

PUBLIC DISCLOSURE

August 31, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Wadena State Bank
RSSD #210256

304 First Street Southeast
Wadena, Minnesota 56482

Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
P.O. Box 291
Minneapolis, Minnesota 55480

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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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 C at the end of this performance evaluation

INSTITUTION'S CRA RATING

Wadena State Bank (the bank) is rated **Satisfactory**. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and credit needs in its assessment area (AA).
- A majority of the bank's loans are originated inside the AA.
- An overall excellent distribution and dispersion of loans occurs throughout the bank's AA.
- Overall, lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.
- Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's (FFIEC) Interagency Examination Procedures for Small Institutions were used to evaluate the bank's CRA performance. The evaluation considered the CRA performance context, including the bank's asset size, financial condition, business strategy, and market competition, as well as AA demographic and economic characteristics and credit needs. Lending performance was assessed within the bank's Wadena AA. The following data was reviewed:

- The bank's 17-quarter average NLTD ratio.
- Statistical samples of 72 residential real estate loans originated between January 1, 2019, and December 31, 2019, and 96 consumer and 54 small business loans originated between July 1, 2019, and December 31, 2019.

Examiners weighted small business loans highest based on loan portfolio concentration and strategic focus. Residential real estate and consumer loans received equal weight but less weight than small business loans. Of the five core performance criteria, examiners placed the greatest weight on lending penetration among borrowers of different income levels and businesses of different sizes and the geographic distribution of loans.

DESCRIPTION OF INSTITUTION

Wadena State Bank is a community bank headquartered in Wadena, Minnesota. The bank's characteristics include the following:

- The bank is a wholly owned subsidiary of Wadena Bankshares, Inc.
- The bank has total assets of \$189.2 million as of June 30, 2020. The bank's total assets increased by 59.6% since the previous evaluation, primarily due to the acquisition of The

First National Bank in Wadena in 2017. Overall, the bank’s loan portfolio composition has remained relatively stable since the previous evaluation.

- In addition to its main office in Wadena, the bank has three branches: one in Bluffton, Minnesota, one in Deer Creek, Minnesota, as well as an express facility in Wadena that includes walk-up window service, drive-up lanes, and an automated teller machine (ATM). The Bluffton branch and express facility do not originate loans.
- The bank has cash-dispensing-only ATMs at each branch and at a Wadena hospital. As of the last evaluation, the bank had an ATM at a convenience store in Wadena. This store closed in 2018 due to highway reconstruction; consequently, the bank no longer has an ATM at this location.
- The bank considers its primary business focus to be commercial lending, but it also offers residential real estate loans, agricultural loans, home equity lines of credit, and consumer loans. In addition to offering conventional loan products, the bank offers government-sponsored loan programs through the U.S. Small Business Administration and the U.S. Department of Agriculture Farm Service Agency.

Loan Type	\$(000)	%
Agricultural	26,010	21.5
Commercial	60,327	49.9
Residential Real Estate	28,303	23.4
Consumer	5,507	4.6
Other	649	0.5
Gross Loans	120,796	100.0
<i>Note: Percentages may not total 100.0 due to rounding.</i>		

The bank was rated Satisfactory under the CRA at its May 2, 2016, performance evaluation. There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank’s AA comprises all of Wadena County and portions of Otter Tail and Todd counties (see Appendix A for an AA map and Appendix B for additional demographic data).

- The bank changed its AA since the prior evaluation. The bank added census tract 9615.00, a moderate-income tract located in Otter Tail County.
- There are 11 tracts in the bank’s AA: three moderate-income and eight middle-income tracts. The three moderate-income tracts are located in Otter Tail, Todd, and Wadena counties. At the previous evaluation, the bank had 10 tracts in its AA: one moderate-income tract and nine middle-income tracts. Since the last evaluation, the income classification of tract 4803.00 changed from a middle-income tract to a moderate-income

tract. The tract is located in Wadena County where the bank has its main office, express facility, and hospital ATM.

- According to the June 30, 2019, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks third out of 25 FDIC-insured financial institutions with offices in Wadena, Otter Tail, and Todd counties, with 7.9% of the deposits.
- Examiners conducted two community contact interviews during the evaluation. One contact was a representative from an organization that promotes economic development in the region. The second contact was a representative from an organization that provides housing services in the area.

Table 2 Population Change			
Area	2010 Population	2015 Population	% Change
Otter Tail County	57,303	57,511	0.4
Todd County	24,895	24,466	(1.7)
Wadena County	13,843	13,759	(0.6)
State of Minnesota	5,303,925	5,419,171	2.2

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

- Otter Tail County has experienced nominal growth since the 2010 census, and its growth is generally comparable to the modest growth rate for the state of Minnesota.
- Todd and Wadena counties had slight reductions in population since the 2010 census. Bank management noted that an increase in manufacturing jobs would likely help Wadena grow its population.
- A community contact indicated that generally, the population of the region is aging.

Table 3 Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	% Change
Otter Tail County	\$53,391	\$65,365	22.4
Todd County	\$50,755	\$57,191	12.7
Wadena County	\$47,898	\$52,324	9.2
State of Minnesota	\$71,307	\$77,055	8.1

*Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey*

- The median family incomes for Otter Tail, Todd, and Wadena counties are lower than the state of Minnesota; however, all counties experienced an increase at a rate above that of the state.
- Based on 2019 FFIEC adjusted census data, the percentage of families living below poverty in the AA at 9.8% exceeds the state's percentage of 7.3%.
- A community contact indicated that jobs in Todd and Wadena counties do not pay as well as in the rest of the state.

Table 4 Housing Costs Change						
Area	Median Housing Value		% Change	Median Gross Rent		% Change
	2010	2015		2010	2015	
Otter Tail County	158,600	164,900	4.0	532	656	23.3
Todd County	139,400	131,400	(5.7)	560	567	1.3
Wadena County	113,800	114,300	0.4	479	569	18.8
State of Minnesota	206,200	186,200	(9.7)	759	848	11.7

Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey

- The median housing value increased in Otter Tail and Wadena counties. The median housing value decreased in Todd County and the state. The median gross rent increased for each county in Table 4, as well as for the state.
- A community contact noted that Wadena County has significant unmet rental housing needs. The contact indicated that while one-bedroom apartments are common, two- and three-bedroom apartments are difficult to find; thus, many larger families cannot find affordable rental housing. Further, because of longer waiting lists for affordable housing services, some people seeking assistance may become homeless. Housing availability in Wadena is likely impacted by individuals living in the area who work elsewhere but cannot find or afford housing in those communities.
- A community contact stated that there is a shortage of affordable workforce housing, as well as subsidized and homeless housing, in central Minnesota.
- Approximately 24.7% of the homes in the AA are classified as vacant because they are likely seasonal homes; a community contact indicated that there are cabins in the region.

Table 5 Unemployment Rates				
Region	2016	2017	2018	2019
Otter Tail County	4.4	3.9	3.6	4.2
Todd County	4.7	3.9	3.9	4.4
Wadena County	6.0	5.5	5.2	6.2
State of Minnesota	3.9	3.4	2.9	3.2

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- While unemployment rates had been generally declining for each county and the state from 2016 to 2018, the rates increased for all from 2018 to 2019.
- Major employers in the area according to contacts include the local hospital, Mason Brothers Grocery Wholesaler (Mason Brothers), Sourcewell, government, factories, and potato farms. Bank management indicated that wages at Mason Brothers, which employs approximately 250 people, are good and entry-level positions pay \$17 to \$18 per hour. Bank management also indicated that the Wadena retail sector has been strong and that a

new brewery and restaurant recently opened. Overall, the Wadena economy has been stable.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank's average NLTD ratio to determine the reasonableness of lending in light of the bank's performance context, such as its capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, and the area where they are located (operating within the AA). The bank's NLTD ratio is reasonable.

The bank's average NLTD for the past 17 quarters is 68.9%. At the previous evaluation, the bank's 18-quarter average NLTD was 65.0%. Since then, the bank's NLTD ratio has ranged from 63.5% to 73.8%. Bank management indicated that loan demand in recent years has been steady.

As of June 30, 2020, the bank's NLTD ratio was 71.2%, which is below the peer group ratio of 74.3%. The bank's peer group includes insured commercial banks not located in a metropolitan statistical area that have assets between \$100 million and \$300 million, with three or more full-service banking offices.

Table 6 Comparative NLTD Ratios			
Institution	Location	Asset Size (\$000s)	NLTD Ratio (%)
			17-Quarter Average
Wadena State Bank	Wadena, Minnesota	189,163	68.9
The First National Bank of Henning	Ottertail, Minnesota	239,945	78.0
Community First Bank	Menahga, Minnesota	100,666	65.1

As shown in Table 6, the bank's NLTD ratio was above one similarly situated institution and below another. Numerous financial institutions, including credit unions, operate in Wadena, Otter Tail, and Todd counties.

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. Overall, a majority of the bank's loans, by number and dollar, are originated inside the AA. While 43.5% of residential real estate loans by dollar are outside the AA, six of these loans are the six largest dollar loans in the sample. Further, while 25.0% of residential real estate loans by number are outside the AA, several of these loans were to borrowers in counties adjacent to

the bank's AA. Finally, while 34.4% of consumer loans by dollar are outside the AA, two of these loans are the two largest dollar loans in the sample.

Loan Type	Inside				Outside			
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%
Consumer Loans	89	92.7	923	65.6	7	7.3	484	34.4
Residential Mortgage Loans	54	75.0	6,194	56.5	18	25.0	4,775	43.5
Small Business Loans	52	96.3	4,072	93.6	2	3.7	279	6.4
Total Loans	195	87.8	11,188	66.9	27	12.2	5,538	33.1

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

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of lending within its AA by income level of census tracts, with consideration given to the dispersion of loans throughout the AA. The bank's geographic distribution of loans reflects an overall excellent dispersion among the different tracts and dispersion throughout the AA for residential mortgage, small business, and consumer loans.

Residential Mortgage Lending

The geographic distribution of residential mortgage lending is reasonable. The bank's geographic distribution of residential real estate loans is shown in Table 8. The bank made 13.0% of its residential real estate loans in moderate-income tracts, which falls below the percentage of owner-occupied units (26.0%) and families (26.8%) in these tracts. Of the seven residential real estate loans made in moderate-income tracts, six were made in the moderate-income tract where the bank's main office is located. The bank extended one residential real estate loan in the moderate-income tract in southeastern Otter Tail County; another financial institution is located just outside of this tract. The bank did not extend a residential real estate loan in the moderate-income tract in the Staples, Minnesota, area (Todd County). The bank does not have branches in Staples or the southeastern part of Otter Tail County. Bank management noted that the Staples area is a competitive market, with many banks operating in the area. Further, Staples is a modest distance of approximately 18 miles from Wadena. Finally, the bank's focus is primarily commercial lending.

Table 8						
Geographic Distribution of Residential Mortgage Loans						
Assessment Area: Wadena						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2019				
		Count		Dollar		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	7	13.0	511	8.2	26.0
	Middle	47	87.0	5,683	91.8	74.0
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	54	100.0	6,194	100.0	100.0

2019 FFIEC Census Data
Note: Percentages may not add to 100.0 due to rounding

Small Business Lending

The geographic distribution of small business lending is excellent. The bank made 46.2% of its small business loans in moderate-income tracts. This lending significantly exceeds demographics, which indicate that 27.9% of businesses in the AA are in moderate-income tracts. The bank originated 22 of 24 small business loans in the moderate-income tract where the main office is located. The bank extended only one small business loan each in the moderate-income tracts in Otter Tail and Todd counties, which the performance context helps explain.

Table 9						
Geographic Distribution of Small Business Loans						
Assessment Area: Wadena						
	Tract Income Levels	Bank & Demographic Comparison				Total Businesses %
		2019				
		Count		Dollar		
		#	%	\$ (000s)	\$ %	
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	24	46.2	2,516	61.8	27.9
	Middle	28	53.8	1,555	38.2	72.1
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	52	100.0	4,072	100.0	100.0

2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 due to rounding

Consumer Lending

The geographic distribution of consumer lending is reasonable. The bank originated 24.7% of its consumer loans in moderate-income tracts, which is below the percentage of households in moderate-income tracts (28.0%). Of the bank’s 22 consumer loans in moderate-income tracts, the bank extended 21 loans in the tract where its main office is located. The bank extended one consumer loan in the Staples area and no loans in the moderate-income tract in Otter Tail County, which the performance context helps explain.

Table 10						
Geographic Distribution of Consumer Loans						
Assessment Area: Wadena						
	Tract Income Levels	Bank & Demographic Comparison				Households
		2019				
		Count		Dollar		
		#	%	\$ (000s)	\$ %	%
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	22	24.7	244	26.4	28.0
	Middle	67	75.3	679	73.6	72.0
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	89	100.0	923	100.0	100.0
2019 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 due to rounding</i>						

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

This performance criterion evaluates the bank’s lending to borrowers of different income levels and businesses of different revenue sizes. Overall, the bank’s lending has a reasonable penetration among individuals of different income levels and businesses of different sizes.

Residential Mortgage Lending

The borrower distribution of residential mortgage lending is reasonable. Table 11 shows the bank’s residential real estate loans by borrower income levels. The bank extended 16.7% and 24.1% of residential real estate loans to low- and moderate-income borrowers, respectively. The bank’s lending is below the percentage of low-income families (22.8%) in the AA and above the percentage of moderate-income families (19.9%) in the AA. A couple of factors help explain why the bank’s residential real estate lending is below the percentage of low-income families in the AA. First, a community contact stated that Wadena County has subsidized rental housing for lower-income individuals. Second, the bank’s focus is primarily commercial lending and it operates in a competitive market for residential mortgage loans.

Table 11 Borrower Distribution of Residential Mortgage Loans Assessment Area: Wadena						
	Borrower Income Levels	Bank & Demographic Comparison 2019				Families by Family Income %
		Count		Dollar		
		#	%	\$ (000s)	\$ %	
Totals	Low	9	16.7	607	9.8	22.8
	Moderate	13	24.1	1,474	23.8	19.9
	Middle	8	14.8	1,097	17.7	25.3
	Upper	24	44.4	3,015	48.7	32.0
	Unknown	0	0.0	0	0.0	0.0
	Total	54	100.0	6,193	100.0	100.0
2019 FFIEC Census Data <i>Note: Percentages may not add to 100.0 due to rounding</i>						

Small Business Lending

The borrower distribution of small business lending is reasonable. Table 12 shows the bank's small business lending in the AA. The bank extended 84.6% of its small business loans to businesses with gross annual revenues of \$1 million or less, which is below demographics. According to Dun & Bradstreet data, 91.3% of businesses in the AA have gross annual revenues of \$1 million or less. The majority of the bank's small business loans were for \$100,000 or less, which indicates a willingness to serve the needs of small businesses in the AA.

Table 12 Small Business Lending by Revenue & Loan Size Assessment Area: Wadena							
Product Type		Bank & Demographic Comparison					
		2019		2019		Total Businesses %	
#	%	\$ (000s)	\$ %	Count			
				Dollar			
Small Business	Revenue	\$1 Million or Less	44	84.6	2,284	56.1	91.3
		Over \$1 Million or Unknown	8	15.4	1,788	43.9	8.7
		Total	52	100.0	4,072	100.0	100.0
	Loan Size	\$100,000 or Less	41	78.8	1,250	30.7	
		\$100,001 - \$250,000	8	15.4	1,075	26.4	
		\$250,001 - \$1 Million	3	5.8	1,748	42.9	
		Total	52	100.0	4,073	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	37	84.1	1,117	48.9	
		\$100,001 - \$250,000	6	13.6	769	33.7	
		\$250,001 - \$1 Million	1	2.3	398	17.4	
		Total	44	100.0	2,284	100.0	

Originations & Purchases
2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 due to rounding

Consumer Lending

The borrower distribution of consumer lending is excellent. The bank originated a majority of its consumer loans (70.8%) to LMI borrowers, which greatly exceeds demographic data. According to demographic data, 44.9% of households in the AA are LMI. The bank’s lending to low-income borrowers is particularly strong at 46.1%, compared to the 29.3% of low-income households in the AA.

Table 13 Borrower Distribution of Consumer Loans Assessment Area: Wadena						
	Borrower Income Levels	Bank & Demographic Comparison				Households by Household Income %
		2019		2019		
		Count		Dollar		
		#	%	\$ (000s)	\$ %	
Totals	Low	41	46.1	187	20.3	29.3
	Moderate	22	24.7	293	31.7	15.6
	Middle	9	10.1	84	9.1	19.8
	Upper	16	18.0	357	38.7	35.3
	Unknown	1	1.1	2	0.2	
	Total		89	100.0	923	100.0

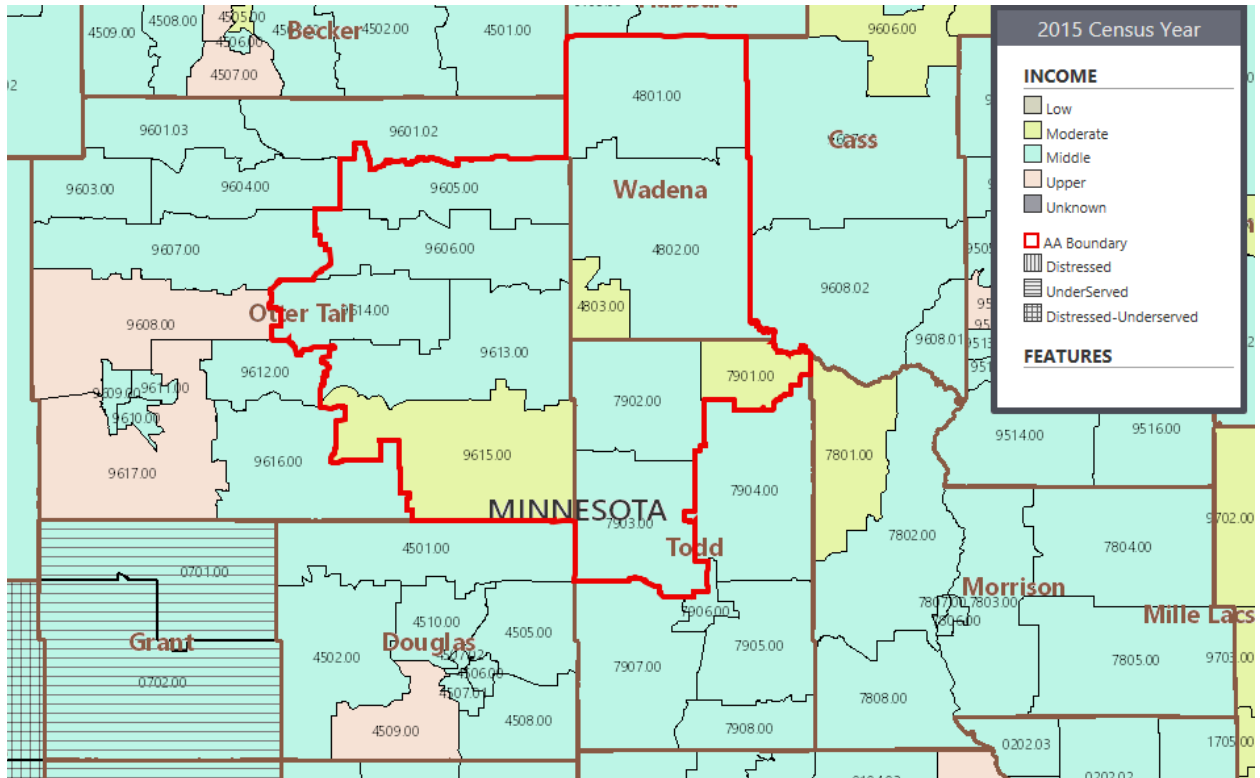
2019 FFIEC Census Data
Note: Percentages may not add to 100.0 due to rounding

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

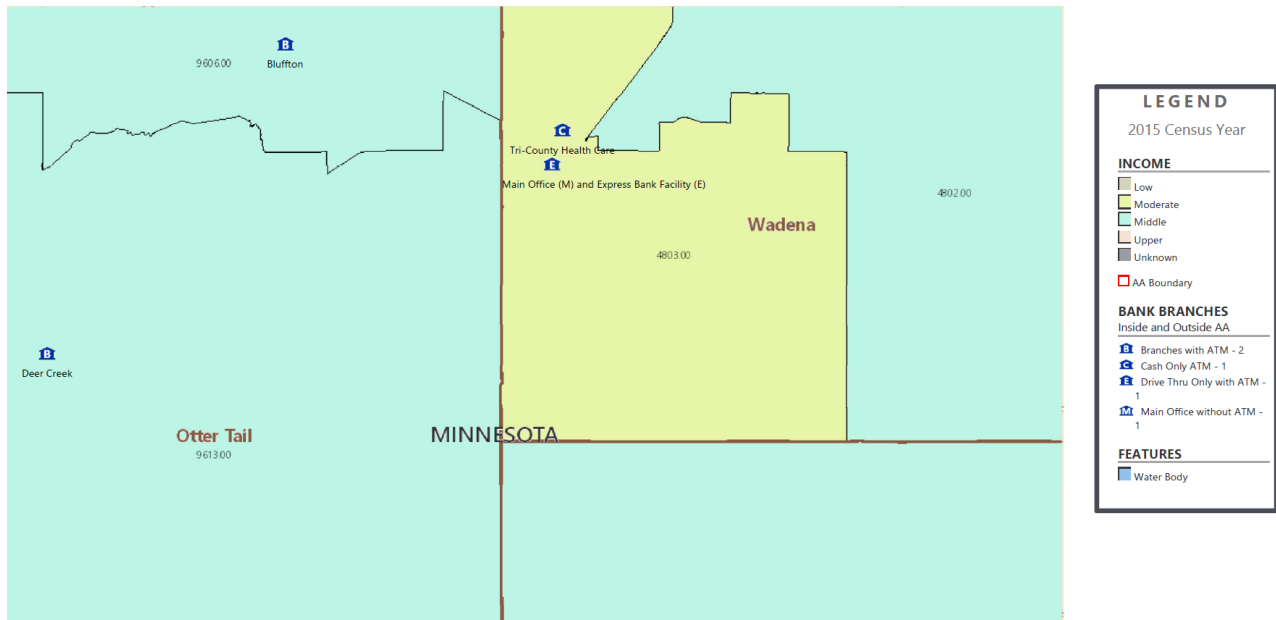
An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – MAPS OF THE ASSESSMENT AREA

Wadena State Bank AA



Office and ATM Details



APPENDIX B – DEMOGRAPHIC INFORMATION

WADENA 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	2,524	22.8
Moderate	3	27.3	2,961	26.8	380	12.8	2,195	19.9
Middle	8	72.7	8,088	73.2	704	8.7	2,790	25.3
Upper	0	0.0	0	0.0	0	0.0	3,540	32.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	11	100.0	11,049	100.0	1,084	9.8	11,049	100.0
	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
Moderate	5,836	3,506	26	60.1	1,308	22.4	1,022	17.5
Middle	16,994	9,957	74	58.6	2,409	14.2	4,628	27.2
Upper	0	0	0	0.0	0	0.0	0	0.0
Unknown	0	0	0	0.0	0	0.0	0	0.0
Total AA	22,830	13,463	100.0	59.0	3,717	16.3	5,650	24.7
	Total Businesses by Tract	Businesses by Tract and 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	657	27.9	600	27.9	48	29.6	9	20.9
Middle	1,697	72.1	1,549	72.1	114	70.4	34	79.1
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2,354	100.0	2,149	100.0	162	100.0	43	100.0
Percentage of Total Businesses:				91.3		6.9		1.8
	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	68	19.8	68	19.9	0	0.0	0	0.0
Middle	276	80.2	274	80.1	2	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	344	100.0	342	100.0	2	100.0	0	0.0
Percentage of Total Farms:				99.4		0.6		0.0
<p>Source: 2019 FFIEC Census Data 2019 Dun & Bradstreet data 2011-2015 U.S. Census Bureau: American Community Survey NOTE: Percentages may not add up to 100.0 due to rounding.</p>								

APPENDIX C – GLOSSARY

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 area/assessment area.

Census tract: A small subdivision 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. Census tracts 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.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; 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, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

Consumer loan(s): 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: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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 (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and 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 such data as the race, gender, and the income of

applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and 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 (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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 area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An 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 an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

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 metropolitan area. 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 metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

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 a geography.