFIEC Census Data  
2022 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

**Lending to Borrowers of Different Income Levels and Lending to Businesses and Farms of Different Sizes**

First Citizens Bank’s distribution of borrowers reflects, given the product lines offered, good penetration among individuals of different income levels and businesses and farms of different sizes. A detailed discussion of residential real estate lending, small business lending, and small farm lending is provided below.

The bank makes use of innovative or flexible lending practices in serving assessment area credit needs. Examples of products offered by the bank include the following: USDA Rural Housing Loans which are all designed to assist low- and moderate-income borrowers to become homeowners and the bank’s portfolio mortgage program to enable borrowers to obtain loans who may not qualify under standard mortgage guidelines. The bank also participates in a variety of Small Business Administration Loan Programs for the purpose of facilitating small businesses

financing. Additionally, the bank participates in the Farm Service Agency Guaranteed Farm Loan Program.

Residential Real Estate Loans

In 2022, the distribution of residential real estate loans reflects poor penetration among individuals of different income levels.

The bank originated 6.3 percent of its residential real estate loans by number to low-income borrowers, which is substantially below the percentage of families by family income at 25.4 percent. The bank originated 12.5 percent of its residential real estate loans by number to moderate-income borrowers, which is below the percentage of families by family income at 22.3 percent. The bank originated 31.3 percent of its residential real estate loans by number, to middle-income borrowers, which is above the percentage of families by family income at 23.1 percent. The bank originated 43.8 percent of its residential real estate loans by number to upper-income borrowers, which is significantly above the percentage of families by family income at 29.2 percent. The bank also originated 6.3 percent of its residential real estate loans by number to borrowers of unknown income.

The following table presents the bank’s borrower distribution of residential real estate loans in 2022.

Distribution of 2022 Residential Lending By Borrower Income Level					
Assessment Area: MN Non MSA					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	\$%	
Low	1	6.3	71	3.4	25.4
Moderate	2	12.5	117	5.5	22.3
Middle	5	31.3	562	26.5	23.1
Upper	7	43.8	1,032	48.7	29.2
Unknown	1	6.3	338	16.0	0.0
<b>Total</b>	<b>16</b>	<b>100.0</b>	<b>2,119</b>	<b>100.0</b>	<b>100.0</b>

Source: 2022 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

Small Business Loans

In 2022, the distribution of small business loans reflects excellent penetration among business of different sizes. The bank originated 86.5 percent of small business loans to businesses with revenues of \$1 million or less. This rate was slightly below the percentage of total businesses in the assessment area at 91.4 percent.. Of the loans made to businesses with known incomes of \$1 million or less, a high level of 88.3 percent was in the amounts of \$100,000 or less, which are considered most beneficial to small business credit needs.

The following table presents the bank’s borrower distribution of small business loans in 2022.

<b>Distribution of 2022 Small Business Lending By Revenue Size of Businesses</b>					
<b>Assessment Area: MN Non MSA</b>					
	<b>Bank Loans</b>				<b>Total Businesses</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	<b>%</b>
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	77	86.5	4,308	73.2	91.4
<b>Over \$1 Million</b>	12	13.5	1,574	26.8	6.7
<b>Revenue Unknown</b>	0	0.0	0	0.0	1.8
<b>Total</b>	89	100.0	5,882	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	76	85.4	2,368	40.3	
<b>\$100,001 - \$250,000</b>	9	10.1	1,630	27.7	
<b>\$250,001 - \$1 Million</b>	4	4.5	1,884	32.0	
<b>Total</b>	89	100.0	5,882	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	68	88.3	2,039	47.3	
<b>\$100,001 - \$250,000</b>	7	9.1	1,180	27.4	
<b>\$250,001 - \$1 Million</b>	2	2.6	1,089	25.3	
<b>Total</b>	77	100.0	4,308	100.0	
<i>Source: 2022 FFIEC Census Data</i>					
<i>2022 Dun &amp; Bradstreet Data</i>					
<i>2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Small Farm Loans

In 2022, the distribution of small farm loans reflects excellent penetration among farms of different sizes.

In 2022, the bank originated 100.0 percent of farm loans to farms with revenues of \$1 million or less. This rate was comparable to the percentage of total farms in the assessment area at 98.6 percent. Of the small farm loans, 89.7 percent were made in amounts of \$100,000 or less, which are considered most beneficial to small farm credit needs.

The following table presents the bank’s borrower distribution of small farm loans in 2022.

Distribution of 2022 Small Farm Lending By Revenue Size of Farms					
Assessment Area: MN Non MSA					
	Bank Loans				Total Farms %
	#	%	\$(000)	%	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	58	100.0	1,959	100.0	98.6
<b>Over \$1 Million</b>	0	0.0	0	0.0	1.4
<b>Revenue Unknown</b>	0	0.0	0	0.0	0.0
<b>Total</b>	58	100.0	1,959	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	52	89.7	1,151	58.8	
<b>\$100,001 - \$250,000</b>	6	10.3	808	41.2	
<b>\$250,001 - \$500,000</b>	0	0.0	0	0.0	
<b>Total</b>	58	100.0	1,959	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	52	89.7	1,151	58.8	
<b>\$100,001 - \$250,000</b>	6	10.3	808	41.2	
<b>\$250,001 - \$500,000</b>	0	0.0	0	0.0	
<b>Total</b>	58	100.0	1,959	100.0	
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

### Community Development Lending

The bank made a low-level of community development loans. The bank originated two community development loans totaling \$2.6 million. While this is a significant decrease from the previous evaluation (10 loans; \$11.5 million), it should be noted, at the previous evaluation, the bank was evaluated as an Intermediate Small Bank. Under the Intermediate Small Bank test, the bank was previously able to qualify community development loans, that are now evaluated under the retail lending test instead of the community development lending due to their dollar amount being under \$1 million. The loans were primarily to organizations/businesses that were focused on economic development and revitalization and stabilization.

Community Development Loans (Dollars in 000s)										
Assessment Area	Affordable Housing		Community Service		Economic Development		Revitalization and Stabilization		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Minnesota Non-MSA	0	0	0	0	1	1,100	1	1,500	2	2,600

## INVESTMENT TEST

First Citizens Bank’s performance relative to the Investment Test in the Minnesota Non-MSA is adequate. The bank’s record of performance in the assessment area demonstrates an adequate level of qualified community development investments in the assessment area. The bank made rare use of innovative and/or complex investments to support community development initiatives and provides adequate responsiveness to credit and community development needs. Investments were in affordable housing and the prior period investment in community services related to education.

The following table summarizes the bank’s investment performance.

Qualified Investments (Dollars in 000s)							
Assessment Area	Current Period Funded				Current Period Funded	Prior Period Outstanding Balance	Total Unfunded
	Affordable Housing	Community Service	Economic Development	Revitalization and Stabilization			
Minnesota Non-MSA	503.6	0	0	0	503.6	2,000	0

The bank distributed a total of \$29,500 in qualified grants and donations in the current evaluation period in Minnesota. Most of the grants were distributed amongst organizations providing community services. The bank’s total qualified grants decreased by 6.3 percent relative to the prior evaluation period when donations totaled \$31,500.

Community Development Donations						
Assessment Area	Affordable Housing	Community Service	Economic Development	Revitalization and Stabilization	Total	
	\$	\$	\$	\$	\$	%
Minnesota Non-MSA	5,000	24,500	0	0	29,500	70.2

## SERVICE TEST

The banks delivery systems are accessible to the bank’s geographies and individuals of different income levels in the assessment area; the bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to moderate-income geographies and low- and moderate-income individuals; services do not vary in a way that inconveniences the needs of its assessment area, particularly moderate-income geographies and low- and moderate-income individuals; and the bank provides an adequate level of community development services.



## Retail Services

First Citizens Bank’s retail delivery services are accessible to geographies and individuals of different income levels in its assessment area. Its record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies or to low- or moderate-income individuals. Its services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment areas, particularly moderate-income geographies or low- or moderate-income individuals.

The bank operates from one location with a cash-only ATM, both located in a moderate-income census tract. The bank has not closed or opened branch locations in Minnesota since the previous CRA evaluation.

The sole location is open Monday through Friday with standard hours between 9:00 a.m. to 5:00 p.m., along with drive-up services Monday through Saturday. During the evaluation period the bank curtailed lobby service hours by closing on Saturdays. The bank offers services through its website, mobile/internet banking, and remote deposit capture. Additionally, the bank has various social media accounts where it communicates general information about the bank, information sharing with its customer base, and to spotlight community events.

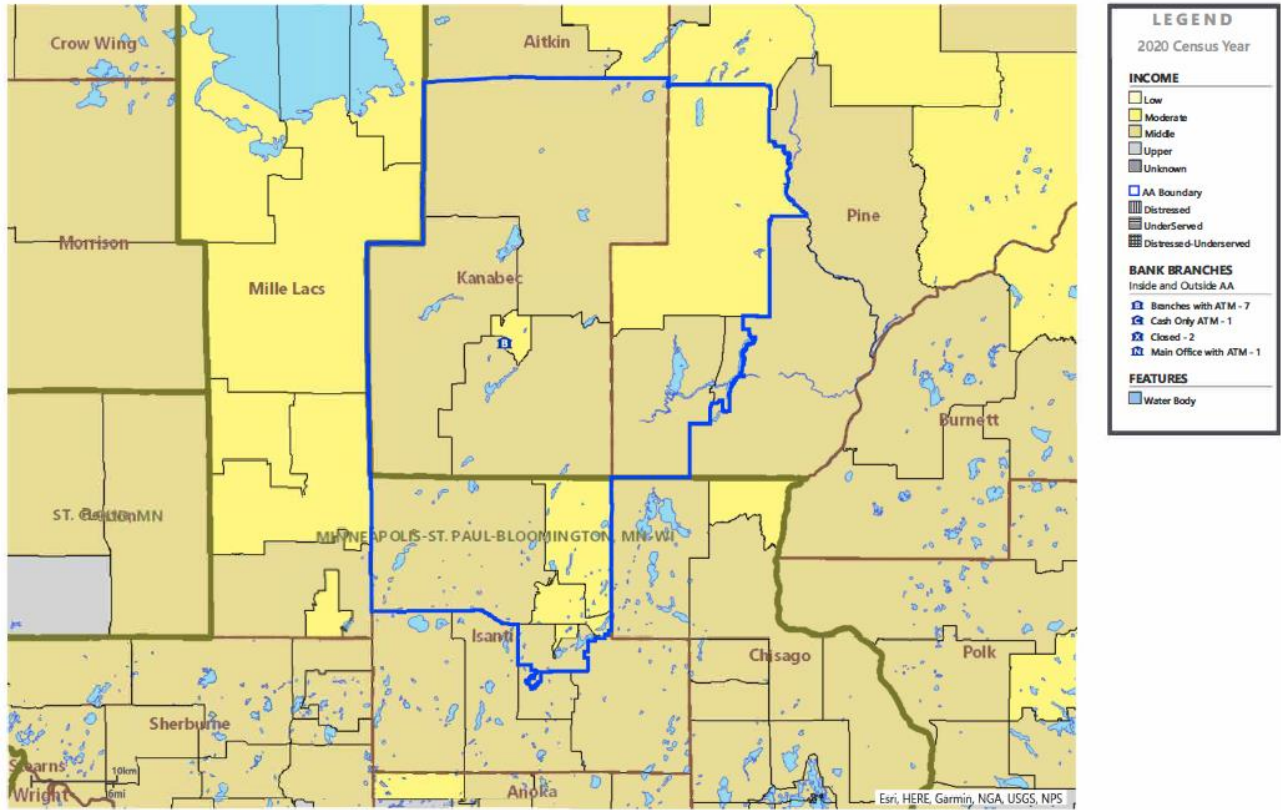
## Community Development Services

The bank provides an adequate level of community development services. Bank employees provided 66 hours, or 12.0 percent, of the bank’s 548 total hours of qualified community development services in the Minnesota Non-MSA assessment area. The service hours were primarily for leadership roles on boards and committees. However, the bank’s performance is a 37.7 percent decrease over the previous evaluation’s service hours that totaled 106 hours. A significant amount of the percentage decrease was attributable to the bank’s lack of activity with one particular community organization in which it previously had provided financial expertise.

Community Development Services					
Assessment Area	Affordable Housing	Community Service	Economic Development	Revitalization and Stabilization	Total Hours
Minnesota Non-MSA	0	66	0	0	66



# MINNESOTA



**APPENDIX B – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>	Residential, Small Business, and Small Farm Loans-January 1, 2022, through December 31, 2022. Community Development Activities- August 23, 2021, through November 13, 2023.		
<b>FINANCIAL INSTITUTION</b>  First Citizens Bank			<b>PRODUCTS REVIEWED</b>  Residential Real Estate Loans Small Business Loans Small Farm Loans Community Development Loans, Investments and Services
<b>AFFILIATE(S)</b>  N/A	<b>AFFILIATE RELATIONSHIP</b>  N/A		<b>PRODUCTS REVIEWED</b>  N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Iowa Iowa Non-MSA	Full Scope	None	Large Bank- Non-HMDA Reporter

Minnesota Minnesota Non-MSA	Full Scope	None	Large Bank- Non-HMDA Reporter
--------------------------------	------------	------	-------------------------------

## 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.<sup>2</sup>

**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

---

<sup>2</sup> Source: FFIEC press release dated October 19, 2011.

Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an 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, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes 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 household 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 production office (LPO):** 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 Loan:** 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).