

## **PUBLIC DISCLOSURE**

August 14, 2023

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First State Bank Southwest  
202 Eighth Avenue Southeast  
Pipestone, Minnesota 56164  
RSSD 823656

**Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue, P.O. Box 291  
Minneapolis, MN 55480-0291**

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

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*Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.*

**INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Outstanding**

The Community Reinvestment Act (CRA) performance of First State Bank Southwest, Pipestone, Minnesota, demonstrates reasonable responsiveness to the credit needs of its assessment areas (AA) and excellent responsiveness to community development needs of its AA. The CRA evaluation uses the Intermediate Small Bank (ISB) Examination Procedures, which includes a Lending Test and a Community Development Test.

The bank's Lending Test rating is Satisfactory. The following factors support the Lending Test rating:

- Overall, the bank's lending to borrowers of different income levels and to farms and businesses of different sizes is reasonable.
- Overall, the geographic distribution of loans reflects a reasonable distribution and dispersion throughout the AA.
- The bank's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the AA.
- The bank originated a majority of its loans throughout the AA.

The Community Development Test rating is Outstanding, based on the following criteria:

- Overall, the bank's performance demonstrates excellent responsiveness to the community development needs of its AA. The bank's level of community development loans, services, and qualified investments and donations are excellent.

The bank received an Outstanding rating at the previous evaluation dated February 20, 2018. At that time, examiners evaluated the bank's CRA performance using the Small Bank Examination Procedures.

## **SCOPE OF EVALUATION**

The evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. Examiners analyzed information from these sources, as well as economic and demographic characteristics, competitive factors, and the size and financial condition of the bank, to understand and evaluate the bank's performance. The CRA evaluation covers the period from the previous CRA evaluation to August 13, 2023.

The bank designates two AAs for CRA purposes: the Pipestone, Minnesota, AA, and the Sioux Falls, South Dakota, AA. The Sioux Falls AA is new since the previous evaluation and is the result of the bank converting a loan production office (LPO) in Sioux Falls to a full-service branch in September 2022. The bank had limited lending and community development activity in the Sioux Falls AA (only nine loans and one community development donation). Therefore, examiners evaluated the bank's CRA performance based solely on the bank's activity in the Pipestone AA.<sup>1</sup>

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<sup>1</sup> The ISB Examination Procedures require that for interstate institutions, a minimum of one AA from each state must be reviewed using the full-scope examination procedures. In addition, for such institutions, examiners are to assign ratings to each state, as well as the institution as a whole. Because of the limited lending and community development activity in the Sioux Falls, South Dakota, AA, this evaluation includes only the institution rating, based on the bank's performance in the Pipestone AA.

Throughout this evaluation, examiners used demographic characteristics in evaluating the bank’s record of lending in the AA. Sources for demographic information are primarily the 2022 Federal Financial Institutions Examination Council (FFIEC) adjusted census data and the 2022 Dun & Bradstreet data. AA demographics are useful in analyzing the bank’s lending because they provide a means of estimating lending opportunities. Examiners used self-reported data collected and published by Dun & Bradstreet regarding the revenue size and location of businesses to evaluate the bank’s small business lending. The demographic data does not define an expected level of lending in a particular area or to a particular group of borrowers.

Examiners weighted the bank’s performance as follows to derive the overall rating:

- Examiners assigned more weight to the bank’s Community Development Test than to the Lending Test. The bank engaged in an excellent level of community development activity and shows excellent responsiveness to community development needs.
- For the Lending Test, examiners placed the greatest and equal weight on the bank’s lending to farms and businesses of different sizes and borrowers of different income levels and on the geographic distribution of loans. Examiners weighted the remaining criteria less, but equally.
- By product type, examiners placed the most and equal weight on small farm and small business loans, followed by residential real estate loans and lastly, consumer loans.

For community contacts, examiners interviewed people familiar with the economic and demographic characteristics, including community development opportunities, in the bank’s AA. The evaluation includes specific information obtained from these community contacts. The contacts did not identify any unmet credit needs in the AA.

**LENDING TEST SCOPE**

The scope of the Lending Test covers the bank’s major product lines, consisting of small farm, small business, residential real estate, and consumer loans. The following table shows the bank’s lending activity by loan type for 2022.

<b>Loan Originations from January 1, 2022, Through December 31, 2022<sup>2</sup></b>				
<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Consumer	245	29.7%	\$5,131,967	5.1%
Residential Real Estate	125	15.1%	\$26,007,106	25.8%
Agriculture (>\$1 million)	10	1.2%	\$8,870,113	8.8%
Small Farm	183	22.2%	\$19,349,462	19.2%
Small Business (≤ \$1 million)	191	23.1%	\$30,219,853	30.0%
Commercial (> \$1 million)	5	0.6%	\$8,332,200	8.3%
Home Equity Lines of Credit	46	5.6%	\$2,363,725	2.4%
Tax Exempt	1	0.1%	\$102,630	0.1%
Dealer Loans	20	2.4%	\$362,751	0.4%
<b>Grand Total</b>	<b>826</b>	<b>100.0%</b>	<b>\$100,739,807</b>	<b>100.0%</b>

<sup>2</sup> Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.

The Lending Test is based on a statistical sample of the bank's small farm, small business, residential real estate, and consumer loans. The loan sample included 96 small farm loans originated between January 1, 2022, and December 31, 2022, and 73 consumer, 69 small business, and 45 residential real estate loans originated between July 1, 2022, and December 31, 2022.<sup>3</sup> As noted below in the Description of Assessment Areas section below, the bank expanded the Pipestone AA in 2023. However, because the Lending Test sample consists solely of loans originated in 2022, examiners evaluated the bank's Lending Test performance relative to the bank's 2022 AA configuration, which was smaller than the current AA.

Examiners analyzed the following criteria to determine the Lending Test rating:

- Lending to farms and businesses of different sizes and to borrowers of different income levels.
- Geographic distribution of loans.
- Net loan-to-deposit ratio.
- Lending inside the AA.
- The bank's record of responding to complaints about its CRA performance.

### COMMUNITY DEVELOPMENT TEST SCOPE

Examiners reviewed the bank's community development lending, qualified investments, and community development services since the previous evaluation for the AA and for broader regional or statewide areas. Examiners based the Community Development Test rating on the bank's performance during the period of February 20, 2018, to August 13, 2023.

### **DESCRIPTION OF INSTITUTION**

*Structure.* First State Bank Southwest is headquartered in Pipestone, Minnesota. First Rushmore Bancorporation, Inc. owns 100% of the bank.

*Offices and Retail Delivery Systems.* In addition to the bank's main office in Pipestone, Minnesota, the bank operates five full-service branches in Worthington, Edgerton, Rushmore, and Leota in Minnesota, as well as in Sioux Falls, South Dakota. As mentioned, the Sioux Falls branch is new since the previous evaluation. As of the start of this evaluation, the bank also provided limited banking services to residents at a senior living center in Edgerton twice per month. The bank closed its Worthington Walmart Supercenter branch in 2019. The bank offers drive-up services at the main office and the Worthington, Edgerton, and Leota branches. The drive-ups at the main office and the Worthington and Edgerton branches offer Saturday hours, and the Worthington branch offers extended weekday hours. The bank also operates cash-dispensing-only ATMs at the main office and the Edgerton branch, as well as a deposit-taking ATM at the Worthington branch. Finally, the bank operates an interactive teller machine (ITM) at the Sioux Falls branch.

The bank also offers online banking, bill payment services, and mobile banking, and continues to offer online residential real estate loan applications.

*Loan Portfolio.* According to the June 30, 2023, Report of Condition, the bank's assets total \$392.2 million. Overall, this represents a 37.2% increase since the previous evaluation. The bank's \$183.8

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<sup>3</sup> In 2020 and 2021, the bank participated in Paycheck Protection Program (PPP) lending through the Federal Reserve System and the Small Business Administration (SBA). These loans are designed to help businesses keep their workforce employed during the COVID-19 pandemic. Examiners considered the bank's PPP loans primarily in their evaluation of the bank's small business and community development loans.

million loan portfolio consists of 34.6% agriculture, 32.2% commercial, 23.6% residential real estate, 7.3% consumer, and 2.4% other loans. The loan portfolio increased by 24.0% since the previous evaluation, primarily because of growth in residential real estate lending.

*Credit Products.* The bank offers a variety of loan products to help meet the credit needs of the farms, businesses, and residents in the AA, including agricultural, commercial, residential, and consumer loans. In addition to offering conventional loan products, the bank participates in government-sponsored loan programs through the U.S. Small Business Administration (SBA), the Farm Service Agency (FSA), the U.S. Department of Agriculture Rural Development (RD), and the Minnesota Housing Financing Agency.

*Market Share.* According to the June 30, 2023, FDIC Deposit Market Share Report, the bank had \$330.6 million in deposits in the counties that are included in the Pipestone AA. The bank ranks first out of 22 financial institutions operating in the area, with 13.7% of the market share.<sup>4</sup>

## DESCRIPTION OF ASSESSMENT AREAS

*Assessment Area.* The bank has two AAs for CRA purposes: the Pipestone, Minnesota, AA, and the Sioux Falls, South Dakota, AA. As mentioned, the Sioux Falls AA is new since the previous evaluation, due to the bank's conversion of an LPO to a full-service branch in September 2022. It is comprised of Minnehaha and Lincoln counties, which are part of the Sioux Falls, South Dakota metropolitan statistical area (MSA). Examiners did not review this AA for this evaluation due to limited lending and community development activity.

For 2023, the bank changed the Pipestone AA to include all of Jackson, Murray, Nobles, Pipestone, and Rock counties in Minnesota and one census tract in Osceola County, Iowa.<sup>5</sup> Since the previous evaluation, the income classifications of some tracts changed based on updated census and FFIEC data. The 2023 Pipestone AA consists of three moderate- and 19 middle-income census tracts; the three middle-income tracts in Murray County are classified as underserved.<sup>6</sup>

The table on the next page shows the demographic characteristics of the 2023 AA based on the 2022 FFIEC adjusted census data<sup>7</sup> and 2022 Dun & Bradstreet data.

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<sup>4</sup> Examiners did not evaluate the bank's performance in its Sioux Falls AA. According to the June 30, 2023, deposit market share report, the bank ranks 35th of 36 institutions with deposits in this AA, with far less than 0.1% of the market.

<sup>5</sup> Previously the AA consisted of all of Pipestone and Nobles counties, two tracts in Murray County, and one track each in Jackson, Rock, and Osceola counties.

<sup>6</sup> Before the bank expanded the AA, it consisted of three moderate- and 13 middle-income tracts (two of which were underserved).

<sup>7</sup> The FFIEC adjusted census data is based on decennial U.S. Census data and American Community Survey five-year estimate data, and it also reflects the OMB's metropolitan statistical area revisions.

2023 Pipestone 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	3,125	18.9
Moderate	3	13.6	2,541	15.3	347	13.7	3,293	19.9
Middle	19	86.4	14,022	84.7	753	5.4	4,021	24.3
Upper	0	0.0	0	0.0	0	0.0	6,124	37.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>22</b>	<b>100.0</b>	<b>16,563</b>	<b>100.0</b>	<b>1,100</b>	<b>6.6</b>	<b>16,563</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	4,130	2,229	11.5	54.0	1,559	37.7	342	8.3
Middle	24,465	17,182	88.5	70.2	4,368	17.9	2,915	11.9
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>28,595</b>	<b>19,411</b>	<b>100.0</b>	<b>67.9</b>	<b>5,927</b>	<b>20.7</b>	<b>3,257</b>	<b>11.4</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	510	16.8	450	16.7	54	23.6	6	5.5
Middle	2,526	83.2	2,247	83.3	175	76.4	104	94.5
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>3,036</b>	<b>100.0</b>	<b>2,697</b>	<b>100.0</b>	<b>229</b>	<b>100.0</b>	<b>110</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>88.8</b>		<b>7.5</b>		<b>3.6</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	8	0.9	8	0.9	0	0.0	0	0.0
Middle	911	99.1	898	99.1	12	100.0	1	100.0
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>919</b>	<b>100.0</b>	<b>906</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>
<b>Percentage of Total Farms:</b>				<b>98.6</b>		<b>1.3</b>		<b>0.1</b>

*Income.* For purposes of classifying borrower income, this evaluation uses the FFIEC’s estimated median family income for the nonmetropolitan areas of Minnesota and Iowa for the year of loan origination. The table below shows the estimated income for 2022 and the range for low-, moderate-, middle-, and upper-income borrowers.

<b>Borrower Income Levels NonMSA Minnesota and Iowa</b>					
FFIEC Estimated Median Family Income		Low	Moderate	Middle	Upper
		0 - 49.99%	50% - 79.99%	80% - 119.99%	120% - & above
<b>2022 Minnesota</b>	<b>\$83,600</b>	0 - \$41,799	\$41,800 - \$66,879	\$66,880 - \$100,319	\$100,320 - & above
<b>2022 Iowa</b>	<b>\$78,900</b>	0 - \$39,449	\$39,450 - \$63,119	\$63,120 - \$94,679	\$94,680 - & above

For purposes of classifying census tracts by income level, this evaluation relies on the FFIEC adjusted census data median family income for the nonmetropolitan areas of the relevant state for 2022, which was \$74,737 for Minnesota and \$71,763 for Iowa.

The table below shows the median family incomes for the Pipestone AA, the counties that are wholly or partially contained in the AA, and the states of Minnesota and Iowa, based on U.S. Census Bureau data. Overall, the 2020 median family income in the AA increased, but not as much as the nonmetropolitan areas of Minnesota and Iowa.

<b>Pipestone AA Median Family Income Change</b>			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Pipestone AA	\$67,755	\$70,869	4.6%
Osceola County, IA	\$70,070	\$68,723	-1.9%
Jackson County, MN	\$70,649	\$73,597	4.2%
Murray County, MN	\$73,301	\$80,492	9.8%
Nobles County, MN	\$65,693	\$66,316	0.9%
Pipestone County, MN	\$63,425	\$68,329	7.7%
Rock County, MN	\$68,707	\$78,625	14.4%
NonMSA Iowa	\$67,391	\$71,763	6.5%
NonMSA Minnesota	\$68,881	\$74,737	8.5%
Iowa	\$73,712	\$79,186	7.4%
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>			

*Population Characteristics.* The population in the Pipestone AA increased by 48.6% since the previous evaluation, primarily because the bank expanded the AA. The following table shows the population change from 2015 to 2020. Overall, the AA population changed little during this period; the population in some counties increased, while others decreased. Based on 2020 FFIEC adjusted census data, 15.4% of the population in the assessment area is of Hispanic origin.

<b>Pipestone AA Population Change</b>			
<b>Area</b>	<b>2015 Population</b>	<b>2020 Population</b>	<b>Percent Change</b>
Pipestone AA	65,555	65,778	0.3%
Osceola County, IA	6,211	6,192	-0.3%
Jackson County, MN	10,211	9,989	-2.2%
Murray County, MN	8,529	8,179	-4.1%
Nobles County, MN	21,687	22,290	2.8%
Pipestone County, MN	9,354	9,424	0.7%
Rock County, MN	9,563	9,704	1.5%
NonMSA Iowa	1,250,756	1,232,642	-1.4%
NonMSA Minnesota	1,243,105	1,259,719	1.3%
Iowa	3,093,526	3,190,369	3.1%
Minnesota	5,419,171	5,706,494	5.3%
<i>Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census</i>			

*Economy.* According to bank management and community contacts, the local economy is doing very well and is dependent on agriculture, mainly livestock and crop farming. Corn and soybeans are dominant crops, but there is some wheat and oat production for feed. Livestock is mainly hogs and cattle. Bank management indicated farmers have done very well in recent years. Most recently, inadequate rainfall has affected yields. A contact stated that the COVID-19 pandemic affected livestock operators more than crop farmers, since many hog processing facilities closed for a time.

Major employers include a pork processing plant in Worthington, local school districts, and healthcare facilities. The area also supports several minority-owned small businesses that strengthen the local economy.

As shown in the table below, the 2021 annual average unemployment rate for the AA was 2.8%, which is slightly below the rate for the nonmetropolitan areas of Minnesota. The unemployment rate in the AA increased during the pandemic but has since stabilized and returned to a lower level. Community contacts stated that many businesses face difficulties in hiring due to a labor shortage.

<b>Pipestone AA Unemployment Rates</b>				
<b>Area</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Pipestone AA	2.9%	3.3%	4.3%	2.8%
Osceola County, IA	1.9%	1.8%	2.8%	2.4%
Jackson County, MN	3.1%	3.7%	5.4%	3.1%
Murray County, MN	4.0%	4.5%	5.3%	3.8%
Nobles County, MN	2.8%	3.2%	4.3%	2.9%
Pipestone County, MN	3.1%	3.7%	4.2%	2.9%
Rock County, MN	2.5%	2.4%	3.2%	1.9%

Pipestone AA Unemployment Rates				
Area	2018	2019	2020	2021
NonMSA Iowa	2.6%	2.7%	4.8%	4.1%
NonMSA Minnesota	3.9%	4.3%	6.1%	3.6%
Iowa	2.5%	2.6%	5.1%	4.2%
Minnesota	3.1%	3.4%	6.3%	3.4%
<i>Source: Bureau of Labor Statistics(BLS), Local Area Unemployment Statistics</i>				

*Housing.* According to community contacts, affordable housing is a challenge in the AA, particularly workforce housing. The pace of new development is slow and available stock is older and in need of repair. Single family homes are priced around \$200,000 or higher. A contact noted that housing has become more expensive since the COVID-19 pandemic, which has impacted the supply of affordable homes. Rents range from \$800 to \$1,000 per month.

The table below shows the housing cost burden faced by renters and homeowners in the Pipestone AA. The U.S. Department of Housing and Urban Development defines cost-burdened families as those who pay more than 30% of their income for housing and may have difficulty affording necessities such as food, clothing, transportation, and medical care. The overall housing cost burden for renters in the AA is lower than for renters in the nonmetropolitan areas of Minnesota and Iowa, though low-income renters have a significant housing cost burden. Low-income homeowners in the AA also have significant housing cost burden.

Pipestone AA Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Pipestone AA	60.7%	9.8%	29.4%	51.3%	16.5%	14.2%
Osceola County, IA	58.6%	10.0%	25.1%	46.2%	11.3%	9.9%
Jackson County, MN	62.3%	16.7%	29.2%	40.5%	19.1%	11.9%
Murray County, MN	57.9%	9.3%	26.3%	47.8%	15.5%	14.3%
Nobles County, MN	59.3%	8.6%	30.3%	64.2%	15.3%	17.3%
Pipestone County, MN	55.4%	10.3%	27.7%	49.2%	18.8%	15.8%
Rock County, MN	70.5%	3.3%	33.7%	43.5%	17.3%	12.5%
NonMSA Iowa	63.7%	13.0%	32.5%	53.8%	19.0%	14.5%
NonMSA Minnesota	64.0%	20.4%	37.8%	55.3%	23.6%	17.3%
Iowa	70.6%	17.7%	37.7%	56.8%	22.5%	15.0%
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>						

According to 2022 FFIEC adjusted data, the median age of the housing stock is 61 years, which is higher than the statewide median age of 43 years for Minnesota and 50 for Iowa. The median housing value for the AA is \$128,743 and the affordability ratio is 46.3, compared to \$235,700 and 31.1 for the state of Minnesota, and \$153,900 and 40.1 for Iowa, respectively. The affordability ratio is the median household income divided by the median housing value. A higher ratio indicates greater affordability. These ratios

suggest that, overall, housing in the AA is slightly more affordable than in other areas of Minnesota and Iowa.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's CRA rating is Outstanding. The rating is based on a Satisfactory rating for the Lending Test and an Outstanding rating for the Community Development Test.

### **LENDING TEST**

Examiners rated the bank's Lending Test performance Satisfactory. The following factors support the Lending Test rating:

- Overall, lending to farms and businesses of different sizes and borrowers of different income levels is reasonable.
- The geographic distribution of loans reflects a reasonable distribution and dispersion throughout the AA.
- The bank's net loan-to-deposit ratio reflects a reasonable level of lending.
- The bank originated a majority of loans within the AA.<sup>8</sup>

### **LOAN-TO-DEPOSIT RATIO ANALYSIS**

The bank's net loan-to-deposit ratio is reasonable given its asset size, financial condition, and the credit needs of and competition in the AA. As of June 30, 2023, the net loan-to-deposit ratio for the bank is 54.5%, which is below the national peer group net loan-to-deposit ratio of 76.6%. The bank's national peer group includes insured commercial banks having assets between \$300 million and \$1 billion. There are no similarly situated financial institutions operating in the bank's AA for comparison purposes.

The bank's 22-quarter average net loan-to-deposit ratio for this evaluation is 59.8%. At the previous evaluation, the bank's 21-quarter average net loan-to-deposit ratio was 62.1%. Since then, the bank's net loan-to-deposit ratio has ranged from a low of 43.9% (March 2022) to a high of 70.8% (September 2018). Bank management stated that deposits, including public funds, increased during the pandemic, while loans decreased. The bank continues to sell many of its residential real estate loans to secondary market investors; these loans are not captured in the net loan-to-deposit ratio. The bank is also subject to seasonal fluctuations in loans and deposits due to its agricultural profile. The bank's net loan-to-deposit ratio increased steadily during the most recent five quarters of the period.

The bank operates in a competitive market. Several financial institutions operate in the assessment area, including branches of regional and national financial institutions. The bank's net loan-to-deposit ratio demonstrates the bank's willingness to meet the credit needs in its AA. In addition, community contacts did not identify any unmet credit needs.

### **COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA**

The bank originated a majority of its loans within its AA; specifically, 77.4% of loans by number and 71.2% by dollar amount. The following table shows lending activity by loan inside and outside the AA.

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<sup>8</sup> Examiners evaluated borrower income/revenue distribution of loans, geographic distribution of loans, and the bank's lending inside the AA based on 2022 loan originations and the bank's 2022 AA delineation.

Distribution of Loans Inside and Outside the AA								
Loan Category	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Consumer Loans	54	74.0	788	36.6	19	26.0	1,364	63.4
Residential Loans	32	71.1	6,850	65.9	13	28.9	3,539	34.1
Small Business Loans	55	79.7	9,538	80.9	14	20.3	2,257	19.1
Small Farm Loans	78	81.3	7,926	72.7	18	18.8	2,981	27.3
<b>TOTAL LOANS</b>	<b>219</b>	<b>77.4</b>	<b>25,103</b>	<b>71.2</b>	<b>64</b>	<b>22.6</b>	<b>10,141</b>	<b>28.8</b>

Bank management intends to primarily serve the credit needs of borrowers within the bank’s AA and occasionally makes loans outside of the AA, typically to maintain customer relationships. Several loans were extended to borrowers in census tracts that are adjacent to the AA; the bank added these tracts to the AA for 2023. As the table shows, most consumer loan dollars were originated outside the AA; four of the loans were for larger amounts and account for 80.7% of these loan dollars. Overall, the bank’s lending reflects management’s commitment to meeting the credit needs of the residents, businesses, and farms within its AA.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO FARMS AND BUSINESSES OF DIFFERENT SIZES

The overall distribution of loans among farms and businesses of different sizes and borrowers of different income is reasonable.

*Residential Real Estate Lending.* The bank’s lending to low- and moderate-income borrowers is reasonable. The following table shows the bank’s residential real estate lending by borrower income levels for 2022.

Distribution of 2022 Residential Lending By Borrower Income Level Pipestone AA					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	\$%	
<b>Low</b>	1	3.1	154	2.2	19.5
<b>Moderate</b>	4	12.5	468	6.8	20.0
<b>Middle</b>	13	40.6	2,541	37.1	24.7
<b>Upper</b>	14	43.8	3,686	53.8	35.8
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Total</b>	32	100.0	6,850	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.

The bank originated 3.1% of its residential real estate loans to low-income borrowers and 12.5% to moderate-income borrowers. Low- and moderate-income families make up 19.5% and 20.0% of families in the AA, respectively. The bank’s lending to low- and moderate-income borrowers is below demographics.

The bank’s residential real estate lending is reasonable given the performance context. As previously stated, affordable housing is a challenge in the AA. Using the assumption that a borrower can afford a home for approximately three times their annual income, an individual with the highest income in the low-income bracket (\$41,799) could afford a \$125,397 home, based on the 2022 FFIEC estimated median family income for nonmetropolitan areas of Minnesota. Using the same assumption for a borrower with the highest income in the moderate-income bracket (\$66,879), a borrower could afford a \$200,637 home. Community contacts estimated that most area homes cost between \$170,000 and \$200,000, which would not be affordable for many low- and moderate-income families. As mentioned, housing inventory is limited, older, and often in need of repair. Given these factors, the bank’s lending to low- and moderate-income borrowers is reasonable.

The bank continues to offer a number of flexible lending programs that help individuals purchase or refinance a home. These programs include loans with down payment assistance, affordable interest rates, and flexible terms. The bank uses these programs to help serve the needs of low- and moderate-income borrowers.

*Small Business Lending.* The bank’s small business lending is excellent. The following table shows the bank’s small business lending.

<b>Distribution of 2022 Small Business Lending By Revenue Size of Businesses Pipestone AA</b>					
	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	39	70.9	6,225	65.3	88.2
<b>Over \$1 Million</b>	16	29.1	3,314	34.7	8.0
<b>Revenue Unknown</b>	0	0.0	0	0.0	3.8
<b>Total</b>	55	100.0	9,538	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	34	61.8	1,619	17.0	
<b>\$100,001 - \$250,000</b>	12	21.8	1,801	18.9	
<b>\$250,001 - \$1 Million</b>	9	16.4	6,119	64.2	
<b>Total</b>	55	100.0	9,538	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	24	61.5	1,156	18.6	
<b>\$100,001 - \$250,000</b>	10	25.6	1,461	23.5	
<b>\$250,001 - \$1 Million</b>	5	12.8	3,608	58.0	
<b>Total</b>	39	100.0	6,225	100.0	
<p><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></p> <p><i>Note: Percentages may not total 100.0 percent due to rounding.</i></p>					

The bank originated 70.9% of its small business loans to entities with gross annual revenues of \$1 million or less (small businesses). The bank’s lending to small businesses is below demographics (88.2%) but is nonetheless excellent given the performance context.

Of the bank’s loans to small businesses, 33.3% were in amounts of \$50,000 or less, which indicates the bank’s willingness to serve the credit needs of smaller businesses. In addition, the bank actively participated in PPP lending between April 2020 and May 2021. The bank originated over 1,000 PPP loans for more than \$26.7 million. Of these loans, 87.5% were extended to borrowers in Jackson, Murray, Nobles, Pipestone, and Rock counties in Minnesota, and in Osceola County, Iowa. Of the PPP loans in these counties, 80.6% were for loan amounts of less than \$25,000. The bank’s extension of PPP loans during the COVID-19 pandemic was very responsive to the credit needs of small businesses, which enhances the bank’s small business lending performance.

*Small Farm Lending.* The bank’s small farm lending is reasonable. The following table shows the bank’s small farm lending.

<b>Distribution of 2022 Small Farm Lending By Revenue Size of Farms Pipestone AA</b>					
	<b>Bank Loans</b>				<b>Total Farms %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	64	82.1	6,185	78.0	98.6
<b>Over \$1 Million</b>	14	17.9	1,742	22.0	1.4
<b>Revenue Unknown</b>	0	0.0	0	0.0	0.0
<b>Total</b>	78	100.0	7,926	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	51	65.4	2,074	26.2	
<b>\$100,001 - \$250,000</b>	18	23.1	2,744	34.6	
<b>\$250,001 - \$500,000</b>	9	11.5	3,108	39.2	
<b>Total</b>	78	100.0	7,926	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	43	67.2	1,603	25.9	
<b>\$100,001 - \$250,000</b>	13	20.3	1,974	31.9	
<b>\$250,001 - \$500,000</b>	8	12.5	2,608	42.2	
<b>Total</b>	64	100.0	6,185	100.0	
<i>Source: 2022 FFIEC Census Data 2022 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank originated 82.1% of its small farm loans to farms with gross annual revenues of \$1 million or less (small farms). The bank’s lending is below demographics (98.6%) but reasonable. Of the loans to small farms, 53.1% were in amounts of \$50,000 or less, which indicates the bank’s willingness to serve the credit needs of smaller farms. According to bank management, farm sizes have been decreasing over

the years. The bank participates in FSA guarantee programs, which also helps serve the needs of small farms.

*Consumer Lending.* The bank’s lending to low- and moderate-income borrowers is excellent. The following table shows the bank’s consumer lending.

<b>Distribution of 2022 Consumer Lending By Borrower Income Level Pipestone AA</b>					
<b>Borrower Income Level</b>	<b>Bank Loans</b>				<b>Households by Household Income %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	
<b>Low</b>	9	16.7	80	10.2	22.1
<b>Moderate</b>	17	31.5	252	32.0	18.2
<b>Middle</b>	16	29.6	221	28.0	18.8
<b>Upper</b>	7	13.0	211	26.8	40.9
<b>Unknown</b>	5	9.3	24	3.0	0.0
<b>Total</b>	54	100.0	788	100.0	100.0
<i>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.</i>					

The bank originated 16.7% and 31.5% of its consumer loans to low- and moderate-income borrowers, respectively. The bank’s lending to low-income borrowers is below demographics (22.1%), but its lending to moderate-income borrowers exceeds demographics (18.2%). Overall, the bank originated 48.2% of its consumer loans to low- and moderate-income borrowers combined, which is above the combined demographics. Additionally, 54.5% of loans for less than \$3,000 were extended to low- or moderate-income borrowers. The bank’s small dollar loans show its willingness to meet the credit needs of low- and moderate-income borrowers, which enhances the bank’s consumer lending performance. Bank management indicated that the bank faces considerable competition for consumer loans from credit unions and other local financial institutions.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The overall geographic distribution and dispersion of the bank’s loans is reasonable and does not reveal any unexplained gaps in lending. The Pipestone AA consists of only moderate- and middle-income census tracts. The bank’s Worthington branch is in a moderate-income tract.

*Real Estate Lending.* The geographic distribution of the bank’s residential real estate lending is excellent. The following table shows the bank’s residential real estate lending.

<b>Distribution of 2022 Residential Lending By Income Level of Geography Pipestone AA</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Owner Occupied Units %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	
<b>Low</b>	0	0.0	0	0.0	0.0
<b>Moderate</b>	10	31.3	1,468	21.4	16.8
<b>Middle</b>	22	68.8	5,382	78.6	83.2

Distribution of 2022 Residential Lending By Income Level of Geography					
Pipestone AA					
<b>Upper</b>	0	0.0	0	0.0	0.0
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Tract Unknown</b>	0	0.0	0	0.0	
<b>Total</b>	32	100.0	6,850	100.0	100.0
<i>Source: 2022 FFIEC Census 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>					

The geographic distribution of the bank’s residential real estate loans is excellent. The bank originated 31.3% of its residential real estate loans in the moderate-income census tracts, extending loans in all three moderate-income tracts. The bank’s performance exceeds demographics, which indicate that 16.8% of the AA’s owner-occupied units are in the moderate-income tracts. The bank originated most residential real estate loans in the middle-income tracts in Nobles County, where the bank has two branches. The dispersion of residential loans throughout the AA is reasonable. The bank did not originate loans in all middle-income tracts, but these tracts are distant from the bank’s branches; borrowers in these tracts are likely more conveniently served by other financial institutions.

*Small Business Lending.* The geographic distribution of small business loans is reasonable. The following table shows the bank’s small business lending by census tract income level, as well as demographic data.

Distribution of 2022 Small Business Lending By Income Level of Geography					
Pipestone AA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
<b>Low</b>	0	0.0	0	0.0	0.0
<b>Moderate</b>	15	27.3	1,616	16.9	25.3
<b>Middle</b>	40	72.7	7,922	83.1	74.7
<b>Upper</b>	0	0.0	0	0.0	0.0
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Tract Unknown</b>	0	0.0	0	0.0	
<b>Total</b>	55	100.0	9,538	100.0	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>					

The table above shows that the bank originated 27.3% of its small business loans in moderate-income tracts. The bank originated small business loans in each of the three moderate-income census tracts in the AA. The bank’s small business lending in these tracts is comparable to demographics, which indicate that 25.3% of the AA businesses are in moderate-income tracts. The bank extended most of its small business loans in the middle-income tracts in Nobles and Pipestone counties, where the bank has branches. The dispersion of small business loans throughout the AA is reasonable.

*Small Farm Lending.* The geographic distribution of small farm loans is reasonable. The following table shows the bank’s small farm lending by census tract income level, as well as demographic data.

<b>Distribution of 2022 Small Farm Lending By Income Level of Geography</b>					
<b>Pipestone AA</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Total Farms %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	
<b>Low</b>	0	0.0	0	0.0	0.0
<b>Moderate</b>	1	1.3	86	1.1	1.2
<b>Middle</b>	77	98.7	7,840	98.9	98.8
<b>Upper</b>	0	0.0	0	0.0	0.0
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Tract Unknown</b>	0	0.0	0	0.0	
<b>Total</b>	78	100.0	7,926	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.*

The geographic distribution of small farm loans is reasonable. The bank originated 1.3% of its small farm loans in moderate-income tracts, which is comparable with demographic data. According to 2022 Dun & Bradstreet data, 1.2% of the farms in the AA are located in the moderate-income tracts. The bank did not originate small farm loans in two of the three moderate-income tracts; the tracts are in the cities of Pipestone and Worthington, where there are very few farms. Overall dispersion of small farm loans is reasonable. The bank did not extend small farm loans in three middle-income tracts; the tracts are in the cities of Pipestone and Worthington, and in Osceola County (where the bank has no branches).

*Consumer Lending.* The geographic distribution of consumer loans is excellent. The following table shows the distribution of consumer loans by census tract income level.

<b>Distribution of 2022 Consumer Lending By Income Level of Geography</b>					
<b>Pipestone AA</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Households %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	
<b>Low</b>	0	0.0	0	0.0	0.0
<b>Moderate</b>	22	40.7	231	29.3	21.9
<b>Middle</b>	32	59.3	557	70.7	78.1
<b>Upper</b>	0	0.0	0	0.0	0.0
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Tract Unknown</b>	0	0.0	0	0.0	
<b>Total</b>	54	100.0	788	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.*

The bank originated 40.7% of its consumer loans in the moderate-income census tracts. The bank's lending in these tracts greatly exceeds demographics, which indicate that 21.9% of households in the AA are in the moderate-income census tracts. The bank extended consumer loans in all three moderate-income tracts. Dispersion of consumer loans throughout the AA is reasonable. The bank did not originate consumer loans in all the middle-income tracts, especially the tracts that are further from the bank's branches. Given the performance context, the bank's record of making consumer loans in moderate-income census tracts is excellent.

#### RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

Neither the bank nor the Federal Reserve Bank of Minneapolis has received any CRA-related complaints concerning the bank since the previous evaluation.

#### **COMMUNITY DEVELOPMENT TEST**

The bank's Community Development Test rating is Outstanding. The bank's community development activities demonstrate excellent responsiveness to the needs of the AA. The bank engaged in community development lending, made qualified investments in the form of securities and donations, and provided community development services.

*Community Development Loans.* The bank's community development lending is excellent. The bank originated 26 community development loans totaling \$13.0 million, which directly benefit the bank's Pipestone AA. Community development loans financed revitalization or stabilization efforts or economic development by retaining small businesses in moderate-income geographies or supporting job creation or retention for low- or moderate-income workers.

Several of the bank's community development loans were extended using the SBA 504 loan program, which promotes business growth and job creation by providing long-term, fixed-rate financing for small businesses. The bank's active participation in this program helps demonstrate its willingness to serve the credit needs of small businesses in the AA. In addition, three of the community development loans were PPP loans, which helped borrowers keep their businesses open and retain permanent low- or moderate-income jobs during the pandemic.

Because the bank was responsive in meeting the credit and community development needs of its AA, examiners also considered two community development loans totaling \$3.0 million that benefited an area just outside of the bank's Pipestone AA, in South Dakota. These loans helped retain low- and moderate-income jobs in the area.

*Qualified Investments.* The bank's level of qualified investments is excellent. Since the previous evaluation, the bank purchased three security investments totaling \$1.5 million which directly benefited the Pipestone AA. These investments funded infrastructure improvements in a moderate-income geography in Pipestone and improvements to Worthington schools, which primarily serve children from low- and moderate-income families. The bank also continued to hold one prior-period investment for \$216,478, which funded several infrastructure projects throughout the city of Worthington that helped revitalize and stabilize a moderate-income area.

The bank made an excellent level of donations during the evaluation period. The bank made \$298,901 in donations that directly benefited the Pipestone AA, and \$12,500 in donations that benefited the state of Minnesota, or broader regional areas that include the Pipestone AA. Most of these donations supported organizations that serve low- and moderate-income people. Donations also support organizations that help

revitalize or stabilize moderate-income or underserved areas. Some donations involve organizations that promote economic development. Because the bank was responsive to the community development needs of its AA, examiners also considered one donation made to an organization outside of the AA in Minnesota, which supported affordable housing efforts.<sup>9</sup>

*Community Development Services.* The bank's level of community development services is excellent. The bank provided 79 community development services since the previous evaluation that directly benefited the Pipestone AA, as well as five services that benefited broader areas that include the Pipestone AA. Thirteen bank officers and staff provided services to organizations that offer community services to low- and moderate-income individuals, help revitalize or stabilize a moderate-income area, and promote economic development. At these organizations, bank staff members hold a variety of positions, which include serving as board members, treasurers, and financial literacy instructors.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The examination did not reveal any evidence of violations of antidiscrimination laws or regulations (including Regulation B—Equal Credit Opportunity Act, Regulation C—Home Mortgage Disclosure Act, and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

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<sup>9</sup> Although examiners did not evaluate the bank's performance in the Sioux Falls AA, the bank made one donation in this AA to an organization that provides community services to low- or moderate-income people.

## Appendix A

### Glossary of Common CRA Terms

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan statistical area/assessment area.

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

**Community development:** An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or 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 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; (4) activities that revitalize or stabilize low- or moderate-income census tracts, designated disaster areas, or distressed or underserved nonmetropolitan middle-income census tracts; or (5) Neighborhood Stabilization Program (NSP)-eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and census tracts.

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. It does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Distressed nonmetropolitan middle-income census tract:** A middle-income, nonmetropolitan census tract will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20.0% or more, or (3) a population loss of 10.0% or more between the previous and most recent decennial census or a net migration loss of 5.0% or more over the 5-year period preceding the most recent census.

**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 nonrelatives 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).

**Full-scope review:** Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (i.e., approved, denied, or withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

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

**Limited-scope review:** Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

**Low income:** Individual income that is less than 50 percent of the area median income or a median family income that is less than 50 percent, in the case of a geography.

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

**Metropolitan statistical area (MSA):** An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle income:** Individual income that is at least 80 percent and less than 120 percent of the area median income or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate income:** Individual income that is at least 50 percent and less than 80 percent of the area median income or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate MSA. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate MSA, the institution will receive a rating for the multistate metropolitan area.

**Small loan to business:** A loan included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

**Small loan to farm:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income census tract:** A middle-income, nonmetropolitan census tract will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper income:** Individual income that is more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)