

PUBLIC DISCLOSURE

February 14, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

State Bank
RSSD# 651149

728 North Grand Avenue
Spencer, Iowa 51301

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

State Bank is rated **Satisfactory**.

State Bank is meeting the credit needs of its assessment area based on an analysis of the bank's lending activities. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The majority of small business and small farm loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activity reflects reasonable penetration among businesses and farms of different sizes. No CRA-related complaints were received by the institution or the Reserve Bank since the previous examination.

SCOPE OF EXAMINATION

State Bank's performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Small Institution CRA Examination Procedures. Performance was evaluated in the context of information about the institution and its assessment area, including the bank's asset size, financial condition, competition, and economic and demographic characteristics. The evaluation included a full-scope review of the bank's sole Iowa Non-Metropolitan Statistical Area (IA Non-MSA) assessment area, which consists of the entirety of Clay County and portions of Buena Vista, Cherokee, Dickinson, and O'Brien Counties. Products reviewed during this evaluation included agricultural and commercial loans originated between October 1, 2020 and September 30, 2021.

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

- ***Loan-to-Deposit Ratio*** – An 18-quarter average loan-to-deposit ratio 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 October 1, 2020 to September 30, 2021 were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank's small business and small farm loans originated in the assessment area, from October 1, 2020 to September 30, 2021, 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*** – A sample of the bank's small business and small farm loans originated in the assessment area, from October 1, 2020 to September 30, 2021, were reviewed to determine the distribution among 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. The following types of organizations were contacted: economic development and agricultural.

DESCRIPTION OF INSTITUTION

State Bank is a wholly owned subsidiary of Everly Bancorporation, a one-bank holding company located in Spencer, IA. As of September 30, 2021, the bank had total assets of \$82.7 million and gross loans of \$42.4 million. The bank operates through a physical footprint that consists of a main office headquartered in Spencer, Iowa, as well as two branch offices located in Everly and Peterson, Iowa. Additionally, the bank operates one full-service Automated Teller Machine (ATM) attached to the main office. Since the prior examination the bank closed one standalone, cash-only ATM that had been located in Everly, IA. In addition to its network of offices and ATM, the bank maintains a website (www.statebank-spencer.com) that provides information on loan and deposit products, as well as access to online banking capabilities.

State Bank serves its assessment area as primarily an agricultural, commercial, and residential real estate lender. This is accomplished through a range of standard loan products which includes, but is not limited to, in-house fixed rate and secondary market residential real estate loans, consumer installment, construction, commercial, and agricultural loans. Further, standard deposit products are also offered and are inclusive of checking and savings accounts, certificates of deposits, and prepaid debit cards. As demonstrated in the chart below, the bank’s agricultural, commercial, and residential real estate lending represent 35.1 percent, 30.1 percent, and 28.8 percent, respectively, of the loan portfolio by dollar volume.

The Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report dated June 30, 2021, ranks State Bank 17th of 27 FDIC-insured institutions with operations located in the assessment area. The bank held \$77.7 million in deposits, representing 1.8 percent of the total deposit market share in the assessment area. Based on deposit market share, the largest competitors in the assessment area are Northwest Bank (12.4 percent), Central Bank (12.3 percent), and Farmers Trust and Savings Bank (9.5 percent).

Composition of Loan Portfolio As of September 30, 2021		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Agricultural	14,907	35.1
Commercial	12,752	30.1
Residential Real Estate	12,223	28.8
Consumer	2,135	5.0
Other	414	1.0
Total	42,431	100.0
<i>Note: Percentages may not total 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 on February 27, 2017.

DESCRIPTION OF ASSESSMENT AREA

State Bank delineates one assessment area in non-metropolitan Iowa consisting of eight middle-income and three upper-income census tracts. The assessment area includes Clay County, in its entirety, one middle-income census tract (9602.00) in Buena Vista County, one middle-income census tract (0802.00) in Cherokee County, two upper-income census tracts and one middle-income census tract (4502.00, 4505.00, and 4511.00, respectively) in Dickinson County, and two middle-income census tracts (4901.00 and 4904.00) in O’Brien County. Additionally, Clay County, Iowa is comprised of three middle-income census tracts and one upper-income census tract. The assessment area delineation remains unchanged and does not contain any low- or moderate-income (LMI) census tracts or distressed and/or underserved middle-income geographies.

Additional assessment area demographic information is provided in the following table.

Assessment Area: 2021 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	1,529	14.5
Moderate-income	0	0.0	0	0.0	0	0.0	1,663	15.7
Middle-income	8	72.7	7,592	71.8	528	7.0	2,604	24.6
Upper-income	3	27.3	2,987	28.2	66	2.2	4,783	45.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	11	100.0	10,579	100.0	594	5.6	10,579	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
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	16,210	9,090	72.6	56.1	2,856	17.6	4,264	26.3
Upper-income	5,459	3,433	27.4	62.9	1,157	21.2	869	15.9
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	21,669	12,523	100.0	57.8	4,013	18.5	5,133	23.7
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
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	1,701	70.3	1,526	70.3	145	70.7	30	69.8
Upper-income	718	29.7	645	29.7	60	29.3	13	30.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,419	100.0	2,171	100.0	205	100.0	43	100.0
	Percentage of Total Businesses:			89.7		8.5		1.8
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
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	391	75.0	384	74.9	7	87.5	0	0.0
Upper-income	130	25.0	129	25.1	1	12.5	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	521	100.0	513	100.0	8	100.0	0	0.0
	Percentage of Total Farms:			98.5		1.5		0.0
2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Population Change

As presented in the table below, the assessment area experienced a period of relative stability, showing a slight decline in population from 2010 to 2015, according to the 2011 – 2015 American Community Survey (ACS). This is below the population growth experienced by the State of Iowa at 1.5 percent during the same time period. The population within Buena Vista and Dickinson Counties grew by 1.2 and 1.8 percent, respectively, and were the only two counties in the assessment area that experienced positive population growth. Cherokee and O'Brien Counties felt the largest losses of population, by percentage, at 1.8 percent and 2.1 percent, respectively. Finally, Clay County decreased in population by slightly less than a full percentage point at 0.8. A community representative confirmed that the population in the area had remained steady, although efforts to encourage contact with individuals leaving for employment or schooling are made to encourage future population growth efforts. Further, the contact mentioned that housing developers have had sustained difficulties recently in the construction of new housing, which has also exacerbated the struggle of retaining population, particularly due to the rural nature of the assessment area.

Population Change			
Area	2010 Population	2015 Population	Percent Change (%)
Assessment Area	37,266	37,129	0.0
Buena Vista County, IA	20,260	20,507	1.2
Cherokee County, IA	12,072	11,853	-1.8
Clay County, IA	16,667	16,537	-0.8
Dickinson County, IA	16,667	16,967	1.8
O'Brien County, IA	14,398	14,092	-2.1
State of Iowa	3,046,355	3,093,526	1.5

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

Income Characteristics

The following table presents median family income (MFI) for families living in the assessment area, comparing Buena Vista County, Cherokee County, Clay County, Dickinson County, O'Brien County, and the State of Iowa. In 2015, apart from Dickinson County all of the other counties in the assessment area fell below the MFI for the State of Iowa. However, each county experienced a greater, positive percentage change in MFI than the State of Iowa. Buena Vista County experienced the lowest percentage increase in MFI at 0.8 percent which is relatively similar to the increase in MFI across the State of Iowa at 0.2 percent. Dickinson County saw the largest increase at 9.8 percent during the same time period. Further, the combined assessment area experienced the largest overall increase in MFI at 17.9 percent. Community representatives in the area stated that there are job openings at all levels due to an ongoing labor shortage. This has resulted in employers competing amongst one another by offering increased wages and/or expanded benefits

in the hopes of retaining current, and attracting new, employees. Conversely, the increased wages and job opportunities have allowed individuals to seek out new job opportunities. In conclusion, the tightened labor market has resulted in the MFI within the assessment area to increase, which is expected to continue into the near future.

Median Family Income Change 2010 and 2015			
Area	2010 Median Family Income (\$)	2015 Median Family Income (\$)	Percent Change (%)
Assessment Area	57,807	68,182	17.9
Buena Vista County, IA	58,130	58,604	0.8
Cherokee County, IA	61,739	65,276	5.7
Clay County, IA	61,482	64,563	5.0
Dickinson County, IA	64,954	71,327	9.8
O'Brien County, IA	64,674	66,729	3.2
State of Iowa	67,302	67,466	0.2

*Source: 2006 - 2010 U.S. Census Bureau American Community Survey
2011 - 2015 U.S. Census Bureau American Community Survey
Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.*

Housing Characteristics

There is a total of 21,669 housing units within the assessment area. The majority of housing units are owner-occupied at 57.8 percent, whereas rental units comprise 18.5 percent of total units. Within the assessment area 23.7 percent of housing units are vacant, which is notably higher than the percentage of vacant units within the State of Iowa (8.7 percent).

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix D – Glossary. A higher ratio generally suggests more affordable housing opportunities. Based on the 2011-2015 American Community Survey data, the affordability ratio for the assessment area was 0.46, which is above the State of Iowa at 0.41. As such, the affordability ratios suggest that housing within the assessment area is more affordable when compared to the State of Iowa as a whole.

The table below represents housing cost burden for individuals in the assessment area and the State of Iowa. Renters and homeowners who spend 30.0 percent or more of the household's income on housing costs are considered overburdened. As evidenced by the table below, low-income individuals are impacted at a higher percentage than the moderate-income individuals. Buena Vista County has the fewest number of renters who meet the cost burden criteria at 23.6 percent. O'Brien County meets this with ownership at 10.5 percent. The counties within the assessment area have a lower percentage of individuals who meet the cost burden criteria, as renters and owners, when compared to the State of Iowa as a whole. Dickinson County is the only

county in which there is greater cost burden on renters (39.1 percent) and owners (17.0 percent) than the State of Iowa at 38.2 percent and 15.4 percent, respectively. Community representatives in the area indicated that there was a shortage of housing options available across different income levels, particularly for low- and moderate-income individuals. The area has experienced growth in housing development; however, development has not been able to keep up with the recent increase in housing demand, including affordable housing. This leads to a competitive housing market in which rent is often rising as there is greater demand than supply.

2021 Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low-Income	Moderate-Income	All Renters	Low-Income	Moderate-Income	All Owners
Buena Vista County, IA	55.7	2.4	23.6	58.2	14.1	13.1
Cherokee County, IA	60.8	1.3	26.0	43.5	9.5	11.0
Clay County, IA	62.8	12.4	34.9	62.2	21.1	14.5
Dickinson County, IA	70.1	9.9	39.1	50.9	28.8	17.0
O'Brien County, IA	62.1	19.3	33.4	44.0	14.7	10.5
State of Iowa	71.3	21.3	38.2	57.5	25.1	15.4
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2013-2017 Comprehensive Housing Affordability Strategy</i>						

Employment Conditions

The table below shows unemployment statistics for Buena Vista, Cherokee, Clay, Dickinson, and O'Brien Counties, and the State of Iowa. The unemployment rates within the counties comprising the assessment area are lower than the State of Iowa's unemployment rate at 5.3 percent in 2020. The assessment area, based on individual county statistics, appears to experience unemployment at much the same rate as the rest of the State of Iowa. Dickinson County saw the highest unemployment rate in 2020, during the height of the COVID-19 pandemic, at 5.1 percent which was comparable to the State of Iowa unemployment of 5.3 percent for the same time period. Community representatives in the area were encouraged by the low unemployment rate following the COVID-19 pandemic. Employment opportunities were available at levels ranging from skilled labor, managerial positions, and entry-level workforce; however, one representative indicated employers were challenged with filling vacancies due to a workforce shortage. Further, representatives spoke about business growth and retention positively and were excited with the opportunities offered in the communities expecting the unemployment rate to continue to remain low in the coming years.

Unemployment Rates (%)					
Area	2016	2017	2018	2019	2020
Buena Vista County, IA	3.5	2.6	2.2	2.1	3.7
Cherokee County, IA	3.6	2.5	2.2	2.5	3.8
Clay County, IA	3.8	3.7	3.3	2.8	4.5
Dickinson County, IA	4.3	3.6	3.3	2.9	5.1
O'Brien County, IA	2.7	2.4	2.0	2.2	3.4
State of Iowa	3.6	3.1	2.6	2.8	5.3
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>					

Community Representatives

Community representatives stated that the COVID-19 pandemic has impacted the area, particularly how small businesses and farms conduct their work. Farming in the area has seen better yields and higher commodity prices than expected. While this normally leads to increased lending activity, new financing sources available through pandemic-related governmental programs and general consumer apprehension towards the market caused many farmers to react cautiously. Additionally, land values within the assessment area saw significant growth making farm sales infrequent and expensive, impacting the growth of small farms in the area. Economic development has been encouraged by the local banking institutions and communities appear to be proactive in facing challenges common in rural Iowa. Available housing has been a hurdle as newer developments have faced challenges in forms of labor and supply shortages. Lack of housing options had made enticing people to relocate into the rural communities difficult, even if they were seeking to leave a metro or other rural areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

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

Loan-to-Deposit Ratio

State Bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The table below shows the bank's 18-quarter average LTD ratio

from April 1, 2017, to September 30, 2021, in comparison to local competitors. The LTD shows a minor decrease from the previous examination in which the bank had a ratio of 74.8 percent. The bank pointed to a greater retention in cash by account holders during the first year of the COVID-19 pandemic as there was general distrust and uncertainty in the market. Additionally, community representatives stated that greater lending competition and alternative sources of capital financing made for fewer opportunities to extend credit from the bank’s perspectives.

Comparative Loan-to-Deposit Ratios as of September 30, 2021	
Institution	Loan-to-Deposit Ratio (%)
	18 – Quarter Average
State Bank	72.0
Competitors	
Citizens State Bank	81.3
Farmers State Bank	65.4
Farmers Savings Bank	98.5
First Community Bank	68.2
First National Bank of Primghar	82.1
Home State Bank	83.4
Sanborn Saving Bank	92.7
State Savings Bank	96.4
The State Bank	60.9

Assessment Area Concentration

The majority of the small business and small farm loans were originated in the assessment area. As presented below, the bank extended 79.8 percent of total small business and farm loans by volume and 86.7 percent by dollar amount to within the assessment area. Agriculture makes up the largest portion of the bank’s lending activities with the vast majority of small farm lending being extended within the assessment area at 89.7 percent by volume and 88.7 percent by dollar amount.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	43	70.5	2,711	82.4	18	29.5	579	17.6
Small Farm	52	89.7	5,939	88.7	6	10.3	753	11.3
Total Loans	95	79.8	8,650	86.7	24	20.2	1,332	13.3

Geographic Distribution of Loans

The assessment area is comprised only of middle- and upper-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. Therefore, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Lending to Businesses and Farms of Different Sizes

State Bank's distribution of loans reflects reasonable penetration among businesses and farms of different revenue sizes. The bank remained consistent in lending compared to the previous examination to businesses and farms with revenue of \$1.0 million or less. State Bank's loan distribution is reflective of the assessment area business and farm sizes and indicates the bank is serving the assessment area's credit needs.

Small Business Loans

State Bank's distribution of small business loans reflects reasonable penetration among businesses of different sizes. The bank originated 79.1 percent of its commercial loans by number to businesses with \$1.0 million or less, which is below the percentage of total businesses within the assessment area with total revenues of \$1.0 million or less (89.7 percent). This is an improvement from the previous examination in which 72.3 percent of loans were made to businesses with \$1.0 million or less in revenue. Additionally, 97.1 percent of the commercial loans were made to businesses with total revenues of \$1.0 million or less and in loan amounts of \$100,000 or less, showing the bank's willingness to meet small business credit needs. The bank was also heavily involved in the Paycheck Protection Program (PPP) and supporting small business efforts throughout the assessment area during the COVID-19 pandemic further demonstrating their responsiveness to the ongoing credit needs of businesses within the local area.

Small Business Lending By Revenue & Loan Size								
Assessment Area: IA Non MSA								
Product Type		Bank & Demographic Comparison						
		October 1, 2020 through September 30, 2021						
		Count Bank		Dollar Bank		Total Businesses		
		#	%	\$ 000s	\$ %	%		
Small Business	Revenue	\$1 Million or Less	34	79.1	1,283	47.3	89.7	
		Over \$1 Million	7	16.3	1,208	44.6	8.5	
		Unknown	2	4.7	220	8.1	1.8	
		Total	43	100.0	2,711	100.0	100.0	
	Loan Size	\$100,000 or Less	37	86.0	1,002	37.0		
		\$100,001 - \$250,000	4	9.3	887	32.7		
		\$250,001 - \$1 Million	2	4.7	821	30.3		
		Total	43	100.0	2,710	100.0		
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	33	97.1	862	67.2		
		\$100,001 - \$250,000	0	0.0	0	0.0		
\$250,001 - \$1 Million		1	2.9	421	32.8			
Total		34	100.0	1,283	100.0			

Originations & Purchases
2020 & 2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Small Farm Loans

State Bank’s distribution of small farm loans reflects reasonable penetration among farms of different sizes. Although less than the percentage of farms within the assessment area with \$1.0 million or less in revenue (98.5 percent), the bank originated 88.5 percent of loans by count to farms with \$1.0 million or less. This is an improvement from the last exam where the loans made to farms with revenue of \$1.0 million or less was 81.8 percent. Additionally, 63.0 percent of the small farm loans were made in amounts of \$100,000 or less, which are viewed as the most impactful and beneficial loans to small farms.

Small Farm Lending By Revenue & Loan Size							
Assessment Area: IA Non MSA							
Product Type		Bank & Demographic Comparison					
		October 1, 2020 through September 30, 2021					
		Count Bank		Dollar Bank		Total Farms	
		#	%	\$ 000s	\$ %	%	
Small Farm	Revenue	\$1 Million or Less	46	88.5	4,813	81.0	98.5
		Over \$1 Million	6	11.5	1,126	19.0	1.5
		Unknown	0	0.0	0	0.0	0.0
		Total	52	100.0	5,939	100.0	100.0
	Loan Size	\$100,000 or Less	30	57.7	866	14.6	
		\$100,001 - \$250,000	16	30.8	2,919	49.1	
		\$250,001 - \$500,000	6	11.5	2,155	36.3	
		Total	52	100.0	5,940	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	29	63.0	779	16.2	
		\$100,001 - \$250,000	12	26.1	2,159	44.9	
		\$250,001 - \$500,000	5	10.9	1,875	39.0	
		Total	46	100.0	4,813	100.0	

Originations & Purchases
2020 & 2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Response to Complaints

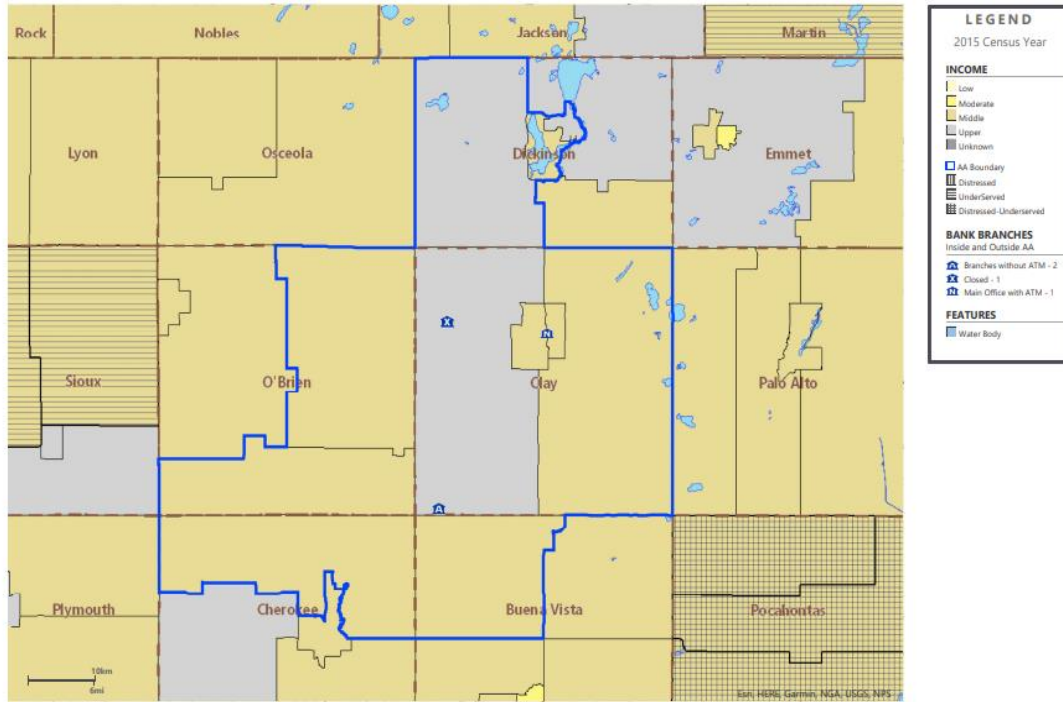
The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

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.

APPENDIX A – Map of Assessment Area

State Bank 651149
IA Non MSA



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		October 1, 2020 – September 30, 2021	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
State Bank			Small Business Loans Small Farm Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Iowa Non-MSA	Full Scope	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.¹

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

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

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

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

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

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

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

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

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

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

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

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

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

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

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

Income Level: Income level means:

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

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

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

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

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

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

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

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

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

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

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as

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

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

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

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

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

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

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

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

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

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

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