

# **PUBLIC DISCLOSURE**

May 16, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

CUSB Bank  
RSSD# 900146

111 North Elm Street  
Cresco, Iowa 52136

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.

**TABLE OF CONTENTS**

**PERFORMANCE EVALUATION .....2**

**SCOPE OF EXAMINATION .....2**

**DESCRIPTION OF INSTITUTION.....3**

**DESCRIPTION OF ASSESSMENT AREA.....5**

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA .....11**

    LENDING TEST .....11

    COMMUNITY DEVELOPMENT TEST.....19

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....22**

**APPENDIX A – MAPS OF ASSESSMENT AREAS .....23**

**APPENDIX B – SCOPE OF EXAMINATION .....24**

**APPENDIX C – GLOSSARY .....25**

## INSTITUTION'S CRA RATING

**CUSB Bank is rated: Satisfactory**

**The Lending Test is rated: Satisfactory**

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

CUSB Bank is meeting the credit needs of its community based on an analysis of lending and community development activities. The bank's average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans are located in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and lending reflects excellent penetration among borrowers of different income levels and businesses and farms of different revenue sizes. Neither CUSB Bank, nor this Reserve Bank received any Community Reinvestment Act (CRA)-related complaints since the previous examination.

CUSB Bank's community development performance demonstrates adequate responsiveness to the needs of its assessment area through community development loans, qualified investments, and community development services. This performance is appropriate, considering the bank's capacity, and the need and availability of such opportunities for community development in the bank's assessment area.

### SCOPE OF EXAMINATION

CUSB Bank's CRA performance was evaluated using the Intermediate Small Institution Examination Procedures issued by the Federal Financial Institutions Examination Council (FFIEC). Performance was evaluated according to information about the institution and its assessment area, including the bank's asset size, financial condition, competition, and the economic and demographic characteristics.

The evaluation included a full scope review of the bank's Non-Metropolitan Statistical Area (Non-MSA) Iowa assessment area. The Non-MSA Iowa assessment area consists of the entirety of Floyd County, Howard County, and Mitchell County, Iowa, portions of Chickasaw County and Winneshiek County, Iowa, and Fillmore County, Minnesota.

Loan products reviewed include home mortgage, small business, and small farm loans. These products are considered the bank's primary business lines based on volume by number and dollar amount. Greater weight was given to small farm performance, as agricultural loans represent the majority of the bank's loan portfolio.

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

- ***Loan-to-Deposit Ratio*** – A 13-quarter average loan-to-deposit (LTD) ratio from December 31, 2018 to December 31, 2021, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank’s home mortgage, small business, and small farm loans originated from January 1, 2021 to December 31, 2021, were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank’s home mortgage, small business, and small farm loans originated within the assessment area, from January 1, 2021 to December 31, 2021, 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*** – A sample of the bank’s home mortgage, small business, and small farm loans originated within the assessment area, from January 1, 2021 to December 31, 2021, 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.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services, from April 1, 2019 through May 16, 2022, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

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: affordable housing and economic development.

## DESCRIPTION OF INSTITUTION

CUSB Bank is a wholly owned subsidiary of How-Win Development Company, a one-bank holding company headquartered in Cresco, Iowa. The bank maintains its main office in Cresco, Iowa along with four full-service branch locations in Charles City, Lime Springs, Osage, and Ridgeway, Iowa. In addition, the bank operates two full-service automated teller machines (ATMs)

located in Cresco and Osage, Iowa, and two cash-only ATMs, one located in Charles City, Iowa, and one located at Engen’s Convenience Store in Ridgeway, Iowa. Additionally, effective March 19, 2022, CUSB Bank acquired two branches in Waverly and Shell Rock, Iowa. These two branches were not included in this evaluation.

CUSB Bank offers a range of traditional loan and deposit products and services. While the bank is primarily an agricultural lender, it also offers commercial, residential real estate, and consumer loan products. In addition, traditional deposit products are offered including checking and savings, certificates of deposit, health savings, and business accounts. Additionally, CUSB Bank offers Small Business Administration (SBA) and United States Department of Agriculture (USDA) commercial and agricultural loan financing options. According to the Uniform Bank Performance Report (UBPR), the bank reported total assets of \$582.7 million and total deposits of \$495.5 million as of December 31, 2021.

As of June 30, 2021, according to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, CUSB Bank ranks second out of 29 financial institutions operating within the assessment area. The bank held \$461.3 million in deposits, representing a market share of 12.4 percent. The financial institutions with the largest percentage of the deposit market share are Decorah Bank and Trust Company (13.4 percent), First Citizens Bank (9.5 percent), and First Security Bank and Trust Company (9.3 percent).

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

<b>Composition of Loan Portfolio as of December 31, 2021</b>		
<b>Loan Type</b>	<b>Dollar Volume (\$ in 000s)</b>	<b>% of Portfolio</b>
Agriculture	238,352	57.7
Commercial	98,450	23.8
Residential Real Estate	48,977	11.9
Consumer	24,334	5.9
Other	2,892	0.7
<b>Total</b>	<b>413,005</b>	<b>100.0</b>
<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 of its communities.

The bank was rated satisfactory under the CRA at its previous evaluation conducted on April 1, 2019.

## DESCRIPTION OF ASSESSMENT AREA

CUSB Bank is an intrastate bank that operates four branch locations, and the bank's main office, in the Non-Metropolitan Statistical Area of Iowa (Iowa Non-MSA), which consists of Howard County, Mitchell County, and Floyd County, Iowa in their entirety; the western portion of Winneshiek County, Iowa (census tracts 9501.00, and 9505.00); and a portion of Chickasaw County, Iowa (701.00). Additionally, the assessment area includes one census tract in Fillmore County, Minnesota (9605.00). The combined assessment area contains a total of 15 census tracts, which is comprised of thirteen middle-income and two moderate-income census tracts. Additionally, both middle-income census tracts located within the western portion of Winneshiek County (9501.00 and 9505.00) are designated as underserved due to their remote and rural location, which remains unchanged since the previous evaluation. All branches, and the off-site cash-only ATM, are located in middle-income census tracts.

The bank's assessment area has expanded since the previous examination with the addition of one middle-income census tract within Chickasaw County, Iowa (0701.00), and one additional middle-income census tract within Floyd County, Iowa (4803.00). Both aforementioned census tracts were added to the bank's delineated assessment area in response to increased lending since the previous examination.

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	2,646	19.5
Moderate-income	2	13.3	1,562	11.5	161	10.3	2,699	19.9
Middle-income	13	86.7	12,026	88.5	824	6.9	3,366	24.8
Upper-income	0	0.0	0	0.0	0	0.0	4,877	35.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>15</b>	<b>100.0</b>	<b>13,588</b>	<b>100.0</b>	<b>985</b>	<b>7.2</b>	<b>13,588</b>	<b>100.0</b>
	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	3,020	1,797	11.1	59.5	865	28.6	358	11.9
Middle-income	19,776	14,341	88.9	72.5	3,547	17.9	1,888	9.5
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>22,796</b>	<b>16,138</b>	<b>100.0</b>	<b>70.8</b>	<b>4,412</b>	<b>19.4</b>	<b>2,246</b>	<b>9.9</b>
	Total Businesses 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	288	11.1	264	11.1	18	10.2	6	12.8
Middle-income	2,315	88.9	2,115	88.9	159	89.8	41	87.2
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>2,603</b>	<b>100.0</b>	<b>2,379</b>	<b>100.0</b>	<b>177</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>
Percentage of Total Businesses:				91.4		6.8		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	52	6.0	51	5.9	1	20.0	0	0.0
Middle-income	816	94.0	811	94.1	4	80.0	1	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>868</b>	<b>100.0</b>	<b>862</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>
Percentage of Total Farms:				99.3		0.6		0.1
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

## Population Characteristics

The table below presents changes in population within the counties comprising the assessment area, as well as the state of Iowa and state of Minnesota from 2010 and 2015. All counties within the assessment area saw a decrease in population ranging from a slight 0.1 percent decrease in both Mitchell County, Iowa and Fillmore County, Minnesota to a moderate 1.6 percent decrease in both Chickasaw and Floyd Counties. During the same period, the state of Iowa and state of Minnesota saw moderate increases in population of 1.5 percent and 2.2 percent, respectively. Community representatives indicated that many rural counties in Iowa lose population to larger cities as individuals, particularly college students and young professionals, seek out education and job opportunities in more populated metropolitan areas of the state. Additionally, the lack of housing options, especially affordable housing, for current residents and prospective ones, is another factor limiting population growth. The current stock of rental units and homes for low-, moderate-, and even middle-income individuals is limited and often requires significant maintenance and/or rehabilitation which further impedes the attractiveness of remaining in, or moving to, the area.

Population Change			
Area	2010 Population	2015 Population	Percentage Change (%)
Assessment Area	-	49,460	N/A
Chickasaw County, Iowa	12,439	12,244	-1.6
Floyd County, Iowa	16,303	16,050	-1.6
Howard County, Iowa	9,566	9,494	-0.8
Mitchell County, Iowa	10,776	10,762	-0.1
Winneshiek County, Iowa	21,056	20,884	-0.8
Fillmore County, Minnesota	20,866	20,843	-0.1
State of Minnesota	5,303,925	5,419,171	2.2
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

According to the U.S. Census Bureau, the assessment area is comprised of 13,588 families, of which 19.5 percent are designated as low-income, 19.9 percent are moderate-income, 24.8 percent are middle-income, and 35.9 percent are upper-income. Families below the poverty level within the assessment area is 7.2 percent, which is slightly lower than the state of Iowa's poverty rate of 8.1 percent and similar to the state of Minnesota's poverty rate of 7.3 percent. According to the 2011-2015 American Community Survey (ACS), the median family income (MFI) for the assessment area was \$60,157, which is lower than the states of Iowa and Minnesota at \$67,466 and \$77,055, respectively. Community representatives noted that Winneshiek County has a higher MFI than its neighboring rural counties due to the local private college in the area, which provides a large



amount of high-wage positions. In addition, Chickasaw County saw a large increase in MFI due to business expansions and new businesses coming to the area that provide higher wage positions. The decrease in Floyd, Mitchell, and Winneshiek Counties can be attributed to higher turnover rates for manufacturers in the area, as well as seasonal work. Lastly, both community representatives noted that they are anticipating MFI in the area will increase rapidly as there has been a growing level of competition amongst companies to attract and retain staff. This has resulted in higher wages and more flexibility in benefits. However, one community representative indicated that the current rise in inflation may stifle much of the progress being made with wage growth.

<b>Median Family Income Change 2010 and 2015</b>			
<b>Area</b>	<b>2010 Median Family Income (\$)</b>	<b>2015 Median Family Income (\$)</b>	<b>Percentage Change (%)</b>
Assessment Area	-	60,157	N/A
Chickasaw County, Iowa	55,025	61,472	11.7
Floyd County, Iowa	57,505	56,004	-2.6
Howard County, Iowa	60,526	61,172	1.1
Mitchell County, Iowa	68,992	64,078	-7.1
Winneshiek County, Iowa	67,034	66,933	-0.2
Fillmore County, Minnesota	64,285	66,508	3.5
State of Minnesota	77,650	77,055	-0.8
State of Iowa	67,302	67,466	0.2
<i>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.</i>			

### **Housing Characteristics**

The bank’s assessment area includes 22,796 housing units. The majority of housing units are owner-occupied at 70.8 percent, whereas rental units account for 19.4 percent of total units. Within the assessment area, 9.9 percent of housing units are vacant, which is marginally higher than the state of Iowa at 8.7 percent, and marginally lower than the state of Minnesota at 10.5 percent.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C – 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 0.45, which is above the state of Iowa and the state of Minnesota, at 0.41 and 0.33, respectively. As such, the affordability ratio suggests that housing within the assessment area is more affordable when compared to the state of Iowa and state of Minnesota.

The cost burden is a measure of affordability using a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. As evidenced by the table below, low-income individuals are generally impacted at a higher rate than moderate-income individuals as both renters and owners. Mitchell County, Iowa has the lowest proportion of renters who meet the cost burden criteria at 18.3 percent, while Floyd County, Iowa has the lowest number of owners who meet the cost burden criteria at 10.0 percent. On the contrary, Floyd County, Iowa has the highest proportion of renters who meet the cost burden criteria at 42.1 percent, and Fillmore County, Minnesota has the highest proportion of owners who meet the cost burden criteria at 19.1 percent. Within the state of Iowa, Chickasaw County, Mitchell County, and Winneshiek County have fewer renters who meet the cost burden criteria at 32.8 percent, 18.3 percent, and 32.7 percent, respectively, than the state of Iowa at 38.2 percent. However, as previously mentioned, Floyd County has a higher proportion of renters who meet the cost burden criteria than the state of Iowa at 42.1 percent. Additionally, the proportion of renters who meet the cost burden criteria in Fillmore County, Minnesota is 33.6 percent, which is lower than the state of Minnesota at 42.2 percent.

Both community representatives indicated there is a lack of supply of affordable housing units and the quality of the affordable housing in the area is not desirable and often requires significant maintenance and/or rehabilitation. Although affordable units are in short supply, many local landlords have long-standing relationships with tenants and often refrain from raising rental prices. However, the lack of supply of affordable housing units has led to rising rental rates and has forced some individuals to consider buying homes. Representatives noted that low- and moderate-income individuals who do begin searching for residential real estate have difficulties obtaining homes due to demand and issues securing funds for down payments. Additionally, the housing stock often requires renovations, which low- and moderate-income individuals cannot always afford.

2020 Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low-Income	Moderate-Income	All Renters	Low-Income	Moderate-Income	All Owners
Chickasaw County, Iowa	61.8	7.8	32.8	42.1	27.0	14.3
Floyd County, Iowa	68.6	7.8	42.1	36.5	13.4	10.0
Howard County, Iowa	61.0	4.1	27.9	57.0	34.3	18.8
Mitchell County, Iowa	45.9	2.2	18.3	48.4	29.1	14.8
Winneshiek County, Iowa	66.2	11.9	32.7	64.0	24.6	18.4
Fillmore County, Minnesota	61.4	13.2	33.6	59.4	29.3	19.1
State of Minnesota	72.8	28.2	42.2	61.2	32.1	18.2
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

In 2020, the unemployment rates within Chickasaw, Howard, Mitchell, and Winneshiek Counties were lower than the state of Iowa’s unemployment rate at 5.3 percent. Floyd County, Iowa experienced higher unemployment than the state of Iowa with a 6.0 percent unemployment rate. Additionally, the unemployment rate of Fillmore County was 5.0 percent, which was lower than the state of Minnesota’s rate of 6.2 percent during the same period. Overall, the assessment area, based on individual county statistics, appears to generally experience unemployment at a similar rate as the rest of the state of Iowa and the state of Minnesota.

Community representatives indicated that unemployment rates were high in 2020 due to the COVID-19 pandemic, but most areas have since returned to pre-pandemic unemployment levels. One community representative mentioned that the unemployment rate in Floyd County has dropped significantly from the COVID-19 pandemic high; however, a local processing plant closed which resulted in significant job losses in the county. The processing plant is expected to re-open, with the hopes of retaining those jobs that were previously lost. Additionally, representatives mentioned regional substance abuse issues have further contributed to higher unemployment rates and they believe these issues are not being appropriately addressed by local municipalities.

Unemployment Rates (%)					
Area	2016	2017	2018	2019	2020
Chickasaw County, Iowa	4.4	3.2	2.8	2.9	4.7
Floyd County, Iowa	3.6	3.2	2.8	3.6	6.0
Howard County, Iowa	3.6	3.0	2.6	2.8	4.5
Mitchell County, Iowa	2.6	2.1	1.8	1.7	3.4
Winneshiek County, Iowa	3.5	3.1	2.7	2.9	4.9
Fillmore County, Minnesota	4.0	3.5	3.2	3.2	5.0
State of Minnesota	3.9	3.4	3.0	3.2	6.2
State of Iowa	3.6	3.1	2.6	2.8	5.3

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

## Industry Characteristics

According to location quotients developed by the U.S. Bureau of Labor Statistics, the assessment area contains a diverse employment base and is most heavily impacted by the industries of agriculture, retail, and manufacturing. As mentioned previously, community representatives indicated that the COVID-19 pandemic has had a large impact on unemployment rates in the area. Since 2020, unemployment in most industries has returned to pre-pandemic levels, and the remaining impacted businesses are working to return to normal operations.

## Community Representatives

Two community representatives were contacted during the evaluation 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 there are challenges within their respective areas and that local financial institutions can assist. There is a substantial need for additional affordable housing in the assessment area and there are not enough affordable housing options to accommodate growing businesses in the area who continue to need additional labor. The lack of affordable housing options contributes to the area's declining population. Affordable housing can be unattainable for low- and moderate-income individuals looking to purchase homes due to down payment requirements and there can be difficulties generating the additional funds to renovate and/or maintain the aging housing stock. Renters also struggle to find appropriate affordable housing due to rising rent prices. Community representatives also noted a growing level of competition amongst companies to attract and retain staff. This has resulted in higher wages and more flexibility in terms of benefits. Lastly, one representative noted that the local economy is largely tied to the success of the local farms and the agricultural industry as a whole. The representative believes higher input costs, supply chain constraints, and rising equipment rental prices will likely cause a lasting impact on the local economy moving forward. Resulting in a need for additional credit opportunities and innovative ways to help local farmers over the next few years.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

CUSB Bank's performance relative to the lending test is **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 (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The majority of small business, small farm, and home mortgage loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activity reflects excellent penetration among individuals of different income levels, and 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

CUSB Bank had a reasonable LTD ratio (considering seasonal variations) given the bank's size, financial condition, and assessment area credit needs. The bank's LTD ratio averaged 84.9 percent over a 13-quarter period ending December 31, 2021. The LTD has remained stable since the previous examination when the bank had an average LTD ratio of 85.6 percent. The following table compares the bank's LTD ratio to its local competitors.

<b>Comparative Loan-to-Deposit Ratios as of December 31, 2021</b>	
<b>Institution</b>	<b>Loan-to-Deposit Ratio (%)</b>
	<b>13 – Quarter Average</b>
CUSB Bank	84.9
Peer Avg - Local	80.0
<b>Competitors</b>	
Freedom Bank	89.8
Waukon St Bank	85.6
Decorah Bank and Trust Company	84.6
Northeast Security Bank	70.4
First Security Bank and Trust Company	69.8

### Assessment Area Concentration

During the evaluation period, CUSB Bank made a majority of its loans, and as appropriate, other lending-related activities in the assessment area. Specifically, the bank originated 85.3 percent of total loans by count and 81.5 percent by dollar amount inside the assessment area. Home mortgage, small business, and small farm loans saw a similar dispersion by count inside the assessment area with 79.9 percent, 88.7 percent, and 88.2 percent, respectively. Performance indicates the bank is actively serving the credit needs of the local community.

The following table summarizes CUSB Bank’s lending inside and outside its assessment area for home mortgage, small business, and small farm loans from January 1, 2021 to December 31, 2021.

<b>Lending Inside and Outside the Assessment Area</b>								
<b>Loan Type</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Home Mortgage	119	79.9	24,572	80.2	30	20.1	6,083	19.8
Small Business	102	88.7	7,666	82.3	13	11.3	1,651	17.7
Small Farm	120	88.2	9,557	84.4	16	11.8	1,771	15.6
<b>Total Loans</b>	<b>341</b>	<b>85.3</b>	<b>41,795</b>	<b>81.5</b>	<b>59</b>	<b>14.8</b>	<b>9,505</b>	<b>18.5</b>

### Geographic Distribution of Loans

Overall, CUSB Bank’s geographic distribution of home mortgage, small business, and small farm loans reflects reasonable dispersion throughout the assessment area. An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among the census tract

designations within the assessment area, particularly moderate-income census tracts. The bank's assessment area contains no low-income census tracts.

The bank's assessment area consists of two moderate-income and thirteen middle-income census tracts. In 2021, CUSB Bank originated loans in both of the moderate-income census tracts. Based on this analysis, there are no conspicuous geographic lending gaps.

### Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. In 2021, CUSB Bank originated 2.5 percent of total home mortgage loans in moderate-income census tracts, which is below the 11.1 percent of owner-occupied units located in the bank's moderate-income census tracts. The majority of the bank's home mortgage loans were originated in middle-income census tracts at 97.5 percent by count and 99.3 percent by dollar amount, compared to the 88.9 percent of owner-occupied units located within those geographies. While the bank's performance is below the percentage of owner-occupied housing located in the two moderate-income census tracts, several factors impact the bank's ability to lend in these areas. First, branch proximity to the Fillmore County, Minnesota moderate-income census tract creates geographical limitations to expand residential real estate lending in the area. In addition, there is strong competition in the one moderate-income census tract located in Floyd County, Iowa as the Charles City area has a significant number of lenders with greater market share than CUSB Bank. Based upon the bank's branch network and strong competition within the moderate-income census tracts located in the assessment area, the geographic distribution of home mortgage lending is considered reasonable.

The following table presents the bank's geographic distribution of home mortgage loans in 2021.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: 2021 IA Non MSA</b>						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2021				
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	3	2.5	165	0.7	11.1
	Middle	116	97.5	24,408	99.3	88.9
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>		<b>119</b>	<b>100.0</b>	<b>24,573</b>	<b>100.0</b>
2021 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

### Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. In 2021, CUSB Bank originated 3.9 percent of its small business loans in moderate-income census tracts, below the percentage of total business located in moderate-income census tracts at 11.1 percent. The majority of the bank’s small business loans were originated in middle-income census tracts at 96.1 percent by count and 96.5 by dollar amount, above the 88.9 percent of small businesses residing within middle-income geographies. While the bank’s performance is below the total businesses by percentage in moderate-income census tracts, the absence of a branch in the Fillmore County, Minnesota moderate-income census tract combined with strong competition in the Floyd County, Iowa moderate-income census tract greatly limits the bank’s ability to make small business loans within the moderate-income tracts of the assessment area.

The following table presents the bank’s geographic distribution of small business loans in 2021.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2021 IA Non MSA</b>						
	<b>Tract Income Levels</b>	<b>Bank &amp; Demographic Comparison</b>				
				<b>2021</b>		<b>Total Businesses</b>
		<b>Count Bank</b>		<b>Dollar Bank</b>		
		<b>#</b>	<b>%</b>	<b>\$ 000s</b>	<b>\$ %</b>	<b>%</b>
<b>Small Business</b>	Low	0	0.0	0	0.0	0.0
	Moderate	4	3.9	268	3.5	11.1
	Middle	98	96.1	7,398	96.5	88.9
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>102</b>	<b>100.0</b>	<b>7,666</b>	<b>100.0</b>	<b>100.0</b>

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

Small Farm Loans

The geographic distribution of small farms loans reflects reasonable dispersion throughout the assessment area. In 2021, CUSB Bank originated 3.3 percent of its small farm loans in moderate-income census tracts, slightly below the percentage of total farms located in moderate-income census tracts at 6.0 percent. The majority of the bank’s small farm loans were originated in middle-income census tracts at 96.7 percent by count and 99.2 percent by dollar amount, comparable to the 94.0 percent of small farms residing within such geographies. Performance is considered reasonable due to the bank’s limited presence in the Fillmore County, Minnesota moderate-income census tract. Additionally, small farm lending opportunities are limited considering the low percentage of farms located within the Floyd County, Iowa moderate-income census tract, which reduces the bank’s opportunity to lend within that geographical area.

The following table presents the bank’s geographic distribution of small farm loans in 2021.



<b>Geographic Distribution of Small Farm Loans</b>						
<b>Assessment Area: 2021 IA Non MSA</b>						
	<b>Tract Income Levels</b>	<b>Bank &amp; Demographic Comparison</b>				
		<b>Count</b>		<b>2021 Dollar</b>		<b>Total Farms</b>
		<b>Bank</b>	<b>%</b>	<b>Bank</b>	<b>%</b>	
		<b>#</b>	<b>%</b>	<b>\$ 000s</b>	<b>\$ %</b>	<b>%</b>
<b>Small Farm</b>	Low	0	0.0	0	0.0	0.0
	Moderate	4	3.3	80	0.8	6.0
	Middle	116	96.7	9,477	99.2	94.0
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>120</b>	<b>100.0</b>	<b>9,557</b>	<b>100.0</b>	<b>100.0</b>

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

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

CUSB Bank’s distribution of loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income, and business and farms of different sizes. The bank experienced a decline in lending distribution performance to individuals of different income levels when compared to the previous examination. However, the bank exceeded lending to businesses and farms with revenue of \$1.0 million or less when compared to the previous examination. CUSB Bank’s loan distribution is reflective of the assessment area business and farm sizes, and borrower incomes, and indicates the bank is serving the assessment area’s credit needs.

Home Mortgage Loans

The borrower distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. In 2021, CUSB Bank originated 7.6 percent by count, and 11.3 percent by dollar amount, of its home mortgage loans to low-income borrowers, which is below the percentage of low-income families in the assessment area at 19.5 percent. Additionally, the bank originated 24.4 percent by count, and 12.4 percent by dollar amount, of its home mortgage loans to moderate-income borrowers, which is above the 19.9 percent of moderate-income families within the assessment area. Further, the bank originated 16.0 percent and 52.1 percent by count and 9.1 percent and 67.3 percent by dollar amount of its home mortgage loans to middle- and upper-income borrowers, respectively. Lending to low- and moderate-income borrowers was particularly difficult in 2021 due to the COVID-19

pandemic, which had a substantial adverse impact on home mortgage lending throughout the year, pushing low- and moderate-income borrowers out of the market as affordability of the housing stock decreased. Further, the low interest rate environment in 2021 encouraged refinance lending, which traditionally favors borrowers of higher incomes.

The following table presents the bank’s borrower distribution of home mortgage loans in 2021.

<b>Borrower Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: 2021 IA Non MSA</b>						
	<b>Borrower Income Levels</b>	<b>Bank &amp; Demographic Comparison</b>				<b>Families by Family Income %</b>
		<b>2021</b>				
		<b>Count</b>		<b>Dollar</b>		
		<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>\$ %</b>	
<b>Totals</b>	Low	9	7.6	2,767	11.3	19.5
	Moderate	29	24.4	3,038	12.4	19.9
	Middle	19	16.0	2,235	9.1	24.8
	Upper	62	52.1	16,533	67.3	35.9
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>119</b>	<b>100.0</b>	<b>24,573</b>	<b>100.0</b>	<b>100.0</b>
2021 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. In 2021, CUSB Bank originated 100.0 percent of its small business loans by count and dollar amount to businesses with annual revenues of \$1.0 million or less, which is above the assessment area demographics of 91.4 percent. In addition, 75.5 percent of the bank’s small business loans were in loan amounts of \$100,000 or less, demonstrating the bank’s willingness to meet small business credit needs within the assessment area. The bank’s small business lending performance exceeds the performance during the previous examination during which time the bank originated 95.9 percent by count and 92.0 percent by dollar amount of its commercial loans to small businesses.

The following table presents the bank’s borrower distribution of small business loans in 2021.

<b>Small Business Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2021 IA Non MSA</b>							
Product Type		Bank & Demographic Comparison					
		Count		2021		Total Businesses	
		Bank	%	Dollar Bank	%		
#	%	\$ 000s	%	%			
Small Business	Revenue	\$1 Million or Less	102	100.0	7,666	100.0	91.4
		Over \$1 Million	0	0.0	0	0.0	6.8
		Unknown	0	0.0	0	0.0	1.8
		<b>Total</b>	<b>102</b>	<b>100.0</b>	<b>7,666</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	77	75.5	2,558	33.4	
		\$100,001 - \$250,000	21	20.6	3,348	43.7	
		\$250,001 - \$1 Million	4	3.9	1,759	22.9	
		<b>Total</b>	<b>102</b>	<b>100.0</b>	<b>7,665</b>	<b>100.0</b>	
Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	77	75.5	2,558	33.4		
	\$100,001 - \$250,000	21	20.6	3,348	43.7		
	\$250,001 - \$1 Million	4	3.9	1,759	22.9		
	<b>Total</b>	<b>102</b>	<b>100.0</b>	<b>7,665</b>	<b>100.0</b>		
Originations & Purchases							
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Small Farm Loans

Small farm lending reflects excellent penetration among farms of different revenue sizes. The bank originated 100.0 percent of its agricultural loans by count and dollar amount to farms with annual revenues of \$1.0 million or less. Performance was in alignment with assessment area demographics as 99.3 percent of farms have annual revenues of \$1.0 million or less. Additionally, 77.5 percent of these loans were made in dollar amounts of \$100,000 or less, which are most beneficial to small farms. The bank’s small farm lending performance in 2021 exceeded the bank’s performance at the previous examination, during which time the bank originated 71.0 percent by count and 68.7 percent by dollar amount of loans to farms with annual revenues of \$1.0 million or less, and 39.8 percent of small farm loans in dollar amounts of \$100,000 dollars or less.

The following table presents the bank’s borrower distribution of small farm loans in 2021.

Small Farm Lending By Revenue & Loan Size							
Assessment Area: 2021 IA Non MSA							
Product Type		Bank & Demographic Comparison					
		Count Bank		2021 Dollar Bank		Total Farms	
		#	%	\$ 000s	\$ %	%	
Small Farm	Revenue	\$1 Million or Less	120	100.0	9,557	100.0	99.3
		Over \$1 Million	0	0.0	0	0.0	0.6
		Unknown	0	0.0	0	0.0	0.1
		Total	<b>120</b>	<b>100.0</b>	<b>9,557</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	93	77.5	3,091	32.3	
		\$100,001 - \$250,000	17	14.2	2,855	29.9	
		\$250,001 - \$500,000	10	8.3	3,611	37.8	
		Total	<b>120</b>	<b>100.0</b>	<b>9,557</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Million or Less	\$100,000 or Less	93	77.5	3,091	32.3	
		\$100,001 - \$250,000	17	14.2	2,855	29.9	
		\$250,001 - \$500,000	10	8.3	3,611	37.8	
		Total	<b>120</b>	<b>100.0</b>	<b>9,557</b>	<b>100.0</b>	

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

### Response to Complaints

Neither CUSB Bank, nor this Reserve Bank have received any CRA-related complaints since the previous examination.

### COMMUNITY DEVELOPMENT TEST

The bank’s performance relative to the community development test is **Satisfactory**. CUSB Bank’s community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank’s capacity and the need and the availability of such opportunities for community development in the bank’s assessment area.

### Lending, Investment, and Services Activities

During the evaluation period, the bank originated 39 community development loans totaling approximately \$10.0 million since the previous evaluation. This total consists of 34 loans within the bank’s assessment area for a total of approximately \$10.0 million. In addition, the bank originated five community development loans located in the broader statewide or regional area (BSRA)

totaling \$65 thousand. During the previous evaluation the bank originated 50 qualified community development loans totaling \$6.4 million. Since the previous examination, the bank decreased the number of community development loans by 22.0 percent but increased the dollar volume by 56.4 percent. Of the bank’s qualified community development loans made within the assessment area, nine loans totaling \$454 thousand were made for affordable housing, six loans totaling \$320 thousand for economic development purposes, and 19 loans totaling approximately \$9.2 million for revitalization/stabilization purposes. The majority of the bank’s community development loans were provided in response to the COVID-19 pandemic and focused on keeping small businesses financially viable during the health crisis.

In addition, the bank participated in the Small Business Administration’s (SBA) Paycheck Protection Program (PPP) in response to the COVID-19 pandemic. The bank originated a total of 1,097 PPP loans totaling \$30.2 million during the evaluation period. As PPP loans are in direct response to the COVID-19 pandemic, and are specifically designed to benefit small businesses, and to retain jobs during the pandemic, these loans are considered very responsive and flexible.

Community representatives contacted as part of this evaluation indicated that one of the most pressing needs for the assessment area is affordable housing development. CUSB originated a number of loans specifically addressing this affordable housing need. This demonstrates a level of responsiveness to the assessment area’s credit needs.

<b>Qualified Community Development Loans by Purpose</b>										
<b>April 1, 2019 to May 16, 2022</b>										
<b>AA Name</b>	<b>AH</b>		<b>CS</b>		<b>ED</b>		<b>R/S</b>		<b>Total #</b>	<b>Total \$(000s)</b>
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>		
Non-MSA IA	9	454	0	0	6	320	19	9,197	34	9,971
BSRA	0	0	0	0	0	0	5	65	5	65
<b>Total</b>	<b>9</b>	<b>454</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>320</b>	<b>24</b>	<b>9,262</b>	<b>39</b>	<b>10,036</b>

During the evaluation period, the bank made 20 community development investments totaling approximately \$9.9 million. Of the qualified community development investments within the assessment area, one was a prior period investment for \$780 thousand and four were current period qualified investments totaling approximately \$2.2 million. Additionally, the bank made 15 qualified investments totaling approximately \$6.9 million and located within the broader statewide or regional area. Of which, one was a prior period investment for \$500 thousand, and the remaining 14 qualified investments were made during the current period totaling approximately \$6.4 million. Overall, this represents a decrease in count and an increase in dollar volume from the previous evaluation during which time the bank made 36 qualified community development investments totaling \$5.2 million.

The bank also made 139 qualified contributions totaling approximately \$205 thousand to community organizations in the assessment area. Contributions were made to a variety of organizations; however, a substantial portion of the bank’s qualified contributions went to health care, public safety, and COVID-19 disaster relief. During the previous evaluation the bank made 100 qualified donations totaling \$156,021, indicating an increase this examination of 39.0 percent by count and 31.6 percent by dollar volume.

<b>Qualified Community Development Investments by Purpose</b>										
<b>April 1, 2019 to May 16, 2022</b>										
AA Name	AH		CS		ED		R/S		Total #	Total \$
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)		
Non-MSA IA – New	0	0	0	0	0	0	4	2,219	4	2,219
Non-MSA IA – Prior Period	0	0	1	780	0	0	0	0	1	780
BSRA – New	0	0	0	0	0	0	14	6,395	14	6,395
BSRA - Prior	0	0	0	0	0	0	1	500	1	500
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>780</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>9,114</b>	<b>20</b>	<b>9,894</b>

During the evaluation period bank staff provided 1,186 qualified community development service hours and served at 21 organizations. This is below the performance at the previous examination where the bank had 1,570 qualified community development service hours. The bank’s qualified community service hours were primarily served at organizations focusing on providing community services to low- and moderate-income individuals, as well as revitalization and stabilization efforts in light of the COVID-19 pandemic. Overall, there was a decrease in the amount of qualified community development service hours during this examination period in comparison to the previous examination period. Due to the COVID-19 pandemic, the bank’s ability to participate in service opportunities was significantly limited during the early stages of the pandemic. As a result, the bank adapted to meet the needs of the community during the pandemic by participating in community development services focused on revitalizing and stabilizing the communities the bank serves. Lastly, the services the bank chose to participate in are responsive and flexible in nature as they helped organizations with financial and technical assistance during the pandemic.

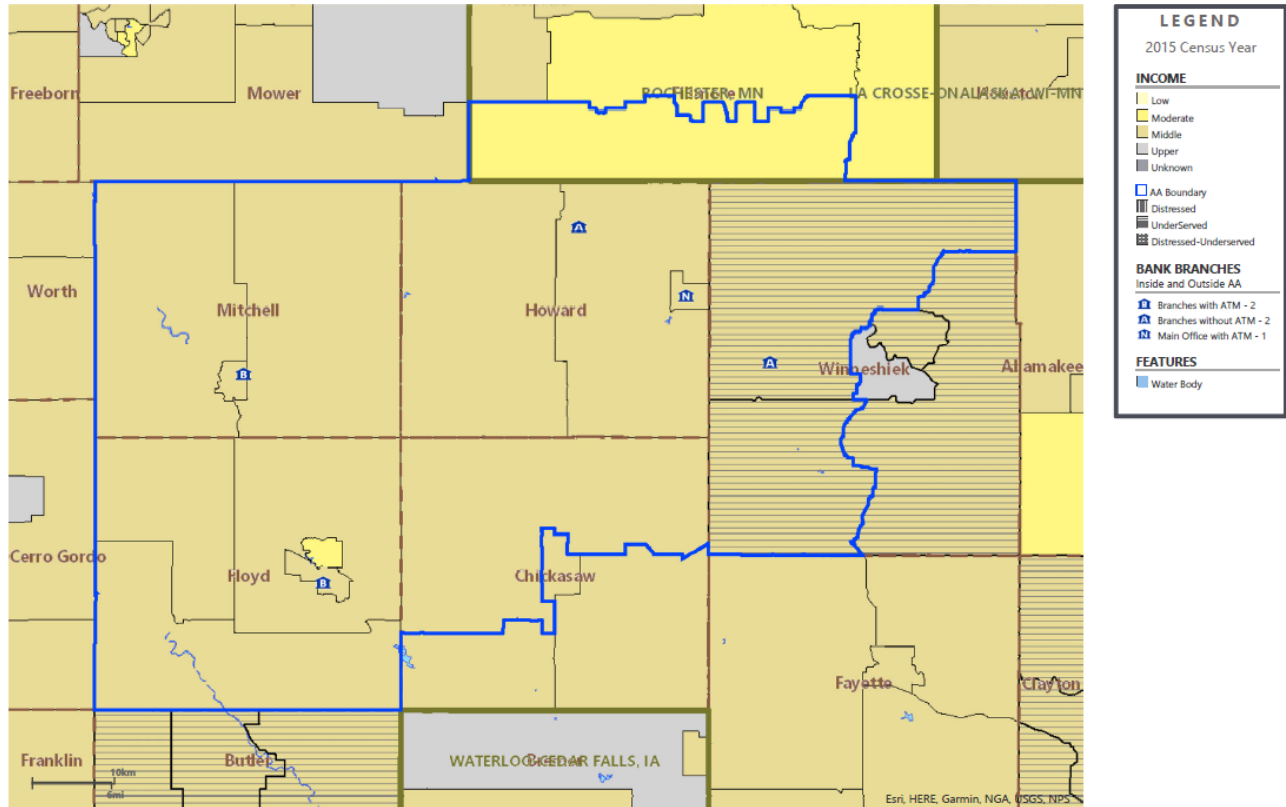
<b>Qualified Community Development Services by Purpose</b>					
<b>April 1, 2019 to May 16, 2022</b>					
AA Name	AH	CS	ED	R/S	Total Hours
	Hours	Hours	Hours	Hours	
Non-MSA IA	23.5	775.8	325.3	61	1185.5

## **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 – Maps of Assessment Areas

**CUSB Bank 900146**  
IA Non MSA





**APPENDIX B – Scope of Examination**

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>		Lending Test: January 1, 2021 to December 31, 2021 Community Development Test: April 1, 2019 to May 16, 2022	
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
CUSB Bank		Home Mortgage Loans Small Business Loans Small Farm Loans	
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
None	N/A		N/A
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
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.<sup>1</sup>

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

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

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

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

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

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

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

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

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

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

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

1. Affordable housing, including for multi-family housing, 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, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes 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 household 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 Loan:** This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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