

PUBLIC DISCLOSURE

April 10, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Iowa State Bank
RSSD# 787842

19 Benton Avenue East
Albia, Iowa 52531

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

First Iowa State Bank is rated Satisfactory.

First Iowa State Bank is meeting the credit needs of its community based on an analysis of its lending activities. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's residential real estate, small business, and small farm loans are in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Furthermore, loan distribution reflects reasonable penetration among borrowers of different income levels and to businesses and farms of different revenue sizes. There were no CRA-related complaints received by the bank nor this Reserve Bank since the previous evaluation.

SCOPE OF EXAMINATION

First Iowa State Bank's performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Small Institution CRA Examination Procedures. Contextual information considered in the evaluation of the bank's performance includes the institution's assessment area, asset size, financial condition, competition, and economic and demographic characteristics.

The evaluation included a full-scope review of the bank's sole non-metropolitan statistical area assessment area in southeastern Iowa (assessment area), comprised of Monroe County in its entirety, and portions of Wapello, Mahaska, and Lucas Counties, which are all located in the state of Iowa. Given the bank's loan portfolio composition, the bank's performance was assessed based on a review of the following products: residential real estate loans (home mortgage), commercial loans (small business), and agricultural loans (small farm).

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

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio ending December 31, 2022 was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A statistical sample of the bank's home mortgage, small business, and small farm loans originated from January 1, 2022 through December 31, 2022, was reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – Statistical samples of the bank's home mortgage, small business, and small farm loans originated from January 1, 2022 through December 31, 2022, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as

low- and moderate-income.

- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – Statistical samples of the bank’s home mortgage, small business, and small farm loans originated from January 1, 2022 through December 31, 2022, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and 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 evaluation to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: economic development and community development.

DESCRIPTION OF INSTITUTION

First Iowa State Bank is a wholly owned subsidiary of Van Buren Bancorporation ESOP and operates as an intrastate bank in southeast Iowa. On January 1, 2023, First Iowa State Bank acquired its affiliate bank of the same name that was headquartered in Keosauqua, Iowa. The newly combined institution now operates six locations, two automated teller machines (ATMs), and has an asset size of approximately \$345.4 million as of March 31, 2023. This evaluation focuses solely on First Iowa State Bank’s CRA performance prior to the acquisition.

According to the Uniform Bank Performance Report (UBPR), the bank had an asset size of \$194.1 million as of December 31, 2022. First Iowa State Bank’s main office is in Albia, Iowa, the county seat of Monroe County, where it also operates a drive-thru branch. Prior to the acquisition, the bank’s only branch outside of Albia was in Eddyville, Iowa, a small town in Wapello County that closely borders Mahaska and Monroe Counties and is approximately 15 minutes from its main office. The bank did not operate ATMs prior to the recent acquisition. The bank maintains a website (<https://www.1stiowa.bank>) that provides information on loan and deposit products, as well as access to basic online banking capabilities.

According to the June 30, 2022, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, First Iowa State Bank ranked third out of 14 financial institutions operating within the assessment area. The bank held approximately \$175.7 million in deposits, representing a market share of 11.0 percent. The financial institutions comprising the largest percentage of the deposit market share are South Ottumwa Savings Bank (24.4 percent) and MidWestOne Bank (16.5 percent).

First Iowa State Bank offers a full range of traditional loan and deposit products and services. Deposit product offerings include checking, savings, money market, and certificates of deposit (CD). The bank is primarily an agricultural lender but also offers residential real estate, commercial, and consumer loan products. Since the last evaluation, the bank’s agricultural concentration has decreased from 57.7 percent (as of September 30, 2018) to 50.4 percent (as of December 31, 2022). Bank management stated that this was driven by an increase in residential lending, a result of the low interest rate environment during the evaluation period, as well as a decrease in agricultural demand due to healthy production yields during the evaluation period. Additional details of the bank’s loan portfolio mix are shown in the table below.

| Composition of Loan Portfolio as of December 31, 2022 | | |
|--|-----------------------------|-----------------------------|
| Loan Type | Dollar Volume (000s) | Percent of Portfolio |
| Agricultural | 57,026 | 50.4 |
| Commercial | 28,135 | 24.9 |
| Residential Real Estate | 26,188 | 23.1 |
| Consumer | 1,662 | 1.5 |
| Other | 151 | 0.1 |
| Total | 113,162 | 100.0 |
| <i>Note: Percentages may not total 100.0 percent due to rounding</i> | | |

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

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on February 4, 2019.

DESCRIPTION OF ASSESSMENT AREA

First Iowa State Bank is an intrastate bank that operates in non-metropolitan southeastern Iowa. The assessment area is comprised of Monroe County, Iowa in its entirety (three census tracts) and four contiguous surrounding census tracts in other Iowa counties. Specifically, the assessment area extends to two middle-income census tracts in Wapello County to the east, one middle-income census tract in Mahaska County to the north, and one middle-income census tract in Lucas County to the west. The bank’s assessment area has changed since the previous evaluation with the addition of the census tract in Lucas County, which was added to the assessment area in 2022 and is notably designated as a distressed middle-income census tract due to population loss. The census tract was added to the bank’s assessment area based on subsequent growth in the loan portfolio in the county as a result of the hiring of a new loan officer with familiarity of the region.

The assessment area overall includes six middle-income census tracts and one upper-income census tract. The upper-income census tract (0701) is in Monroe County and is where the main

office and drive-thru branch are located. This census tract was designated as middle-income at the previous evaluation. The table below details census tract designation changes due to the 2020 decennial census and 2016-2020 American Community Survey (ACS), as well as based on the addition of the one middle-income census tract in Lucas County in 2022.

Tract Designation Change Data

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau’s ACS and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

| Census Tract Designation Changes American Community Survey Data (ACS) | | | |
|---|------------------------------|------------------------------|-----------------------|
| Tract Income Designation | 2021 Designations (#) | 2022 Designations (#) | Net Change (#) |
| Low | 0 | 0 | 0 |
| Moderate | 0 | 0 | 0 |
| Middle | 6 | 6 | 0 |
| Upper | 0 | 1 | +1 |
| Total | 6 | 7 | +1 |
| <i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U. S. Census Bureau: Decennial Census: 2020 American Community Survey Data: 2016-2020</i> | | | |

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

| 2022 IA Non MSA 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 | 961 | 17.4 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 1,186 | 21.5 |
| Middle | 6 | 85.7 | 4,704 | 85.4 | 356 | 7.6 | 1,163 | 21.1 |
| Upper | 1 | 14.3 | 805 | 14.6 | 28 | 3.5 | 2,199 | 39.9 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 7 | 100.0 | 5,509 | 100.0 | 384 | 7.0 | 5,509 | 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 | 0.0 |
| Moderate | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle | 7,686 | 5,436 | 83.2 | 70.7 | 1,221 | 15.9 | 1,029 | 13.4 |
| Upper | 1,563 | 1,098 | 16.8 | 70.2 | 282 | 18.0 | 183 | 11.7 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 9,249 | 6,534 | 100.0 | 70.6 | 1,503 | 16.3 | 1,212 | 13.1 |
| | Total Businesses by Tract | | Businesses by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | # | % | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle | 672 | 81.9 | 609 | 82.1 | 50 | 76.9 | 13 | 92.9 |
| Upper | 149 | 18.1 | 133 | 17.9 | 15 | 23.1 | 1 | 7.1 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 821 | 100.0 | 742 | 100.0 | 65 | 100.0 | 14 | 100.0 |
| Percentage of Total Businesses: | | | | 90.4 | | 7.9 | | 1.7 |
| | 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 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle | 201 | 93.1 | 198 | 93.0 | 3 | 100.0 | 0 | 0.0 |
| Upper | 15 | 6.9 | 15 | 7.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 216 | 100.0 | 213 | 100.0 | 3 | 100.0 | 0 | 0.0 |
| Percentage of Total Farms: | | | | 98.6 | | 1.4 | | 0.0 |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | | |

Population Change

According to the U.S. Census Bureau’s 2020 Decennial Census, the assessment area’s population is 19,332. This represents a 5.8 percent decline in population from 2015. The non-metropolitan portion of Iowa (Non-MSA Iowa) had a population loss at a lower rate (1.4 percent) during the same period, while the state of Iowa’s population grew by 3.1 percent. The assessment area’s decline in population is driven by Monroe County, which the bank delineates in its entirety, and the distressed census tract in Lucas County. A community representative stated some of the population loss could be due to the closing of both a distribution center and a manufacturer in these areas. Wapello County’s slight population increase of 0.3 percent was attributed to new immigration, according to one community representative.

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

| Population Change | | | |
|--|-----------------|-----------------|-------------------|
| Area | 2015 Population | 2020 Population | Percentage Change |
| Assessment Area | 20,523 | 19,332 | -5.8 |
| Lucas County, IA | 8,731 | 8,634 | -1.1 |
| Mahaska County, IA | 22,396 | 22,190 | -0.9 |
| Monroe County, IA | 8,002 | 7,577 | -5.3 |
| Wapello County, IA | 35,315 | 35,437 | 0.3 |
| Non-MSA Iowa | 1,250,756 | 1,232,642 | -1.4 |
| State of Iowa | 3,093,526 | 3,190,369 | 3.1 |
| <i>Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census</i> | | | |

Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 5,509 families, of which 17.4 percent are designated as low-income, 21.5 percent as moderate-income, 21.1 percent as middle-income, and 39.9 percent as upper-income families. Families living below the poverty level within the assessment area is at 7.0 percent, which is comparable to the state of Iowa’s poverty rate of 7.1 percent. While all counties in the assessment area had a lower median family income (MFI) in 2020 than the state of Iowa’s MFI of \$79,186, Mahaska and Monroe Counties had higher MFIs compared to Non-MSA Iowa (\$71,763).

From 2015 to 2020, the state of Iowa experienced a percentage change in MFI of 7.4 percent. During the same period, Monroe County experienced an increase of 20.8 percent, the largest percentage change in the assessment area and the highest MFI of any county in the assessment area. Mahaska County’s MFI similarly experienced a significant increase of 16.7 percent. One community representative stated the county’s manufacturing base is the second largest in the state,

which may account for higher wages. While Wapello County’s MFI did not increase materially, the county is east of and abuts Monroe County, and a second community representative stated there have been wage increases in several industries in the area, noting meat packing, in particular. Lucas County’s MFI experienced an increase of 8.3 percent, while Wapello County experienced a modest increase of 0.2 percent. Wapello remains the county with the lowest MFI at \$58,281 in 2020.

The following table presents median family incomes (MFI) for the counties that comprise the assessment area, Non-MSA Iowa, and the state of Iowa.

| Median Family Income Change 2015 and 2020 | | | |
|--|---------------------------|---------------------------|-------------------|
| Area | 2015 Median Family Income | 2020 Median Family Income | Percentage Change |
| Lucas County, IA | \$62,477 | \$67,672 | 8.3 |
| Mahaska County, IA | \$62,778 | \$73,259 | 16.7 |
| Monroe County, IA | \$61,975 | \$74,896 | 20.8 |
| Wapello County, IA | \$58,171 | \$58,281 | 0.2 |
| Non-MSA Iowa | \$67,391 | \$71,763 | 6.5 |
| State of Iowa | \$73,712 | \$79,186 | 7.4 |
| <i>Source: 2011 - 2015 U.S. Census Bureau American Community Survey 2016 - 2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i> | | | |

Housing Characteristics

There is a total of 9,249 housing units within the assessment area. Most housing units are owner-occupied, at 70.6 percent, with rentals comprising 16.3 percent of housing units. Further, 13.1 percent of housing units are vacant, which is higher than the state of Iowa’s vacancy rate of 9.5 percent. Notably, Monroe County has a vacancy rate of 19.3 percent, reflecting effects of its population loss from 2015 to 2020.

A method in understanding poverty and housing outcomes is calculating housing cost burden. The housing cost burden is the ratio of a household’s gross monthly housing costs to the household’s gross monthly income. Housing cost burden, as defined by the Department of Housing and Urban Development (HUD), takes these quantitative ratios, and assigns qualitative values to them. If a household’s housing cost is above 30.0 percent of its income, then that household is considered housing cost burdened.

The table below presents housing cost burden for individuals in each of the counties that comprise the assessment area, non-MSA Iowa, and the state of Iowa. The table shows low-income individuals are adversely impacted by housing costs at a higher percentage than moderate-income individuals, in general.

In the state of Iowa 56.8 percent of low-income homeowners are overburdened, compared to 53.8 percent for Non-MSA Iowa. From an individual county perspective, a larger percentage of Wapello County low-income homeowners (64.1 percent) are overburdened when compared to other counties in the assessment area. This is driven by lower incomes in the county as discussed above. Moderate-income homeowners are overburdened at a rate of 22.5 percent in the state of Iowa as compared to 19.0 percent for Non-MSA Iowa. Notably, Monroe County’s moderate-income homeowners are overburdened at a much lower rate of 8.5 percent, also driven by the higher wages as discussed above.

Except for low-income and moderate-income renters in Wapello County, low- and moderate-income renters in other counties located in the assessment area are overburdened at rates lower than those in Non-MSA Iowa (63.7 percent and 13.0 percent, respectively). A similar pattern is noted when the counties’ housing cost burden for renters is compared to the state of Iowa. Overall, Wapello County renters are the most cost burdened while Monroe and Lucas County are the least cost burdened when comparing county by county.

Community representatives stated that the entire assessment area needs affordable housing. In the more rural areas, housing stock is older, and remodeling is needed. More specifically, updates are needed that will enable homeowners to remain in their home as they age. All types of housing are also needed to attract workers. One community representative stated that it is difficult to get developers to invest in the area because they can make more profit in larger cities. Further, some subsidy support may be needed to improve the housing situation. For example, a multifamily project is underway in downtown Albia due to private financing and a government grant.

| Housing Cost Burden | | | | | | |
|---|----------------------------------|------------------------|--------------------|---------------------------------|------------------------|-------------------|
| Area | Cost Burden (%) – Renters | | | Cost Burden (%) - Owners | | |
| | Low Income | Moderate Income | All Renters | Low Income | Moderate Income | All Owners |
| Lucas County, IA | 53.4 | 3.3 | 24.6 | 52.2 | 14.1 | 15.4 |
| Mahaska County, IA | 66.2 | 6.4 | 32.1 | 50.7 | 13.8 | 13.2 |
| Monroe County, IA | 54.3 | 5.9 | 30.1 | 52.4 | 8.5 | 12.7 |
| Wapello County, IA | 75.8 | 15.8 | 41.5 | 64.1 | 18.0 | 18.1 |
| Non-MSA Iowa | 63.7 | 13.0 | 32.5 | 53.8 | 19.0 | 14.5 |
| Iowa | 70.6 | 17.7 | 37.7 | 56.8 | 22.5 | 15.0 |
| <i>Cost Burden is housing cost that equals 30 percent or more of household income</i> | | | | | | |
| <i>Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy</i> | | | | | | |

Employment Conditions

According to the Bureau of Labor Statistics (BLS), the unemployment rate was below 3.0 percent in the state of Iowa and Non-MSA Iowa in both 2018 and 2019, but notably increased in 2020 due to the COVID-19 pandemic. Wapello County consistently saw the highest unemployment rates in the assessment area from 2018 to 2021, while Lucas County consistently saw the lowest unemployment rates. Wapello County’s unemployment rates were also generally higher for each year when compared to both the state of Iowa and Non-MSA Iowa, but the opposite was true for the other three counties which are part of the assessment area.

There are 821 businesses located in the assessment area, of which 742, or 90.4 percent, were small businesses with gross revenue of \$1 million or less. Similarly, small farms with reported revenues less than \$1 million represented 98.6 percent of total farms in the area.

Community representatives stated that small businesses have recovered from the COVID-19 pandemic, and that retail has come back to normal levels post-pandemic. Community representatives also noted that small businesses within Monroe County, specifically in downtown Albia, have seen growth with the support of local incentives. Larger businesses continue to compete in a tight labor market to attract workers for job openings.

The table below shows unemployment statistics for 2018 to 2021 for each of the counties that comprise the assessment area, Non-MSA Iowa, and the state of Iowa.

| Unemployment Rates (%) | | | | |
|------------------------|------|------|------|------|
| Area | 2018 | 2019 | 2020 | 2021 |
| Lucas County, IA | 2.0 | 1.9 | 3.6 | 3.1 |
| Mahaska County, IA | 2.5 | 2.4 | 4.7 | 3.7 |
| Monroe County, IA | 2.9 | 2.9 | 5.1 | 4.1 |
| Wapello County, IA | 3.4 | 3.5 | 5.8 | 5.0 |
| Non-MSA Iowa | 2.6 | 2.7 | 4.8 | 4.1 |
| State of Iowa | 2.5 | 2.6 | 5.1 | 4.2 |

Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics

Community Representatives

Two community representatives were contacted during the examination to provide information regarding local economic and demographic conditions. The representatives provided information on housing, employment, and economic development needs within the assessment area, as well as information about how the COVID-19 pandemic affected the local economy. The representatives stated that financial institutions in the area were generally responsive to lending needs during the

pandemic, noting the success of the Paycheck Protection Program (PPP). Small business and small farm needs are met generally, but a representative expressed the need for microloans, specifically under \$40,000 for both microenterprises and small farm operations. Community representatives also spoke about the need for affordable housing in the region to attract and retain people in the area. In general, the housing stock is dated and there are dilapidated and empty lots. The representatives characterized lack of investment in housing supply as a major issue.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

First Iowa 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. A majority of home mortgage, 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 individuals of different income levels and to businesses and farms of different revenue sizes. No CRA-related complaints were received by the institution or the Reserve Bank since the previous examination.

Loan-to-Deposit Ratio

First Iowa 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 16-quarter average LTD ratio from January 1, 2019, to December 31, 2022, in comparison to local competitors. Similarly situated competitors were selected based on their asset size, branching locations, and market share within and near the bank's assessment area. The bank's LTD ratio of 62.2 percent is marginally above one local competitor but below two local competitors, as shown in the table below. The LTD ratio shows a decrease since the previous evaluation in which First Iowa State Bank had a 17-quarter average LTD ratio of 71.9 percent. Bank management stated this is due to a large increase in deposits, both due to pandemic-related payments and stimulus, as well as deposits being moved by customers from a local competitor that was sold to a larger institution.

| Comparative Loan-to-Deposit Ratios | |
|------------------------------------|---------------------------|
| Institution | Loan-to-Deposit Ratio (%) |
| | 16 – Quarter Average |
| First Iowa State Bank | 62.2 |
| Competitors | |
| Midwest Heritage Bank FSB | 84.3 |
| South Ottumwa Savings Bank | 60.5 |
| Trubank | 73.2 |

Assessment Area Concentration

During the evaluation period, First Iowa State Bank made a majority of its home mortgage, small business, and small farm loans in the assessment area, indicating the bank is serving the credit needs of its community. The bank originated a majority of its small business loans by number (89.7 percent) and a substantial majority by dollar amount (95.3 percent) in the assessment area. The bank also originated a majority of its small farm loans by number (73.9 percent) and a majority by dollar amount (66.9 percent) in the assessment area. A majority of home mortgage loans by number were originated within the assessment area (78.6 percent). However, lending inside of the assessment area was relatively lower for home mortgage lending by dollar amount (63.7 percent). Bank management stated that home mortgage loans made outside the assessment area were mostly to customers who had long standing relationships with the bank. Additionally, these outside loans tended to be larger in size, and related to investment properties or secondary residences.

| Lending Inside and Outside the Assessment Area 2022 | | | | | | | | |
|---|------------|-------------|---------------|-------------|-----------|-------------|--------------|-------------|
| Loan Type | Inside | | | | Outside | | | |
| | # | % | \$(000s) | % | # | % | \$(000s) | % |
| Residential | 44 | 78.6 | 5,088 | 63.7 | 12 | 21.4 | 2,900 | 36.3 |
| Small Business | 70 | 89.7 | 3,531 | 95.3 | 8 | 10.3 | 175 | 4.7 |
| Small Farm | 82 | 73.9 | 9,522 | 66.9 | 29 | 26.1 | 4,702 | 33.1 |
| Total | 196 | 80.0 | 18,140 | 70.0 | 49 | 20.0 | 7,777 | 30.0 |

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 home mortgage, small business, and small farm 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 not conspicuous unexplained gaps in contiguous census tracts.

The majority of home mortgage, small business, and small farm loans (70.5 percent, 52.9 percent, and 61.0 percent, respectively) were in middle-income census tracts. However, the bank had a disproportionately high percentage of loans in each major lending category in its sole upper-income census tract when compared to the percentage of owner-occupied housing, businesses, and farms in the tract. The census tract is where the bank’s main office and drive-thru branch are located and where its established customer base lives.

The following tables presents the bank’s geographic distribution of home mortgage, small business, and small farm loans in 2022.

| Distribution of 2022 Residential Lending By Income Level of Geography | | | | | |
|--|-------------------|-----------|----------------|------------|-------------------------------|
| Assessment Area: IA Non MSA | | | | | |
| Geographic Income Level | Bank Loans | | | | Owner Occupied Units % |
| | # | #% | \$(000) | \$% | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Middle | 31 | 70.5 | 4,114 | 80.9 | 83.2 |
| Upper | 13 | 29.5 | 974 | 19.1 | 16.8 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | |
| Total | 44 | 100.0 | 5,088 | 100.0 | 100.0 |

Source: 2022 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

| Distribution of 2022 Small Business Lending By Income Level of Geography | | | | | |
|---|-------------------|-----------|----------------|------------|---------------------------|
| Assessment Area: IA Non MSA | | | | | |
| Geographic Income Level | Bank Loans | | | | Total Businesses % |
| | # | #% | \$(000) | \$% | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Middle | 37 | 52.9 | 1,573 | 44.5 | 81.9 |
| Upper | 33 | 47.1 | 1,958 | 55.5 | 18.1 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | |
| Total | 70 | 100.0 | 3,531 | 100.0 | 100.0 |

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

| Distribution of 2022 Small Farm Lending By Income Level of Geography | | | | | |
|--|------------|--------------|--------------|--------------|---------------|
| Assessment Area: IA Non MSA | | | | | |
| Geographic Income Level | Bank Loans | | | | Total Farms % |
| | # | #% | \$(000) | \$% | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Middle | 50 | 61.0 | 5,382 | 56.5 | 93.1 |
| Upper | 32 | 39.0 | 4,139 | 43.5 | 6.9 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | |
| Total | 82 | 100.0 | 9,522 | 100.0 | 100.0 |

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

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

First Iowa State Bank’s distribution of lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals, and to businesses and farms of different revenue sizes. More weight was given to the small farm loan analysis due to the bank’s loan portfolio composition, general business strategy, and assessment area demographics. Consideration was also given to the increased home mortgage lending as affordable housing was the most cited credit need in the assessment area by the community representatives.

Residential Real Estate

First Iowa State Bank’s distribution of home mortgage loans reflect a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals. In 2022, First Iowa State Bank originated 15.9 percent of home mortgage loans by number to low-income borrowers, which was slightly below the percentage of low-income families in the assessment area (17.4 percent). In the same year, lending to moderate-income borrowers by number (18.2 percent) was below the assessment area demographics (21.5 percent). Additionally, the bank originated 34.1 percent of home mortgage loans by number to middle-income borrowers, which is significantly above the percentage of middle-income families in the assessment area, at 21.1 percent. Lastly, the bank originated 31.8 percent of home mortgage loans by number to upper-income borrowers, which is below the assessment area demographics at 39.9 percent.

The following table presents the bank’s borrower distribution of home mortgage loans in 2022.

| Distribution of 2022 Residential Lending By Borrower Income Level | | | | | |
|---|------------|--------------|--------------|--------------|--------------------------------|
| Assessment Area: IA Non MSA | | | | | |
| Borrower Income Level | Bank Loans | | | | Families by Family Income % |
| | # | #% | \$(000) | \$% | |
| Low | 7 | 15.9 | 628 | 12.3 | 17.4 |
| Moderate | 8 | 18.2 | 681 | 13.4 | 21.5 |
| Middle | 15 | 34.1 | 1,800 | 35.4 | 21.1 |
| Upper | 14 | 31.8 | 1,979 | 38.9 | 39.9 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 44 | 100.0 | 5,088 | 100.0 | 100.0 |

Source: 2022 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Small Business

First Iowa State Bank’s distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. A sample of small business loans originated in 2022 was reviewed, of which 87.1 percent by number were made to businesses with total revenues of \$1.0 million or less. This is below the percentage of total businesses within the assessment area with total revenues of \$1.0 million or less (90.4 percent). However, a large percentage (86.9 percent) of the small business loans originated, by number, 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 involved in the Paycheck Protection Program (PPP) and supported small business efforts throughout the COVID-19 pandemic, further demonstrating the responsiveness to the ongoing credit needs of the businesses within the surrounding area. Community representatives stated that local businesses were able to access PPP funds in a timely manner and that the program was successful due to the responsiveness of local institutions.

The following table presents the bank’s borrower distribution of small business loans in 2022.

| Distribution of 2022 Small Business Lending By Revenue Size of Businesses | | | | | |
|--|-------------------|-----------|----------------|------------|-----------------------------|
| Assessment Area: IA Non MSA | | | | | |
| | Bank Loans | | | | Total Businesses |
| | # | #% | \$(000) | \$% | |
| By Revenue | | | | | |
| \$1 Million or Less | 61 | 87.1 | 3,108 | 88.0 | 90.4 |
| Over \$1 Million | 4 | 5.7 | 345 | 9.8 | 7.9 |
| Revenue Unknown | 5 | 7.1 | 78 | 2.2 | 1.7 |
| Total | 70 | 100.0 | 3,531 | 100.0 | 100.0 |
| By Loan Size | | | | | |
| \$100,000 or Less | 61 | 87.1 | 1,957 | 55.4 | |
| \$100,001 - \$250,000 | 8 | 11.4 | 1,188 | 33.6 | |
| \$250,001 - \$1 Million | 1 | 1.4 | 387 | 11.0 | |
| Total | 70 | 100.0 | 3,531 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | |
| \$100,000 or Less | 53 | 86.9 | 1,683 | 54.2 | |
| \$100,001 - \$250,000 | 7 | 11.5 | 1,038 | 33.4 | |
| \$250,001 - \$1 Million | 1 | 1.6 | 387 | 12.5 | |
| Total | 61 | 100.0 | 3,108 | 100.0 | |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | |

Small Farm

First Iowa State Bank’s distribution of small farm loans reflects reasonable penetration among farms of different revenue sizes. A sample of small farm loans originated in 2022 was reviewed, of which 89.0 percent by number were to farms with total revenues of \$1.0 million or less. This is below the percentage of total farms within the assessment area with total revenues of \$1.0 million or less (98.6 percent). However, the majority (65.8 percent) of the agricultural loans originated, by number, were made to farms 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 the credit needs of the smallest farms. A community representative noted that a credit need in the community was microloans (specifically under \$40,000) to very small farm operations.

The following table presents the bank’s borrower distribution of small farm loans in 2022.

| Distribution of 2022 Small Farm Lending By Revenue Size of Farms | | | | | |
|--|-------------------|-----------|----------------|------------|--------------------|
| Assessment Area: IA Non MSA | | | | | |
| | Bank Loans | | | | Total Farms |
| | # | #% | \$(000) | \$% | % |
| By Revenue | | | | | |
| \$1 Million or Less | 73 | 89.0 | 8,446 | 88.7 | 98.6 |
| Over \$1 Million | 6 | 7.3 | 788 | 8.3 | 1.4 |
| Revenue Unknown | 3 | 3.7 | 288 | 3.0 | 0.0 |
| Total | 82 | 100.0 | 9,522 | 100.0 | 100.0 |
| By Loan Size | | | | | |
| \$100,000 or Less | 52 | 63.4 | 2,912 | 30.6 | |
| \$100,001 - \$250,000 | 20 | 24.4 | 3,172 | 33.3 | |
| \$250,001 - \$500,000 | 10 | 12.2 | 3,438 | 36.1 | |
| Total | 82 | 100.0 | 9,522 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | |
| \$100,000 or Less | 48 | 65.8 | 2,677 | 31.7 | |
| \$100,001 - \$250,000 | 16 | 21.9 | 2,589 | 30.7 | |
| \$250,001 - \$500,000 | 9 | 12.3 | 3,180 | 37.7 | |
| Total | 73 | 100.0 | 8,446 | 100.0 | |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | |

Response to Complaints

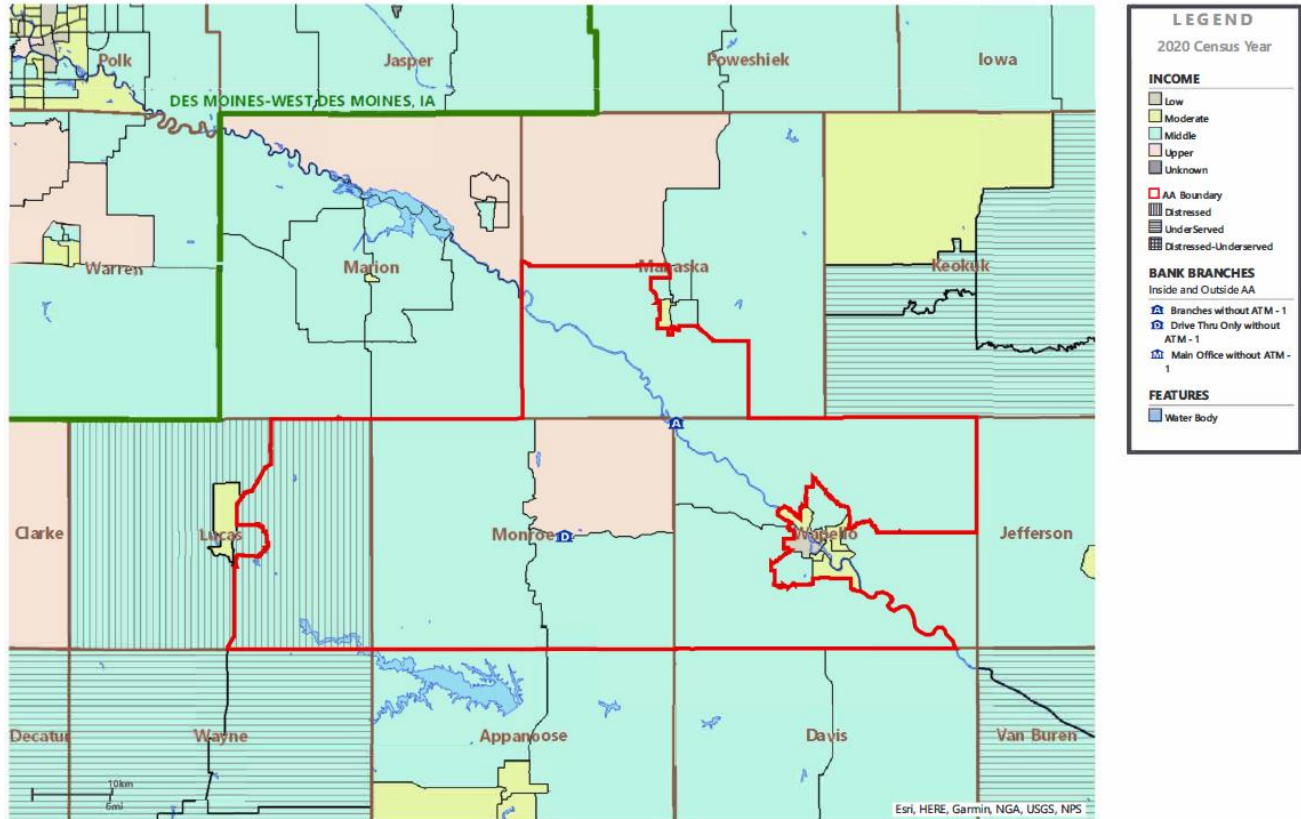
The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

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

First Iowa State Bank 787842
IA Non MSA



APPENDIX B – Scope of Examination

| SCOPE OF EXAMINATION | | | |
|---|-------------------------------|-------------------------------------|---|
| TIME PERIOD REVIEWED | | January 1, 2022 – December 31, 2022 | |
| FINANCIAL INSTITUTION | | | |
| First Iowa State Bank Albia, Iowa | | | PRODUCTS REVIEWED Home Mortgage Loans Small Business Loans Small Farm Loans |
| AFFILIATE(S) | | | |
| | AFFILIATE RELATIONSHIP | | PRODUCTS REVIEWED |
| None | NA | | NA |
| LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION | | | |
| ASSESSMENT AREA | TYPE OF EXAMINATION | BRANCHES VISITED | OTHER INFORMATION |
| Non-metropolitan portion of Iowa, including Monroe County, and portions of Wapello, Mahaska, and Lucas Counties | Full Scope | None | Assessment area as of December 31, 2022. |
| | | | |

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 production 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).