

# **PUBLIC DISCLOSURE**

August 31, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Farmers Trust & Savings Bank  
RSSD# 825847

101 North Main Street  
Buffalo Center, Iowa 50424

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

Farmers Trust & Savings Bank is rated **Satisfactory**.

Farmers Trust & Savings Bank is meeting the credit needs of the communities within its assessment area. The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans are in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Loan distribution reflects reasonable penetration among businesses and farms of different sizes. Neither Farmers Trust & Savings Bank nor this Reserve Bank has received any Community Reinvestment Act (CRA) - related complaints since the previous evaluation.

## SCOPE OF EXAMINATION

Farmers Trust & Savings Bank's CRA performance was evaluated using the Federal Financial Institutions Examinations Council's (FFIEC) Small Institution Examination Procedures. Performance was evaluated in the context of information about the institution and its assessment areas, including the bank's asset size, financial condition, competition, and economic and demographic characteristics.

The bank has delineated two contiguous assessment areas in the states of Iowa and Minnesota. Both assessment areas received full-scope reviews as procedures require a state rating for each assessment area that the bank maintains a branch location. Additional information that was considered during the scoping process included deposit market share, branch concentration, volume of lending, percentage of low- and moderate-income households and families, and community credit needs. The bank's Non-MSA Iowa assessment area received greater weight than the Non-MSA Minnesota assessment area, based on the percentage of branch locations and lending volume within that assessment area.

Loan products reviewed include small business and small farm loans. These products are considered the bank's primary product lines through discussions with bank management, a review of the December 31, 2019 Reports of Condition and Income (Call Report), and a review of the number of outstanding loan originations since the previous CRA evaluation. Agricultural lending received greater weight in the analysis as it comprised 73.0 percent of the loan portfolio while commercial lending comprised 19.0 percent. Agriculture also comprises a large portion of the economy in both assessment areas as they are primarily rural in nature.

Performance within the designated assessment areas was evaluated using small bank examination procedures based on the following performance criteria:

- **Loan-to-Deposit Ratio** – A 16 quarter average loan-to-deposit ratio, ending December 31, 2019, was calculated for the bank and compared to a sample of local competitors.

- ***Lending in the Assessment Area*** – The bank’s small business and small farm loans originated from January 1, 2018 – December 31, 2018, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s small business and small farm loans originated from January 1, 2018 – December 31, 2018, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels.
- ***Lending to Businesses and Farms of Different Sizes*** – The bank’s small business and small farm loans originated from January 1, 2018 – December 31, 2018, were reviewed to determine the distribution to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. Organizations representing economic development and agricultural were contacted.

## DESCRIPTION OF INSTITUTION

Farmers Trust & Savings Bank (FTSB) is a subsidiary of Koss Winn Bankshares ESOP, a one-bank holding company headquartered in Buffalo Center, Iowa. As of December 31, 2019 FTSB had a total asset size of \$262.0 million. FTSB operates five branches in one contiguous market spanning the states of Iowa and Minnesota. The bank's footprint includes four branches serving Buffalo Center, Lakota, Britt, and Lake Mills, Iowa; and one branch in Bricelyn, Minnesota. In addition to the five branches, the bank also maintains cash-only automated teller machines (ATMs) at four of its five branch locations. The only branch that does not maintain an ATM is located in Lakota, Iowa. There have been no mergers, acquisitions, or changes in the bank’s branching network and ATMs since the previous examination.

A list of the bank’s branches is provided in the table below.

Farmers Trust & Savings Bank Branch Listing			
Branch Name	Assessment Area	County	City & State
Buffalo Center (Main Office)	Non-MSA Iowa	Winnebago	Buffalo Center, Iowa
Britt	Non-MSA Iowa	Hancock	Britt, Iowa
Lake Mills	Non-MSA Iowa	Winnebago	Lake Mills, Iowa
Lakota	Non-MSA Iowa	Kossuth	Lakota, Iowa
Bricelyn	Non-MSA Minnesota	Faribault	Bricelyn, Minnesota

FTSB offers a full range of traditional deposit and loan products to help meet the banking needs of consumers, businesses, and farms operating in its assessment area. Loan products include commercial non-real estate secured, commercial real estate secured, agricultural non-real estate secured, and agricultural real estate secured. Consumer-purpose loan products include home purchase, home refinance, residential construction, and various consumer installment loans. Deposit products include traditional checking and savings accounts, money market checking accounts, and certificates of deposit.

As of the June 30, 2019 Uniform Bank Performance Report, FTSB had total loans of \$231.5. As previously discussed, FTSB is primarily an agricultural and commercial lender as such loans comprised 73.0 percent and 19.0 percent, respectively, of the loan portfolio.

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

Loan Portfolio Composition as of June 30, 2019		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Agricultural	169,061	73.0
Commercial	43,977	19.0
Residential Real Estate	15,138	6.5
Consumer	2,711	1.2
Other	646	0.3
<b>Total</b>	<b>231,533</b>	<b>100.0</b>
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>		

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

The bank was rated Satisfactory under the CRA at its previous evaluation conducted by the Federal Deposit Insurance Corporation's (FDIC) on January 20, 2016.

## DESCRIPTION OF ASSESSMENT AREA

FTSB operates in one contiguous market area encompassing the entire counties of Hancock and Winnebago, Iowa and portions of Kossuth and Worth Counties, Iowa as well as Faribault County, Minnesota. FTSB delineates two assessment areas, one in Non-MSA Iowa, and one in Non-MSA Minnesota. Neither assessment area has changed since the previous evaluation.

The Non-MSA Iowa assessment area includes all of Hancock and Winnebago Counties, one census tract (#9501) in Kossuth County, and one census tract (#6902) in Worth County. The Non-MSA Iowa assessment area is comprised solely of middle-income census tracts, with the tract in Kossuth County designated as underserved due to its remote rural location. The Non-MSA Minnesota assessment area includes one census tract (#4605) in Faribault County, Minnesota. The census tract is designated as middle-income and distressed due to population loss.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. As of December 31, 2019, the bank's LTD ratio equaled 106.0 percent, with a 16-quarter average of 105.4 percent. Overall, the bank's LTD ratio has remained stable during the 16-quarter time frame. Additionally, the bank's LTD ratio is greater than each of its local competitors of similar asset size.

The following table compares the bank's LTD ratio to its local competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 - Quarter Average
Farmers Trust & Savings Bank	105.4
<b>Competitors</b>	
Farmers State Bank (Algona, IA)	81.9
First Bank of Blue Earth	77.1
First State Bank	60.2
Iowa State Bank	89.5
Manufacturers Bank & Trust Company	88.5
Farmers State Bank (Northwood, IA)	59.8
Security State Bank	90.0
Titonka Savings Bank	53.0

### Assessment Area Concentration

During the evaluation period, a majority of loans were originated in the bank's assessment area.

FTSB originated 61.1 percent of total loans by number and 67.9 percent by dollar inside the assessment area during the evaluation period. Small farm lending had a higher origination rate of 71.3 percent by number, compared to 50.5 percent of small business loans originated inside the assessment area. Overall, lending inside of the assessment area indicates appropriate responsiveness to assessment area credit needs.

The following table displays FTSB’s lending inside and outside of its assessment area for small business and small farm loans from January 1, 2018 through December 31, 2018.

<b>Lending Inside and Outside the Assessment Area</b>								
<b>Small Business and Small Farm Loans Originated January 1, 2018 to December 31, 2018</b>								
<b>LOAN TYPE</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
<b>Total Small Business</b>	49	50.5	\$3,755	56.4	48	49.5	\$2,907	43.6
<b>Total Small Farm</b>	72	71.3	\$8,507	74.7	29	28.7	\$2,879	25.3
<b>Total Loans</b>	121	61.1	\$12,262	67.9	77	38.9	\$5,787	32.1
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>								

### **Geographic and Borrower Distribution**

The geographic distribution of small business and small farm loans reflects reasonable dispersion throughout the assessment area. As the assessment area is comprised of middle- and upper-income census tracts; the analysis of the geographic distribution of loans was limited and received less weighting than other criterion of the lending test.

In addition, the distribution of lending reflects, given the product lines offered, reasonable penetration among businesses and farms of different sizes. The bank remains primarily an agricultural lender and therefore received greater weighting than small business loans.

Additional information with respect to the bank’s geographic and borrower distribution is found within the full review assessment area sections for Non-MSA Iowa and Non-MSA Minnesota.

### **Response to Complaints**

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

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

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

## STATE OF IOWA

FTSB is rated Satisfactory in the State of Iowa, based on reasonable penetration of loans among businesses and farms of different sizes and reasonable dispersion of these loans throughout the assessment area.

### SCOPE OF EXAMINATION

The scope for the assessment area is consistent with the scope presented in the overall scope section. Please refer to the overall scope section for detailed information.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF IOWA

FTSB's operations in the State of Iowa consist of one assessment area in northern Iowa, bordering the State of Minnesota. The Non-MSA Iowa assessment area is comprised of Hancock and Winnebago Counties, in their entirety, and one census tract in both Kossuth and Worth County. The Non-MSA Iowa assessment area is comprised solely of middle-income census tracts, with the one tract in Kossuth County designated as underserved due to its remote rural location. The bank's main office, three branches, and three cash-only ATMs are located in the State of Iowa. The bank's main office is located in Buffalo Center, Iowa. The additional branches are located in Britt, Lake Mills, and Lakota, Iowa. A cash-only ATM is located at each branch with the exception of the Lakota office. Please refer to the individual assessment area summary for demographic and economic conditions.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN STATE OF IOWA

#### LENDING TEST

FTSB's performance relative to the lending test in Iowa is rated Satisfactory based on reasonable penetration of loans among businesses and farms of different sizes, and reasonable dispersion of these loans throughout the assessment area. The Non-MSA Iowa assessment area is the only assessment area in the State of Iowa, and therefore is the basis for the rating.

#### Geographic and Borrower Distribution

The geographic distribution of small business and small farm loans reflects reasonable penetration throughout the assessment area in the State of Iowa. In addition, the distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes. Please refer to the individual assessment area summary section for additional details.



## **NON-MSA IOWA – FULL REVIEW**

### **SCOPE OF EXAMINATION**

The scope for the assessment area is consistent with the scope presented in the overall scope section. Please refer to scope in the introduction section for more detailed information.

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-MSA IOWA**

FTSB maintains operations in the Non-MSA Iowa assessment area through its main office, three branch locations, and three cash-only ATMs. There have been no openings or closings of branches or ATMs since the previous evaluation. The assessment area consists of Hancock and Winnebago Counties, in their entirety, one census tract (#9501) in Kossuth County, and one census tract (#6902) in Worth County. Overall, the assessment area includes nine census tracts, all of which are designated as middle-income. The one census tract delineated in Kossuth County was designated as underserved due to its remote rural location. The assessment area has not changed since the previous CRA evaluation.

The Federal Deposit Insurance Corporation’s (FDIC) Deposit Market Share Report dated June 30, 2019, ranks FTSB second among nine FDIC-insured institutions operating in the assessment area. The bank has a 21.3 percent market share, compared to the market leader Manufacturers Bank & Trust Company, which has 25.7 percent of the assessment area’s FDIC-insured deposits.

Assessment Area: 2018 IA Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	1,199	16.2
Moderate-income	0	0.0	0	0.0	0	0.0	1,314	17.7
Middle-income	9	100.0	7,412	100.0	436	5.9	1,907	25.7
Upper-income	0	0.0	0	0.0	0	0.0	2,992	40.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>9</b>	<b>100.0</b>	<b>7,412</b>	<b>100.0</b>	<b>436</b>	<b>5.9</b>	<b>7,412</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	12,688	8,892	100.0	70.1	2,352	18.5	1,444	11.4
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>12,688</b>	<b>8,892</b>	<b>100.0</b>	<b>70.1</b>	<b>2,352</b>	<b>18.5</b>	<b>1,444</b>	<b>11.4</b>
	<b>Total Businesses Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>			<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	1,531	1,370	100.0	100.0	113	100.0	48	100.0
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,531</b>	<b>1,370</b>	<b>100.0</b>	<b>100.0</b>	<b>113</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>89.5</b>		<b>7.4</b>		<b>3.1</b>
	<b>Total Farms by Tract</b>	<b>Farms by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>			<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	528	526	100.0	100.0	1	100.0	1	100.0
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>528</b>	<b>526</b>	<b>100.0</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>
	<b>Percentage of Total Farms:</b>			<b>99.6</b>		<b>0.2</b>		<b>0.2</b>

2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS

Note: Percentages may not add to 100.0 percent due to rounding

## Population Change

According to the 2015 U.S. Census Bureau demographic data, the assessment area’s population is 26,316. All counties within the assessment area experienced population loss from 2010 to 2015. Winnebago County experienced the largest population loss at 2.3 percent. Hancock and Kossuth County also experienced population loss at 2.2 percent and 1.7 percent, respectively. Worth County experienced the lowest rate of population loss at 0.5 percent while the State of Iowa overall experienced a 1.5 percent population increase. The community representative stated that population loss in the area can be attributed to the aging population and the younger population generally moving to larger cities for more career opportunities.

The table below presents the population trends for the bank’s assessment area, Hancock, Kossuth, Winnebago, and Worth Counties, and the State of Iowa from 2010 to 2015.

Population Change 2010 and 2015			
Area	2010 Population	2015 Population	Percentage Change (%)
Assessment Area	N/A	26,316	N/A
Hancock County	11,341	11,092	-2.2
Kossuth County	15,543	15,280	-1.7
Winnebago County	10,866	10,614	-2.3
Worth County	7,598	7,563	-0.5
State of Iowa	3,046,355	3,093,526	+1.5
<i>Source: U.S. Census Bureau: Decennial Census American Community Survey Data: 2006-2010 U.S. Census Bureau: American Community Survey Data: 2011-2015</i>			

## Income Characteristics

According to the 2018 FFIEC Census data, the assessment area is comprised of 7,412 families, of which 16.2 percent were designated as low-income, and 17.7 percent were moderate-income. Of the families residing within the assessment area, 5.9 percent live below the poverty line, which is lower than the State of Iowa poverty rate at 8.1 percent.

According to the 2011-2015 Census Bureau data, median family income (MFI) in the assessment area is slightly lower than the MFI for the State of Iowa. Hancock County experienced the highest increase of MFI from 2010 to 2015 at 15.2 percent. Worth and Kossuth Counties experienced MFI growth at 8.1 percent and 6.5 percent, respectively. This is comparable to the State of Iowa that grew 9.2 percent. Winnebago County experienced the lowest rate of growth at 2.4 percent. Bank management stated that the low growth rate in Winnebago County can be attributed to layoffs that occurred at Winnebago Industries during the review period.

The table below compares the median family income for the assessment area, each county within the assessment area, and the State of Iowa.

<b>Median Family Income Change 2006-2010 and 2011-2015</b>			
<b>Area</b>	<b>2010 Median Family Income (In 2010 Dollars)</b>	<b>2011-2015 Median Family Income (In 2015 Dollars)</b>	<b>Percentage Change (%)</b>
<b>Assessment Area</b>	N/A	63,649	N/A
<b>Hancock County</b>	55,922	64,403	15.2
<b>Kossuth County</b>	61,012	64,974	6.5
<b>Winnebago County</b>	58,700	60,086	2.4
<b>Worth County</b>	56,659	61,265	8.1
<b>State of Iowa</b>	61,804	67,466	9.2
<i>Source: U.S. Census Bureau: Decennial Census American Community Survey Data: 2006-2010 U.S. Census Bureau: American Community Survey Data: 2011-2015</i>			

### Housing Characteristics

There are a total of 12,688 housing units within the assessment area. Owner-occupied units represent 70.1 percent of the total units in the assessment area, while rental units represent 18.5 percent. Housing units reported as vacant represent 11.4 percent, which falls below the vacancy rate for the State of Iowa at 8.7 percent.

According to the 2011-2015 American Community Survey, the assessment area median housing value of \$93,923 remains below that of the State of Iowa at \$129,200. The county with the highest median housing value was Worth County at \$96,400, while Hancock County experienced the lowest median housing value in the assessment area at \$91,600. Median gross rent values for the counties that comprise the assessment area are comparable to the assessment area as a whole. Median gross rent for the assessment area was \$536, which was below that of the State of Iowa at \$697. A community representative stated that the housing stock is aging and there is a need for affordable housing options in the area.

A common method to compare affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix D. A higher ratio supports more affordable housing opportunities. Based on the 2011-2015 American Community Survey data, the affordability ratio for the assessment area of approximately 0.54 is comparable to the affordability ratio for each county that comprises the assessment area and higher than the State of Iowa at 0.41. This shows that the areas is generally more affordable than the State of Iowa.

The table below presents recent trends in housing costs within the assessment area and the State of Iowa.

<b>Housing Costs Change 2006-2010 and 2011-2015</b>				
<b>Location</b>	<b>2010 Median Housing Value</b>	<b>2011-2015 Median Housing Value</b>	<b>2010 Median Gross Rent</b>	<b>2011-2015 Median Gross Rent</b>
<b>Assessment Area</b>	N/A	93,923	N/A	536
<b>Hancock County</b>	81,200	91,600	500	551
<b>Kossuth County</b>	84,700	92,300	435	579
<b>Winnebago County</b>	90,900	94,100	457	515
<b>Worth County</b>	95,200	96,400	516	523
<b>State of Iowa</b>	119,200	129,200	617	697
<i>Source: 2006-2010 —U.S. Census Bureau: American Community Survey 2011-2015—U.S. Census Bureau: American Community Survey</i>				

## Foreclosure Trends

The Federal Reserve Bank of Chicago conducted a study on changes in foreclosure inventory rates at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure. Overall, foreclosure inventory rates in the state and assessment area have declined since the previous evaluation, indicating that the housing crisis that affected much of the nation, including the assessment area, has abated. As of July 2018, the State of Iowa’s foreclosure inventory rate was 0.7 percent, which is comparable to the foreclosure inventory rate of Hancock and Worth Counties at 0.8 percent and 0.3 percent, respectively. Kossuth and Winnebago County had a foreclosure rate of 2.5 percent and 2.1 percent, respectively. A community representative stated that Winnebago Industries experienced some staffing reductions that could have led to the increased foreclosure rate of the area as well as a recent surge in unemployment rates. Additionally, bank management identified that during the review period, commodity prices remained low, crop yields were not as high as expected, and the agricultural community was seeing lower incomes than in previous years. This attributed to an increase in the foreclosure rate in Kossuth and Winnebago Counties.

## Employment Conditions

There has been a steady decline in unemployment rates from 2013 to 2016 in both the assessment area and the individual counties that comprise the assessment area. The decline is directly aligned with unemployment trends in the State of Iowa. As of 2016, the unemployment rate was 3.5 percent for Winnebago and Worth Counties, 2.7 percent for Hancock and Kossuth Counties, and 3.7 percent for the State of Iowa. As previously mentioned, a community representative stated that Winnebago Industries experienced layoffs during the review period that led to the higher

unemployment rates in Winnebago and Worth County. Additionally, the area is highly concentrated in agriculture and the lower income for farms during the review period, led to an increase in unemployment in the area.

The following table presents the unemployment trends in the assessment area, the counties that comprise the assessment area, and the State of Iowa from 2013 to 2016.

<b>Unemployment Rates</b>				
<b>Region</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Hancock County</b>	4.1	3.4	2.8	2.7
<b>Kossuth County</b>	3.2	3.4	2.9	2.7
<b>Winnebago County</b>	4.8	4.4	4.0	3.5
<b>Worth County</b>	5.0	4.7	4.1	3.5
<b>State of Iowa</b>	4.6	4.4	3.8	3.7

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics*

### Industry Characteristics

The following table presents the largest employers operating in the assessment area. Based on data collected by the U.S. Department of Labor, the assessment area is heavily impacted by manufacturing and a casino. Iowa Mold Tooling Company is located in Hancock County, Diamond Jo Casino in Worth County, and Snap-On Tools in Kossuth County. Winnebago Industries, Incorporated is located in Winnebago County and employs a large number of individuals in the assessment area. The community representative stated that Winnebago Industries serves a vital role in supporting the assessment area's economy. The assessment area remains primarily agriculturally concentrated and rural in nature.

<b>Largest Employers in the Assessment Area</b>		
<b>Company</b>	<b>Number of Employees</b>	<b>Industry</b>
Winnebago Industries Inc.	2,100	Recreational Vehicles & Campers-Manufacturers
Iowa Mold Tooling Co. Inc.	400	Truck-Manufacturers
Diamond Jo Casino Worth	400	Casinos
Snap-On Tools	350	Tools (Whole Sale)
CDI LLC	256	Automobile Body-Repairing & Painting
Stellar Industries Inc.	251	Service Industry Machinery NEC (Manufacturers)
Larson Manufacturing Co. Inc.	200	Doors
Pharmacists Life Insurance Co.	180	Insurance-Life (Agents)
North Iowa High School	140	Schools

*Source: Business information is provided by Infogroup®, Omaha, NE*

## **Community Representative**

One community representative was contacted to provide information regarding local economic and demographic conditions. The representative provided information on housing, employment, and economic development needs within the assessment area. The representative stated the housing inventory and population continues to age. The area relies heavily on industries like Winnebago Industries, Incorporated for employment opportunities. The community representative stated there are always opportunities for additional participation by the local financial institutions but overall they are active within in the community and are vital for serving the credit needs of the community. The contact identified small business recovery funds and a local business gift card promotion as possible opportunities for local financial institutions to further help the local economy.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA IOWA**

### **LENDING TEST**

In the Non-MSA Iowa assessment area the geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and the overall borrower loan distribution reflects reasonable penetration among businesses and farms of different sizes.

### **Geographic Distribution of Loans**

The assessment area is comprised only of middle-income census tracts and therefore a meaningful analysis could not be performed. The dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included in the assessment area. Examiners determined that there were no conspicuous unexplained gaps in contiguous census tracts and that the bank originated loans in all nine of the census tracts comprising the assessment area.

### **Lending to Businesses and Farms of Different Sizes**

FTSB's overall distribution of loans reflects reasonable penetration among businesses and farms of different sizes.

### **Small Farm Lending**

The distribution of small farm loans reflects reasonable penetration among farms of different sizes. In 2018, FTSB originated 91.8 percent of its agricultural loans by number, and 80.8 percent by dollar amount, to small farms with annual revenues of \$1 million or less. This is comparable with the percentage of total small farms operating in the assessment area at 99.6 percent. Of the 56 loans originated to small farms, 66.1 percent were originated in amounts of \$100,000 or less, which

are considered most beneficial to small farms.

The following table presents the bank’s 2018 small farm lending compared to the selected demographic data.

Small Farm Lending By Revenue & Loan Size								
Assessment Area: 2018 IA Non MSA								
Product Type		Bank & Demographic Comparison						
		2018		2018		Total Farms		
		Count Bank		Dollar Bank				
		#	%	\$ 000s	\$ %	%		
Small Farm	Revenue	\$1 Million or Less	56	91.8	5,538	80.8	99.6	
		Over \$1 Million or Unknown	5	8.2	1,320	19.2	0.4	
		<b>Total</b>	<b>61</b>	<b>100.0</b>	<b>6,858</b>	<b>100.0</b>	<b>100.0</b>	
	Loan Size	\$100,000 or Less	38	62.3	1,126	16.4		
		\$100,001 - \$250,000	15	24.6	2,961	43.2		
		\$250,001 - \$500,000	8	13.1	2,771	40.4		
		<b>Total</b>	<b>61</b>	<b>100.0</b>	<b>6,858</b>	<b>100.0</b>		
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	37	66.1	1,091	19.7		
		\$100,001 - \$250,000	13	23.2	2,511	45.3		
		\$250,001 - \$500,000	6	10.7	1,936	35.0		
		<b>Total</b>	<b>56</b>	<b>100.0</b>	<b>5,538</b>	<b>100.0</b>		
	Originations & Purchases							
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

### Small Business Lending

The bank’s lending to businesses of different sizes is reasonable. Although the bank’s lending to businesses with annual revenues of \$1 million or less, at 64.6 percent, is below the total businesses at 89.5 percent, the bank originated 93.5 percent of its small business loans in amounts of \$100,000 or less. Loans in these amounts are indicative of lending needs of small businesses and further supports the bank’s reasonable penetration of lending to small businesses.

The following table presents the bank’s 2018 small business lending compared to the selected demographic data.



<b>Small Business Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2018 IA Non MSA</b>							
Product Type		Bank & Demographic Comparison					
		2018		2018		Total Businesses %	
Revenue	Loan Size	Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %		
Small Business	Revenue	\$1 Million or Less	31	64.6	1,150	30.9	89.5
		Over \$1 Million or Unknown	17	35.4	2,571	69.1	10.5
		<b>Total</b>	<b>48</b>	<b>100.0</b>	<b>3,721</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	37	77.1	1,235	33.2	
		\$100,001 - \$250,000	9	18.8	1,348	36.2	
		\$250,001 - \$1 Million	2	4.2	1,138	30.6	
		<b>Total</b>	<b>48</b>	<b>100.0</b>	<b>3,721</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	29	93.5	820	71.3	
		\$100,001 - \$250,000	2	6.5	330	28.7	
		\$250,001 - \$1 Million	0	0.0	0	0.0	
		<b>Total</b>	<b>31</b>	<b>100.0</b>	<b>1,150</b>	<b>100.0</b>	
	Originations & Purchases						
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

## STATE OF MINNESOTA

FTSB is rated Satisfactory in the State of Minnesota based on reasonable penetration of loans among businesses and farms of different sizes and reasonable dispersion of these loans throughout the assessment area.

### SCOPE OF EXAMINATION

The scope for the assessment area is consistent with the scope presented in the overall scope section. Please refer to the overall scope section for detailed information.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF MINNESOTA

FTSB's operations in the State of Minnesota consist of one assessment area in southern Minnesota, bordering the State of Iowa. The Non-MSA Minnesota assessment area is comprised of one census tract (#4605) in Faribault County. The census tract is designated as middle-income and distressed due to population loss. The bank maintains one branch office and one cash-only ATM in the assessment area. The assessment area has not changed since the previous examination. Please refer to the individual assessment area summaries for demographic and economic conditions.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN STATE OF MINNESOTA

#### LENDING TEST

FTSB's performance relative to the lending test in Minnesota is rated Satisfactory based on reasonable penetration of loans among businesses and farms of different sizes, and reasonable dispersion of these loans throughout the assessment area. The Non-MSA Minnesota assessment area is the only assessment area in the State of Minnesota, and therefore is the basis for the rating.

#### Geographic and Borrower Distribution

The geographic distribution of small business and small farm loans reflects reasonable penetration throughout the assessment area in the State of Minnesota. In addition, the distribution of borrowers reflects reasonable penetration among businesses and farms of different. Please refer to the individual assessment area summary section for additional details.

## NON-MSA MINNESOTA – FULL REVIEW

### SCOPE OF EXAMINATION

The scope for the assessment area is consistent with the scope presented in the overall scope section. Please refer to scope in the introduction section for more detailed information.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON MSA MINNESOTA

FTSB maintains operations in the Non-MSA Minnesota assessment area through one branch location with one cash-only ATM. There have been no openings or closings of branches or ATMs since the previous evaluation. The assessment area consists of one census tract (#4605) in Faribault County. The tract is designated as middle-income and distress due to population loss. The assessment area remains unchanged since the previous CRA evaluation.

The Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report dated June 30, 2019, ranks FTSB seventh among nine FDIC-insured institutions operating in the assessment area. The bank has a 4.5 percent market share, compared to the market leader First Bank Blue Earth, which has 40.2 percent of the assessment area's FDIC-insured deposits.

Assessment Area: 2018 MN Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	144	21.3
Moderate-income	0	0.0	0	0.0	0	0.0	126	18.7
Middle-income	1	100.0	675	100.0	72	10.7	159	23.6
Upper-income	0	0.0	0	0.0	0	0.0	246	36.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1</b>	<b>100.0</b>	<b>675</b>	<b>100.0</b>	<b>72</b>	<b>10.7</b>	<b>675</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	1,211	840	100.0	69.4	194	16.0	177	14.6
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,211</b>	<b>840</b>	<b>100.0</b>	<b>69.4</b>	<b>194</b>	<b>16.0</b>	<b>177</b>	<b>14.6</b>
	<b>Total Businesses Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>			<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	114	105	100.0	3	100.0	6	100.0	
Upper-income	0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>114</b>	<b>105</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	
	<b>Percentage of Total Businesses:</b>			<b>92.1</b>		<b>2.6</b>	<b>5.3</b>	
	<b>Total Farms by Tract</b>	<b>Farms by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>			<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	81	79	100.0	2	100.0	0	0.0	
Upper-income	0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>81</b>	<b>79</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	
	<b>Percentage of Total Farms:</b>			<b>97.5</b>		<b>2.5</b>	<b>0.0</b>	
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

## Population Change

According to the 2015 U.S. Census Bureau demographic data, the assessment area’s population is 2,240. Faribault County experienced a population loss of 2.2 percent while the State of Minnesota overall experienced a 2.2 percent population increase. A community representative attributed the population loss to an aging population and the younger population moving to more populous areas for career opportunities.

The table below presents the population trends for the assessment area, Faribault County, and the State of Minnesota from 2010 to 2015.

<b>Population Change 2010 and 2015</b>			
<b>Area</b>	<b>2010 Population</b>	<b>2015 Population</b>	<b>Percentage Change (%)</b>
<b>Assessment Area</b>	N/A	2,240	N/A
<b>Faribault County</b>	14,553	14,230	-2.2
<b>State of Minnesota</b>	5,303,925	5,419,171	2.2
<i>Source: U.S. Census Bureau: Decennial Census American Community Survey Data: 2006-2010 U.S. Census Bureau: American Community Survey Data: 2011-2015</i>			

## Income Characteristics

According to the 2018 FFIEC Census data, the assessment area is comprised of 675 families, of which 21.3 percent were designated as low-income, and 18.7 percent were moderate-income. Of the families residing within the assessment area, 10.7 percent live below the poverty line, which is above the State of Minnesota poverty rate at 7.3 percent.

According to the 2011-2015 Census Bureau data, median family income (MFI) in the assessment area is lower than the MFI for the State of Minnesota. The area remains agriculturally concentrated with only one town included in the census tract. Bank management stated that the lower income earned by farms in the assessment area as well as the absence of any large business or corporations caused the MFI to remain below the State of Minnesota. Faribault County experienced an increase of MFI from 2010 to 2015 at 8.2 percent. Comparably, the State of Minnesota saw an increase of MFI, during the same period, of 8.1 percent.

The table below compares the median family income for the assessment area, Faribault County, and the State of Minnesota.

<b>Median Family Income Change 2006-2010 and 2011-2015</b>			
<b>Area</b>	<b>2010 Median Family Income</b>	<b>2011-2015 Median Family Income</b>	<b>Percentage Change</b>
<b>Assessment Area</b>	N/A	60,568	N/A
<b>Faribault County</b>	53,946	58,343	+8.2
<b>State of Minnesota</b>	71,307	77,055	+8.1
<i>Source: U.S. Census Bureau: Decennial Census American Community Survey Data: 2006-2010 U.S. Census Bureau: American Community Survey Data: 2011-2015</i>			

### Housing Characteristics

Within the assessment area, there are a total of 1,211 housing units. Owner-occupied units represent 69.4 percent of the total housing units in the assessment area, while rental units represent 16.0 percent. Housing units reported as vacant represent 14.6 percent, which is above the vacancy rate for the State of Minnesota at 10.5 percent.

According to the 2011-2015 American Community Survey, the assessment area median housing value of \$68,846 remains well below that of the State of Minnesota at \$186,200. Median gross rent for the assessment area was \$611 which was also below that of the State of Minnesota at \$848 and above the median gross rent for Faribault County overall at \$538. A community representative stated that the housing stock is aging and there is a need for affordable housing options in the area. There is also a need for newer housing that better fits the needs of the community.

A common method to compare affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix D. A higher ratio supports more affordable housing opportunities. Based on the 2011-2015 American Community Survey data, the assessment area's affordability ratio of 0.73 is above Faribault County at 0.56 and the State of Minnesota at 0.33. This shows that the assessment area is generally more affordable than the State of Minnesota. The higher affordability in the assessment area can be attributed to its rural location, reliance on the agricultural community, and lack of larger cities that provide significant employment opportunities.

The table below presents recent trends in housing costs within the assessment area and the State of Minnesota.

<b>Housing Costs Change 2006-2010 and 2011-2015</b>				
<b>Location</b>	<b>2010 Median Housing Value</b>	<b>2011-2015 Median Housing Value</b>	<b>2010 Median Gross Rent</b>	<b>2011-2015 Median Gross Rent</b>
<b>Assessment Area</b>	N/A	\$68,846	N/A	\$611
<b>Faribault County</b>	\$87,000	\$85,600	\$458	\$538
<b>State of Minnesota</b>	\$206,200	\$186,200	\$759	\$848
<i>Source: 2006-2010 — U.S. Census Bureau: American Community Survey 2011-2015 — U.S. Census Bureau: American Community Survey</i>				

### Foreclosure Trends

The Federal Reserve Bank of Chicago conducted a study on changes in foreclosure inventory rates at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure. Overall, foreclosure inventory rates in the state and assessment area have declined since the previous evaluation, indicating that the housing crisis that affected much of the nation, including the assessment area, has abated. As of July 2018, the State of Minnesota’s foreclosure inventory rate was 0.3 percent, which is below the foreclosure inventory rate of Faribault County at 0.9 percent. Although the foreclosure rates are comparable, the assessment area experienced a higher rate due to its reliance of the agricultural community and the drop in income in that sector during the review period.

### Employment Conditions

There has been a steady decline in unemployment rates from 2013 to 2016 in Faribault County. The decline is directly aligned with unemployment trends in the State of Minnesota. As of 2016, the unemployment rate was 4.4 percent for Faribault County, and 3.9 percent for the State of Minnesota. Faribault County is primarily rural and heavily reliant on the agricultural community. Blue Earth remains the only town in the assessment, area so employment opportunities are not as prevalent as in the rest of the State of Minnesota.

The following table presents the unemployment trends in the assessment area, and the State of Minnesota from 2013 to 2016.

Unemployment Rates				
Region	2013	2014	2015	Most recent 2016
Faribault County	5.6	5.1	4.4	4.4
State of Minnesota	5.1	4.1	3.7	3.9

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics*

### Industry Characteristics

The following table presents the largest employers operating in the assessment area. Based on data collected by the U.S. Department of Labor, the assessment area is heavily impacted by schools, manufacturing, and hospitals. The census tract delineated in the bank’s assessment area is comprised primarily of agricultural farm land with smaller towns surrounding it. The community is heavily impacted by the conditions and viability of the farms that comprise it.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Blue Earth Area School District	295	School Districts
Aerospace Systems	210	Fabricated Wire Products-Misc (Manufacturers)
Seneca Foods Corp.	200	Food Products & Manufacturers
United Hospital District	140	Hospitals
Wells Concrete Products	100	Concrete-Ready Mixed
St. Lukes Lutheran Care Center	90	Nursing & Convalescent Homes
United South Central Pubc School	83	School Districts
Independent School District 2134	83	School Districts
Genesis Classical Academy	83	Schools

*Source: Business information is provided by the Infogroup®, Omaha, NE*

### Community Representative

One community representative was contacted to provide information regarding local economic and demographic conditions. The representative provided information on housing, employment conditions, and economic development needs within the assessment area. The representative stated the housing inventory and population continues to age, with younger families moving to larger cities for more career opportunities. The area is heavily concentrated in farm land, and farmers have been hit hard in the recent years with flooding causing lower yields and commodity prices dropping. The community representative stated the local financial institutions have worked well at serving the credit needs of the community and identifying opportunities to provide financial support.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA MINNESOTA

### LENDING TEST

In the Non-MSA Minnesota assessment area, geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and the overall borrower loan distribution reflects reasonable penetration among businesses and farms of different sizes.

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

The assessment area is comprised of only one middle-income census tract and therefore a meaningful analysis could not be performed. The dispersion of loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tract included in the assessment area.

#### **Lending to Businesses and Farms of Different Sizes**

FTSB's overall distribution of loans reflects reasonable penetration among businesses and farms of different sizes.

#### **Small Farm Lending**

The distribution of small farm loans reflects reasonable penetration among farms of different sizes. In 2018, FTSB originated 90.9 percent of its agricultural loans by number, and 87.9 percent by dollar amount, to small farms with annual revenues of \$1 million or less. This is comparable with the percentage of total small farms operating in the assessment area at 97.5 percent. Of the 10 loans originated to small farms, 70.0 percent were originated in amounts of \$100,000 or less, which are considered most beneficial to small farms.

The following table presents the bank's 2018 small farm lending compared to the selected demographic data.

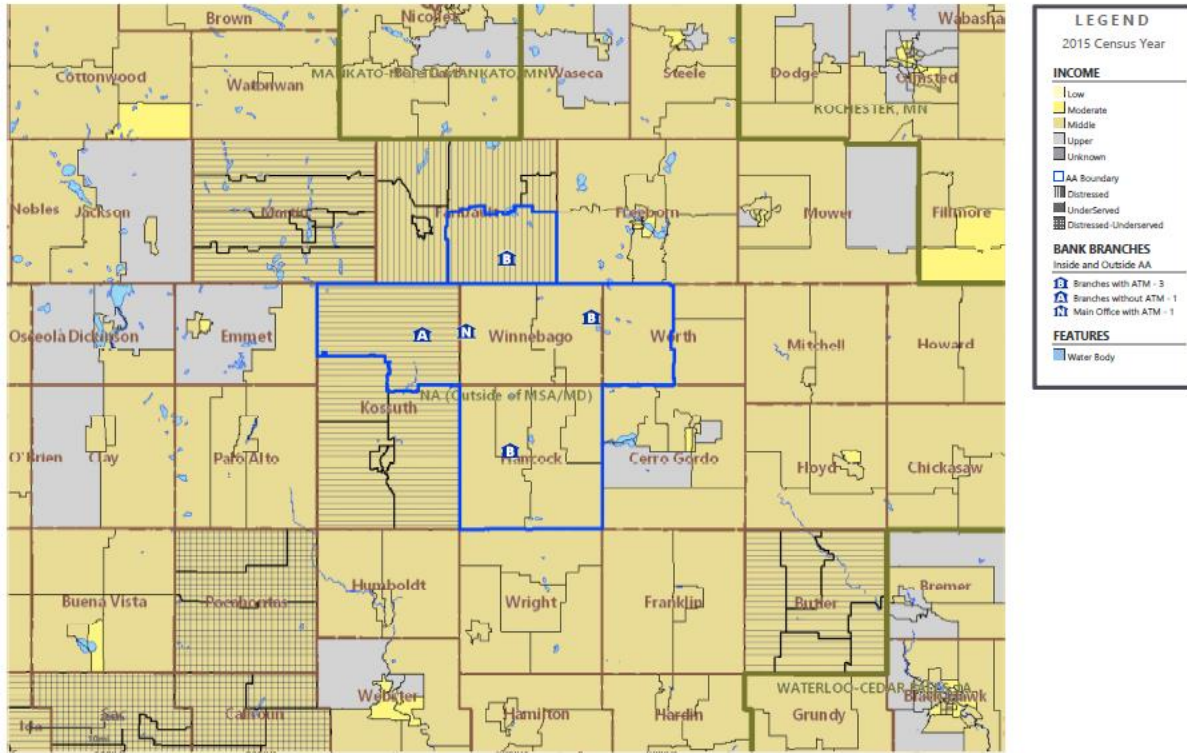
<b>Small Farm Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2018 MN Non MSA</b>							
Product Type		Bank & Demographic Comparison					
		Count Bank		2018 Dollar Bank		Total Farms	
		#	%	\$ 000s	\$ %		%
Revenue	\$1 Million or Less	10	90.9	1,449	87.9	97.5	
	Over \$1 Million or Unknown	1	9.1	200	12.1	2.5	
	<b>Total</b>	<b>11</b>	<b>100.0</b>	<b>1,649</b>	<b>100.0</b>	<b>100.0</b>	
Loan Size	\$100,000 or Less	7	63.6	274	16.6		
	\$100,001 - \$250,000	2	18.2	375	22.7		
	\$250,001 - \$500,000	2	18.2	1,000	60.6		
	<b>Total</b>	<b>11</b>	<b>100.0</b>	<b>1,649</b>	<b>100.0</b>		
Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	7	70.0	274	18.9		
	\$100,001 - \$250,000	1	10.0	175	12.1		
	\$250,001 - \$500,000	2	20.0	1,000	69.0		
	<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>1,449</b>	<b>100.0</b>		
Originations & Purchases							
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

### Small Business Lending

During the review period, the bank only originated one small business loan within the assessment area. Due to the low volume of small business lending in the assessment area, a meaningful analysis could not be performed.

### APPENDIX A – Maps of Assessment Areas

Farmers Trust & Savings Bank 825847  
Combined Assessment Area



**APPENDIX B – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>			
January 1, 2018 – December 31, 2018			
<b>FINANCIAL INSTITUTION</b>			
Farmers Trust & Savings Bank			<b>PRODUCTS REVIEWED</b> Small Business Small Farm
<b>AFFILIATE(S)</b>			
None		<b>AFFILIATE RELATIONSHIP</b> N/A	<b>PRODUCTS REVIEWED</b> N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Iowa Non-MSA Iowa	Full Review	N/A	N/A
Minnesota Non-MSA Minnesota	Full Review	N/A	N/A

## APPENDIX C – Glossary

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

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

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

**American Community Survey Data (ACS):** The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.<sup>1</sup>

**Area Median Income (AMI):** AMI means –

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

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

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

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

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<sup>1</sup> Source: FFIEC press release dated October 19, 2011.

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

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

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

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

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

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

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

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation and Office

of the Comptroller of the Currency based on:

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

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

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

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

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

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

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

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

**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.*

**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).

**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 lenders in the MSA/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 (**MMSA**). Performance within a multi-state MSA is analyzed, rated and presented separately under Regulation BB provided that the financial institution operates at least one deposit facility in at least two of the states included in the multi-state MSA.

**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 a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

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

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

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