

PUBLIC DISCLOSURE

July 24, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Freedom Financial Bank
RSSD# 2735137

1255 Jordan Creek Parkway
West Des Moines, Iowa 50266

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Freedom Financial Bank is rated Satisfactory.

Freedom Financial Bank is meeting the credit needs of its assessment area based upon an analysis of its lending activities. The bank's average loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A substantial majority of loans are originated in the assessment area. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area and lending activities reflect reasonable penetration among businesses of different revenue sizes. Neither Freedom Financial Bank nor this Reserve Bank received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

Freedom Financial Bank's CRA performance was evaluated using the Federal Financial Institution Examination Council's (FFIEC) Small Institution CRA Examination Procedures. The evaluation considered information about the institution and its assessment area, such as asset size, financial condition, competition, and economic and demographic characteristics. A sample of lending activity for the bank's major product line, small business loans, was reviewed as the basis of this evaluation. No other lending products were reviewed as the bank is primarily a commercial lender. Lending performance was assessed by conducting a full scope review of the bank's assessment area, which comprises part of the Des Moines-West Des Moines, IA 19870 Metropolitan Statistical Area (MSA). The assessment area is comprised of Polk County in its entirety and the eastern part of Dallas County.

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

- ***Loan-to-Deposit Ratio*** – A 17-quarter average loan-to-deposit ratio from March 31, 2019 to March 31, 2023, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A sample of the bank's small business loans originated from April 30, 2019 to December 31, 2022, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank's small business loans originated in the assessment area, from April 30, 2019 to December 31, 2022, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate- income.
- ***Lending to Businesses of Different Sizes*** – A sample of the bank's small business loans

originated in the assessment area, from April 30, 2019 to December 31, 2022, were reviewed to determine the distribution among businesses with different revenue sizes.

- ***Response to Substantiated Complaints*** – Neither Freedom Financial Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

Data tables for 2022 are in the body of the evaluation, with 2021 and prior data tables located in Appendix B.

In addition, one community representative focused on economic development was contacted in connection with this evaluation to provide information regarding local economic and socio-economic conditions in the assessment area.

DESCRIPTION OF INSTITUTION

Freedom Financial Bank is a wholly owned subsidiary of Freedom Holdings Company, located in West Des Moines, Iowa. The bank operates its main office in West Des Moines, Iowa in an upper-income census tract. One full-service branch is located in Des Moines, Iowa in a middle-income census tract. In addition, there is one full-service Automated Teller Machine (ATM) at the West Des Moines office and one cash-only ATM at the Des Moines branch. The bank has not opened or closed any branches or ATMs since the previous evaluation.

As of March 31, 2023, the bank reported assets of \$253.4 million. The bank serves their assessment area primarily as a commercial lender, with commercial loans comprising approximately 80.4 percent of the bank's portfolio by dollar volume. Loan and deposit products are standard and generally non-complex in nature. They include, but are not limited to: commercial, residential real estate, agricultural, construction, home equity lines of credit, and consumer installment loans. Deposit products include traditional savings accounts, money market, negotiable orders of withdrawal, and certificates of deposit. Online banking and further details of the bank's products and services are available at www.freedomfinancialbank.com.

The bank has a 0.6 percent share of Federal Deposit Insurance Corporation (FDIC)-insured deposits based on the June 30, 2022, FDIC Deposit Market Share report, which ranked 20th out of 48 banks with offices in Dallas and Polk County, Iowa. The deposit share market leaders were Principal Bank, Des Moines, Iowa and Wells Fargo Bank, NA, Sioux Falls, South Dakota, with market shares of 27.2 percent and 13.8 percent, respectively.

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

Composition of Loan Portfolio as of March 31, 2023		
Loan Type	Dollar Volume (000s)	Percent of Portfolio
Agricultural	8,714	4.4
Commercial	159,400	80.4
Residential Real Estate	19,143	9.7
Consumer	550	0.3
Other	10,445	5.2
Total	198,252	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding</i>		

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

The bank was rated satisfactory under the CRA at its previous evaluation on April 29, 2019.

DESCRIPTION OF ASSESSMENT AREA¹

The assessment area, as of January 1, 2022, consists of all census tracts in Polk County and twelve census tracts in eastern Dallas County. Specifically, the assessment area contains seven low-, 30 moderate-, 53 middle-, 32 upper-, and two unknown census tracts. The Des Moines International Airport is in one of the unknown census tracts while another is in a commercial area near the I-80 and I-235 intersection. The assessment area has not changed since the previous evaluation; however, there have been changes in the income level designation of census tracts as well as census tracts delineation changes that resulted in more census tracts. This was primarily due to population increases in Dallas County based on the 2020 U.S. Census resulting in the Dallas County portion of the assessment area increasing to twelve census tracts from six at the previous evaluation. The median family income levels 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 and are updated approximately every five years. As a result, Freedom Financial Bank's CRA performance evaluation for 2022 lending data utilized the median family income data set in the 2016-2020 data released by the FFIEC in July 2022, while prior years utilized tract income data from the 2011-2015 survey.

¹ Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 data. For years 2021 and before, the designations are based on 2011-2015 data. For examinations that include performance before and after 2022, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

See the table below for further information on the income designation changes.

Census Tract Designation Changes American Community Survey Data			
Tract Income Designation	2021 Designations (#)	2022 Designations (#)	Net Change (#)
Low	9	7	-2
Moderate	27	30	+3
Middle	40	53	+13
Upper	29	32	+3
Unknown	1	2	+1
Total	106	124	+18

Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 and 2016-2020

Additional 2022 assessment area demographic information is provided in the following table, with prior year demographic tables in Appendix B of the evaluation.

2022 Des Moines-West Des Moines, IA MSA 19780 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	7	5.6	5,849	4.4	1,546	26.4	26,470	19.8
Moderate	30	24.2	25,123	18.8	3,271	13.0	23,533	17.6
Middle	53	42.7	60,507	45.3	2,952	4.9	28,838	21.6
Upper	32	25.8	41,418	31.0	1,198	2.9	54,600	40.9
Unknown	2	1.6	544	0.4	0	0.0	0	0.0
Total AA	124	100.0	133,441	100.0	8,967	6.7	133,441	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	10,485	4,338	3.0	41.4	5,023	47.9	1,124	10.7
Moderate	48,944	26,547	18.2	54.2	17,902	36.6	4,495	9.2
Middle	102,382	67,603	46.4	66.0	29,007	28.3	5,772	5.6
Upper	66,272	46,748	32.1	70.5	16,689	25.2	2,835	4.3
Unknown	2,436	592	0.4	24.3	1,591	65.3	253	10.4
Total AA	230,519	145,828	100.0	63.3	70,212	30.5	14,479	6.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	967	3.9	818	3.7	140	6.3	9	3.6
Moderate	4,155	16.7	3,716	16.6	406	18.2	33	13.1
Middle	10,440	42.1	9,559	42.8	797	35.7	84	33.3
Upper	8,457	34.1	7,558	33.9	776	34.7	123	48.8
Unknown	787	3.2	669	3.0	115	5.1	3	1.2
Total AA	24,806	100.0	22,320	100.0	2,234	100.0	252	100.0
Percentage of Total Businesses:				90.0		9.0		1.0
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	3	0.6	3	0.7	0	0.0	0	0.0
Moderate	30	6.5	28	6.2	2	22.2	0	0.0
Middle	166	35.9	163	36.0	2	22.2	1	100.0
Upper	260	56.2	257	56.7	3	33.3	0	0.0
Unknown	4	0.9	2	0.4	2	22.2	0	0.0
Total AA	463	100.0	453	100.0	9	100.0	1	100.0
Percentage of Total Farms:				97.8		1.9		0.2
<p>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</p> <p>Note: Percentages may not total 100.0 percent due to rounding.</p>								

Population Change

According to the U.S. Census Bureau’s 2020 Decennial Census, the assessment area’s population is 563,330. This represents a 12.4 percent increase in population from 2015. The entire Des Moines-West Des Moines MSA had a population increase at a comparable rate of 11.2 percent during the same time period, while the state of Iowa saw a slower population growth rate of 3.1 percent. While the majority of the assessment area’s population resides in Polk County, the assessment area’s growth was primarily in Dallas County, where the population increased by a third from 2015 to 2020. The community representative stated that the growth rate of the MSA is due to the larger trend of urbanization. People are moving to urban centers from more rural areas because of growing businesses and increased economic opportunity. The representative further noted that the population growth in Dallas County is due in large part to the higher availability of open land for new housing.

The following table presents the population trends for the assessment area, counties within the assessment area, the Des Moines-West Des Moines, IA MSA, and the state of Iowa from 2015 to 2020.

Population Change			
Area	2015 Population	2020 Population	Percentage Change
Assessment Area	501,154	563,330	12.4
Dallas County, IA	74,892	99,678	33.1
Polk County, IA	452,369	492,401	8.8
Des Moines-West Des Moines, IA MSA	637,913	709,466	11.2
Iowa	3,093,526	3,190,369	3.1
<i>Source: 2011-2015 U.S. Census Bureau American Community Survey and 2020 U.S. Census Bureau Decennial Census</i>			

Income Characteristics

According to 2022 FFIEC Census Data, the assessment area is comprised of 133,441 families, of which 19.8 percent are designated as low-income and 17.6 percent are designated as moderate-income. Families living below the poverty level within the assessment area is at 6.7 percent, which is below the state of Iowa’s poverty rate of 7.1 percent.

A community representative stated in general Dallas County saw a greater increase in median family income compared to the state of Iowa because of significant competition in the area and a high number of start-up businesses, thus creating a rise in wages. Although not contributing to the Dallas County median family income growth in the 2020 period, the recently announced move by Wells Fargo & Co., the largest employer in metropolitan Des Moines, of its Home Mortgage Division to quarters in West Des Moines/Dallas County from Polk County will further support median family income growth in Dallas County in the future. The representative also stated there

was a short-term increase in median family income throughout the MSA due to inflation, a side effect of the COVID-19 pandemic response.

The following table presents median family incomes for families living in Polk and Dallas Counties, the Des Moines-West Des Moines IA MSA, and the state of Iowa.

Median Family Income Change 2015 and 2020			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percentage Change (%)
Dallas County, IA	100,985	114,777	13.7
Polk County, IA	81,217	86,525	6.5
Des Moines-West Des Moines, IA MSA	82,657	89,538	8.3
Iowa	73,712	79,186	7.4
<i>Source: 2011 – 2015 and 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 230,519 housing units in the assessment area. Most housing is owner-occupied, at 63.3 percent, whereas rentals comprise 30.5 percent of housing units; 6.3 percent of housing units are currently vacant, which is lower than the state of Iowa’s average of 9.5 percent.

Households are considered housing cost burdened when their gross monthly housing costs in relation to gross monthly income is above 30.0 percent. As shown in the table below, large percentages of both low- and moderate-income households, whether they are renters or homeowners, are housing cost burdened. Community representatives indicated that there is a housing shortage in Dallas and Polk Counties in addition to increasing land and construction prices. Existing affordable housing is generally older housing stock located in Polk County. The median age of housing stock in assessment area counties also differs substantially between Dallas and Polk County, at 17 and 42 years, respectively, reflecting the significant growth in new housing demand experienced in Dallas County due to population increases.

2022 Des Moines-West Des Moines, IA MSA Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Dallas County, IA	74.7	32.1	35.2	55.8	21.8	11.8
Polk County, IA	78.2	20.1	40.2	65.2	30.8	16.9
Des Moines-West Des Moines, IA MSA	76.5	20.4	38.8	62.8	29.2	16.2
Iowa	70.6	17.7	37.7	56.8	22.5	15.0

*Cost Burden is housing cost that equals 30 percent or more of household income.
Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy*

Employment Conditions

According to the Bureau of Labor Statistics, after increasing during the COVID-19 pandemic, the December 2022 unemployment rate in Polk County declined to 2.8 percent, similar to the state of Iowa rate of 2.9 percent; Dallas County’s unemployment rate was lower, at 2.0 percent.

A community representative stated that unemployment is historically low for the area. They also indicated that businesses are having difficulty attracting applicants as the area has a workforce shortage. During the COVID-19 pandemic, the representative stated that there were layoffs and that the government stepped in and the layoffs subsided. Further, the contact noted that the effects of the COVID-19 pandemic on area employment were mitigated by the state of Iowa’s decision to allow businesses to resume full operations sooner than other states.

The table below shows unemployment statistics for Polk and Dallas Counties, the Des Moines-West Des Moines IA MSA, and the state of Iowa.

Unemployment Rates (%)					
Area	2018	2019	2020	2021	December 2022
Dallas County, IA	1.7	1.8	3.5	2.9	2.0
Polk County, IA	2.6	2.7	5.9	4.5	2.8
Des Moines-West Des Moines, IA MSA	2.4	2.6	5.4	4.2	2.6
Iowa	2.5	2.6	5.1	4.2	2.9

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Industry Characteristics

According to the U.S. Bureau of Labor Statistics, the assessment area contains a diverse employment base and is most heavily impacted by the professional and technical services, health

care, retail, and wholesale trade industries. Two large healthcare providers, UnityPoint Health Alliance and Mercy One, have multiple hospitals and clinics in the assessment area. A community representative stated one of the largest needs in the area is attracting more skilled workers to the education and healthcare industries, due to losses related to the COVID-19 pandemic. Wells Fargo continues to be one of the largest employers in the region, as well as Principal Financial Group. Additionally, Des Moines houses a large percentage of government workers because it is the state capital.

Community Representative

One community representative was contacted to provide information regarding local economic and demographic conditions. The representative provided information on population, income, housing, employment, and economic development needs within the assessment area, as well as how the COVID-19 pandemic effected the local economy. The representative stated there was a need for more affordable housing in both Polk and Dallas Counties. The representative stated that there is a focus on how CRA modernization could impact the availability of economic development resources. Finally, labor shortages were identified as a continued area of concern given the low unemployment rate and the continuing growth in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

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

Loan-to-Deposit Ratio

Freedom Financial Bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. Similarly situated competitors were selected based on their asset size, branching locations, and market share within and near the bank's assessment area. The bank's loan-to-deposit ratio of 104.3 percent significantly exceeds the local competition. This demonstrates a continued commitment to providing credit to businesses in the community.

The following table compares the bank's loan-to-deposit ratio to its local competitors of similar size

and complexity.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	17 – Quarter Average
Freedom Financial Bank	104.3
Competitors	
Charter Bank	63.9
Earlham Savings Bank	52.3
Grinnell State Bank	87.8
Peoples Bank	77.5

Assessment Area Concentration

During the evaluation period, the bank made a substantial majority of its small business loans in the assessment area, originating 89.7 percent of small business loans by number within the assessment area. This level of lending indicates the bank is actively serving the credit needs of its assessment area.

The following table presents Freedom Financial Bank’s small business lending inside and outside its assessment area during the review period.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	61	89.7	15,069	90.6	7	10.3	1,563	9.4
Total Loans	61	89.7	15,069	90.6	7	10.3	1,563	9.4

Geographic Distribution of Loans

Small business lending reflects a reasonable dispersion throughout the assessment area with no conspicuous gaps in lending identified. In 2022, Freedom Financial Bank originated 42.3 percent of its small business loans in low-income census tracts, significantly exceeding the percentage of small businesses in those tracts, which equaled 3.9 percent. The bank originated 7.7 percent of its small business loans by number in moderate-income census tracts for that same year. This is below the percentage of businesses located in moderate-income census tracts at 16.7 percent. The bank did not make any small business loans in low-income census tracts other than in 2022. In 2020 and 2021, the bank made 27.3 and 16.7 percent of its small business loans by number in moderate-income census, which exceeded demographic at 13.6 percent. In 2019, the bank did not make any loans in moderate-income census tracts, which is below the demographic of 13.5 percent.

The following tables present the bank’s 2022 geographic distribution of small business loans. Data

tables for 2019 through 2021 are located in Appendix B.

Distribution of 2022 Small Business Lending By Income Level of Geography					
Assessment Area: Des Moines-West Des Moines, IA MSA 19780					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	11	42.3	390	6.1	3.9
Moderate	2	7.7	1,020	15.9	16.7
Middle	7	26.9	3,371	52.6	42.1
Upper	6	23.1	1,628	25.4	34.1
Unknown	0	0.0	0	0.0	3.2
Tract-Unk	0	0.0	0	0.0	
Total	26	100.0	6,409	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.

Lending to Businesses of Different Sizes

The distribution of small business loans reflects a reasonable penetration among businesses of different revenue sizes. In 2022, the bank originated 26.9 percent of its loans to businesses with gross revenues equal to or less than \$1 million. This is below the gross revenue composition of small businesses in the assessment area, with 90.0 percent of businesses having revenues of \$1 million or less. However, 53.8 percent of the bank’s small business loans were in amounts of \$100,000 or less. Loans in amounts of \$100,000 or less are generally considered most beneficial for small businesses, demonstrating the bank’s ability to meet the credit needs of small businesses. The bank’s small business lending performance from April 29, 2019, through December 31, 2021, had a higher percentage of loans (40.0 percent) made to businesses with revenues of \$1 million or less. Further, of the bank’s small business loans originated during that period, 45.7 percent were in amounts of \$100,000 or less.

During the evaluation period, the bank was particularly responsive to the credit needs of its assessment area as it pertains to small business lending. This was evidenced in the bank’s response to the COVID-19 pandemic and active participation in the SBA’s Paycheck Protection Program (PPP). During the evaluation period, the bank originated 194 PPP loans totaling approximately \$29.0 million, with 105 of the loans made in amounts of \$100,000 or less. As PPP loans are in direct response to the COVID-19 pandemic and are specifically designed to benefit small businesses and retain jobs during the pandemic, these loans are considered particularly responsive. In addition to fulfilling its own borrowers’ needs, the bank was able to expedite PPP loans to businesses who banked at larger institutions but were looking at substantial wait times before their loan could be processed.

The following table presents the bank’s 2022 borrower distribution of small business loans. Data tables for 2019 through 2021 are located in Appendix B.

Distribution of 2022 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Des Moines-West Des Moines, IA MSA 19780					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	7	26.9	2,514	39.2	90.0
Over \$1 Million	19	73.1	3,895	60.8	9.0
Revenue Unknown	0	0.0	0	0.0	1.0
Total	26	100.0	6,409	100.0	100.0
By Loan Size					
\$100,000 or Less	14	53.8	614	9.6	
\$100,001 - \$250,000	5	19.2	936	14.6	
\$250,001 - \$1 Million	7	26.9	4,860	75.8	
Total	26	100.0	6,409	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	2	28.6	137	5.4	
\$100,001 - \$250,000	1	14.3	154	6.1	
\$250,001 - \$1 Million	4	57.1	2,223	88.4	
Total	7	100.0	2,514	100.0	
<i>Source: 2022 FFIEC Census Data 2022 Dun & 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>					

Response to Complaints

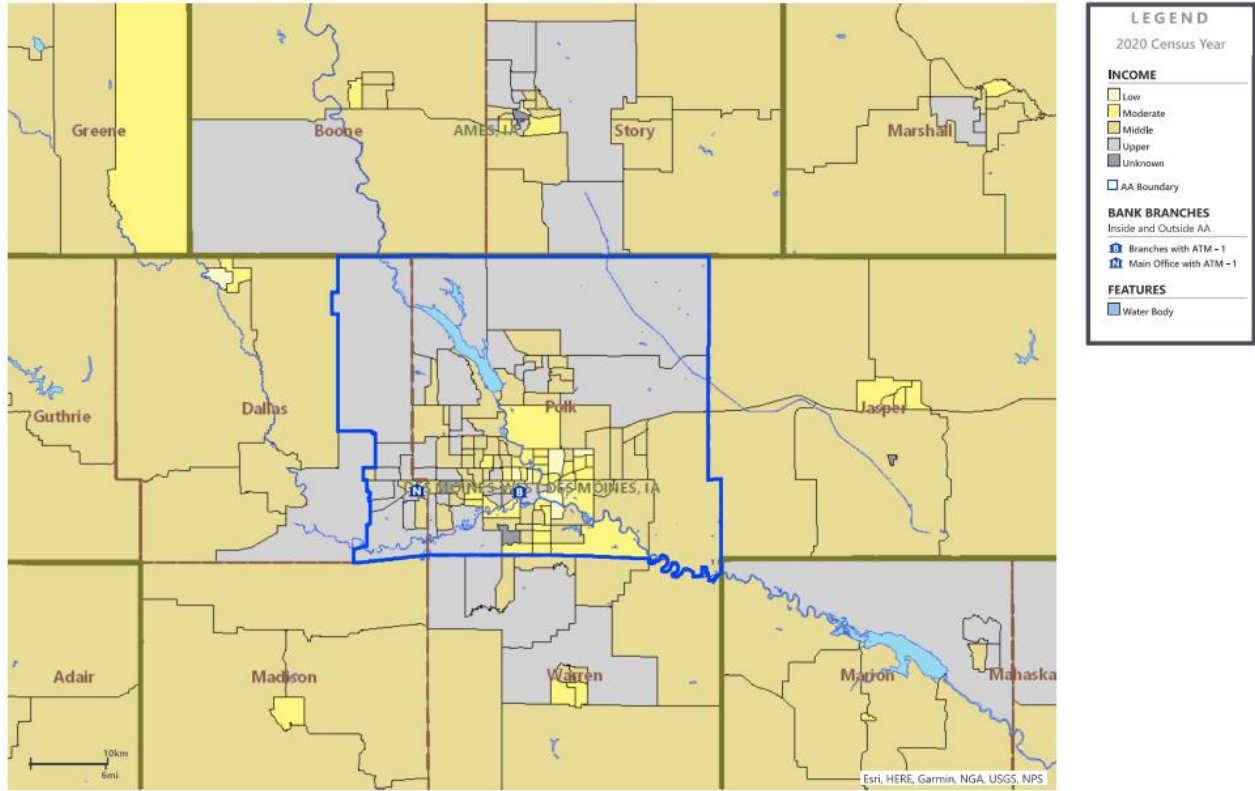
Neither the bank nor this Reserve Bank have received any CRA-related complaints since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX A – Map of Assessment Area

Freedom Financial Bank 2735137
Des Moines-West Des Moines, IA MSA 19780



APPENDIX B – 2021 and Prior Demographic and Lending Charts

2021 Des Moines-West Des Moines, IA MSA 19780 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	9	8.5	6,000	4.7	1,837	30.6	26,018	20.4
Moderate	27	25.5	25,486	20.0	4,196	16.5	21,571	16.9
Middle	40	37.7	48,299	37.9	3,513	7.3	27,070	21.3
Upper	29	27.4	47,521	37.3	1,421	3.0	52,647	41.4
Unknown	1	0.9	0	0.0	0	0.0	0	0.0
Total AA	106	100.0	127,306	100.0	10,967	8.6	127,306	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	11,086	3,902	2.9	35.2	5,840	52.7	1,344	12.1
Moderate	44,222	24,690	18.5	55.8	16,009	36.2	3,523	8.0
Middle	83,487	52,902	39.6	63.4	25,030	30.0	5,555	6.7
Upper	69,306	52,076	39.0	75.1	14,618	21.1	2,612	3.8
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	208,101	133,570	100.0	64.2	61,497	29.6	13,034	6.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	1,002	4.0	873	3.8	121	5.3	8	3.2
Moderate	3,433	13.6	3,096	13.6	316	13.9	21	8.4
Middle	11,747	46.6	10,433	45.9	1,186	52.3	128	51.2
Upper	9,034	35.8	8,300	36.6	641	28.3	93	37.2
Unknown	8	0.0	6	0.0	2	0.1	0	0.0
Total AA	25,224	100.0	22,708	100.0	2,266	100.0	250	100.0
Percentage of Total Businesses:				90.0		9.0		1.0
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	3	0.6	3	0.7	0	0.0	0	0.0
Moderate	24	5.1	23	5.0	1	9.1	0	0.0
Middle	211	44.6	206	44.7	5	45.5	0	0.0
Upper	235	49.7	229	49.7	5	45.5	1	100.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	473	100.0	461	100.0	11	100.0	1	100.0
Percentage of Total Farms:				97.5		2.3		0.2
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau; American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

2020 Des Moines-West Des Moines, IA MSA 19780 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	9	8.5	6,000	4.7	1,837	30.6	26,018	20.4
Moderate	27	25.5	25,486	20.0	4,196	16.5	21,571	16.9
Middle	40	37.7	48,299	37.9	3,513	7.3	27,070	21.3
Upper	29	27.4	47,521	37.3	1,421	3.0	52,647	41.4
Unknown	1	0.9	0	0.0	0	0.0	0	0.0
Total AA	106	100.0	127,306	100.0	10,967	8.6	127,306	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	11,086	3,902	2.9	35.2	5,840	52.7	1,344	12.1
Moderate	44,222	24,690	18.5	55.8	16,009	36.2	3,523	8.0
Middle	83,487	52,902	39.6	63.4	25,030	30.0	5,555	6.7
Upper	69,306	52,076	39.0	75.1	14,618	21.1	2,612	3.8
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	208,101	133,570	100.0	64.2	61,497	29.6	13,034	6.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	1,021	4.0	885	3.9	128	5.5	8	3.3
Moderate	3,475	13.6	3,134	13.6	321	13.8	20	8.3
Middle	11,898	46.6	10,539	45.9	1,237	53.1	122	50.4
Upper	9,139	35.8	8,407	36.6	640	27.5	92	38.0
Unknown	11	0.0	8	0.0	3	0.1	0	0.0
Total AA	25,544	100.0	22,973	100.0	2,329	100.0	242	100.0
Percentage of Total Businesses:				89.9		9.1		0.9
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	4	0.8	3	0.6	1	7.7	0	0.0
Moderate	24	5.0	23	4.9	1	7.7	0	0.0
Middle	212	44.1	207	44.3	5	38.5	0	0.0
Upper	241	50.1	234	50.1	6	46.2	1	100.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	481	100.0	467	100.0	13	100.0	1	100.0
Percentage of Total Farms:				97.1		2.7		0.2
Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

2019 Des Moines-West Des Moines, IA MSA 19780 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	9	8.5	6,000	4.7	1,837	30.6	26,018	20.4
Moderate	27	25.5	25,486	20.0	4,196	16.5	21,571	16.9
Middle	40	37.7	48,299	37.9	3,513	7.3	27,070	21.3
Upper	29	27.4	47,521	37.3	1,421	3.0	52,647	41.4
Unknown	1	0.9	0	0.0	0	0.0	0	0.0
Total AA	106	100.0	127,306	100.0	10,967	8.6	127,306	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	11,086	3,902	2.9	35.2	5,840	52.7	1,344	12.1
Moderate	44,222	24,690	18.5	55.8	16,009	36.2	3,523	8.0
Middle	83,487	52,902	39.6	63.4	25,030	30.0	5,555	6.7
Upper	69,306	52,076	39.0	75.1	14,618	21.1	2,612	3.8
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	208,101	133,570	100.0	64.2	61,497	29.6	13,034	6.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	987	3.9	853	3.8	129	5.4	5	2.2
Moderate	3,398	13.5	3,054	13.5	326	13.8	18	7.8
Middle	11,829	47.0	10,452	46.3	1,262	53.3	115	49.8
Upper	8,930	35.5	8,190	36.3	647	27.3	93	40.3
Unknown	10	0.0	7	0.0	3	0.1	0	0.0
Total AA	25,154	100.0	22,556	100.0	2,367	100.0	231	100.0
Percentage of Total Businesses:				89.7			9.4	0.9
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	3	0.6	3	0.6	0	0.0	0	0.0
Moderate	25	5.2	23	4.9	2	13.3	0	0.0
Middle	216	44.6	211	45.1	5	33.3	0	0.0
Upper	240	49.6	231	49.4	8	53.3	1	100.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	484	100.0	468	100.0	15	100.0	1	100.0
Percentage of Total Farms:				96.7			3.1	0.2
<p>Source: 2019 FFIEC Census Data 2019 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</p>								

Distribution of 2020 and 2021 Small Business Lending By Income Level of Geography									
Assessment Area: Des Moines-West Des Moines, IA MSA 19780									
Geographic Income Level	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	4.0
Moderate	3	27.3	535	16.2	3	16.7	73	1.9	13.6
Middle	7	63.6	2,372	71.9	13	72.2	3,766	96.3	46.6
Upper	1	9.1	391	11.9	2	11.1	71	1.8	35.8
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	11	100.0	3,298	100.0	18	100.0	3,910	100.0	100.0

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey

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

Distribution of 2019 Small Business Lending By Income Level of Geography					
Assessment Area: Des Moines-West Des Moines, IA MSA 19780					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	3.9
Moderate	0	0.0	0	0.0	13.5
Middle	3	50.0	351	24.2	47.0
Upper	3	50.0	1,102	75.8	35.5
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	6	100.0	1,453	100.0	100.0

Source: 2019 FFIEC Census Data
2019 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey

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

Distribution of 2020 and 2021 Small Business Lending By Revenue Size of Businesses									
Assessment Area: Des Moines-West Des Moines, IA MSA 19780									
	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
By Revenue									
\$1 Million or Less	3	27.3	490	14.9	7	38.9	804	20.6	90.0
Over \$1 Million	8	72.7	2,808	85.1	11	61.1	3,106	79.4	9.0
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	1.0
Total	11	100.0	3,298	100.0	18	100.0	3,910	100.0	100.0
By Loan Size									
\$100,000 or Less	2	18.2	49	1.5	12	66.7	457	11.7	
\$100,001 - \$250,000	4	36.4	835	25.3	1	5.6	176	4.5	
\$250,001 - \$1 Million	5	45.5	2,414	73.2	5	27.8	3,277	83.8	
Total	11	100.0	3,298	100.0	18	100.0	3,910	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	1	33.3	15	3.1	5	71.4	216	26.9	
\$100,001 - \$250,000	2	66.7	475	96.9	1	14.3	176	21.9	
\$250,001 - \$1 Million	0	0.0	0	0.0	1	14.3	412	51.2	
Total	3	100.0	490	100.0	7	100.0	804	100.0	
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey									
Note: Percentages may not total 100.0 percent due to rounding.									

Distribution of 2019 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Des Moines-West Des Moines, IA MSA 19780					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	4	66.7	1,252	86.2	89.7
Over \$1 Million	2	33.3	201	13.8	9.4
Revenue Unknown	0	0.0	0	0.0	0.9
Total	6	100.0	1,453	100.0	100.0
By Loan Size					
\$100,000 or Less	2	33.3	44	3.0	
\$100,001 - \$250,000	3	50.0	457	31.5	
\$250,001 - \$1 Million	1	16.7	952	65.5	
Total	6	100.0	1,453	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	1	25.0	25	2.0	
\$100,001 - \$250,000	2	50.0	275	22.0	
\$250,001 - \$1 Million	1	25.0	952	76.0	
Total	4	100.0	1,252	100.0	
Source: 2019 FFIEC Census Data 2019 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Appendix C – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		Loan-to-Deposit: March 31, 2019, to March 31, 2022. Small Business Loans: April 30, 2019, to December 31, 2022	
FINANCIAL INSTITUTION Freedom Financial Bank			PRODUCTS REVIEWED Small Business Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Des Moines-West Des Moines, IA MSA 19780 Polk and partial Dallas County	Full scope Review	N/A	N/A

APPENDIX D– 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.

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

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

Area Median Income (AMI): AMI means –

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

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

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

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

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

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 householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units

occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

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

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

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

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

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

Income Level: Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;
- 3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

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

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

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

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

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

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

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

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

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

more bordering states is called a multistate metropolitan statistical area.

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

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

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

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

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

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

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

Small Farm: This term refers to a loan that is included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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