

# **PUBLIC DISCLOSURE**

April 16, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

State Bank & Trust Co.  
Certificate Number: 15651

1025 Sixth Street  
Nevada, Iowa 50201

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Kansas City Regional Office

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

This document is an evaluation of this institution'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 institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

State Bank & Trust Co.'s satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's performance.

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the AA credit needs.
- The bank made a majority of its small farm, small business, and home mortgage loans in the AA.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes.
- The bank's AA does not contain any low- or moderate-income geographies. Therefore, examiners did not evaluate the geographic distribution of loans.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the CRA rating.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the prior evaluation dated May 10, 2012, to the current evaluation dated April 16, 2018. Examiners used the Interagency Small Institution Examination Procedures to evaluate State Bank & Trust Co.'s CRA performance. These procedures considered the institution's performance according to the following criteria.

- LTD ratio
- AA concentration
- Borrower profile
- Geographic distribution
- Response to CRA-related complaints

This evaluation does not consider any lending activities performed by affiliates.

### **Loan Products Reviewed**

Commercial and Industrial Loans are the bank's largest loan category, representing 41.0 percent of the total loans according to its December 31, 2017 Consolidated Reports of Condition and Income (Call Report). Agricultural loans, including Agricultural Production and Other Loans to Farmers, account for the bank's second largest loan category, at 28.9 percent. Residential Real Estate Loans, including loans secured by 1-4 Family Residential Properties, account for the bank's third largest loan category, at 23.0 percent. The remainder of the loan portfolio is comprised of Construction and Land Development Loans, Consumer Loans, and other loan types at 7.1 percent.

Bank records show that its loan mix remained relatively consistent throughout the evaluation period. Management acknowledged that the bank focuses on all loan types. Based on the above, examiners concluded that the bank's primary product lines are home mortgage, small farm, and small business loans; therefore, these loan types were selected for review. Examiners did not review consumer loans because they are not considered a major product line. State Bank & Trust Co. was a HMDA reporter in 2016, when they originated 13 loans totaling \$2.4 million that were secured by 1-4 family residential real estate. Because of changes in HMDA reporting requirements, the bank is not currently a HMDA reporter. Therefore, conclusions in this evaluation regarding home mortgage loans are based on sampling.

Examiners selected a random sample of home mortgage, small farm, and small business loans originated between January 1, 2017, and December 31, 2017. The following table details the loan samples and the universes from which they were selected.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Home Mortgage	26	\$3,904	14	\$2,529
Small Farm	45	\$4,954	22	\$2,696
Small Business	67	\$9,173	26	\$3,400

*Source: Bank Records from 1/1/2017 through 12/31/2017*

For CRA evaluation purposes, small farm loans and small business loans are defined using definitions in the Call Report. These definitions, as well as that for home mortgage loans, are detailed in the Glossary at the end of this document. Examiners obtained the data necessary for this evaluation from an automated loan download, individual customer loan files, and bank management. Examiners reviewed and presented the number and dollar volume of home mortgage, small farm, and small business loans. However, examiners placed more weight on the number of loans, rather than the dollar volume of loans because the number of loans is a better indicator of the businesses, farms, and individuals served. Examiners utilized the 2015 American Community Survey (ACS) data and 2017 D&B farm and business data for comparison purposes. Lastly, State Bank & Trust Co.'s management stated that an equal emphasis is placed on home mortgage, agricultural, and commercial loans. Therefore, examiners evaluated the bank's lending performance by weighting each of these loan categories equally.

## **DESCRIPTION OF INSTITUTION**

### **Background**

State Bank & Trust Co. is a commercial bank with one office in Nevada, Iowa. Control of the institution remains with the multi-bank holding company, Ames National Corporation, Ames, Iowa. The institution has four affiliates: First National Bank, Ames, Iowa; Boone Bank & Trust Company, Boone, Iowa; United Bank & Trust National Association, Marshalltown, Iowa; and Reliance State Bank, Story City, Iowa. The bank has no subsidiaries. The branch office located in Colo, Iowa, along with its full-service automated teller machine (ATM), has closed since the prior evaluation. Management's objectives include extending loans primarily to customers within its AA. The institution received a Satisfactory rating at its preceding FDIC Performance Evaluation dated May 10, 2012, based on Interagency Small Institution Examination Procedures.

### **Operations**

State Bank & Trust Co., Nevada, Iowa, operates from its sole office at 1025 Sixth Street; there is also a full-service ATM located outside the office. Story County is located in central Iowa and is part of the Ames, Iowa Metropolitan Statistical Area (MSA). The bank offers home mortgage, agriculture, commercial, and consumer loans. Specialty loan programs include United States Department of Agriculture (USDA) Farm Service Agency and Small Business Administration loans. The bank continues to sell long-term fixed-rate loans on the secondary market to Iowa Bankers Mortgage Corporation (IBMC) and to its affiliate, Boone Bank & Trust Company. Home mortgage loans are also referred to IBMC and Midwest Family Lending, which have

specialized programs for USDA, Federal Housing Administration, and Veterans Affairs loans. Basic deposit products and services are offered along with online banking.

**Ability and Capacity**

The bank’s December 31, 2017 Call Report reflected total assets of \$158.9 million, total loans of \$99.4 million, and total deposits of \$134.3 million. The following table reflects the institution’s loan portfolio distribution as of December 31, 2017.

<b>Loan Portfolio Distribution as of 12/31/2017</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	4,653	4.7
Secured by Farmland	12,305	12.4
1-4 Family Residential	20,996	21.1
Multi-family (5 or more) Residential	1,860	1.8
Commercial Real Estate	19,867	20.0
<b>Total Real Estate Loans</b>	<b>59,681</b>	<b>60.0</b>
Agricultural	16,403	16.5
Commercial and Industrial	20,864	21.0
Consumer	774	0.8
Other	1708	1.7
Less: Unearned Income	<2>	0.0
<b>Total Loans</b>	<b>99,428</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet AA credit needs.

**DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. State Bank & Trust Co. designated a single AA consisting of five census tracts (CTs) in Story County, Iowa. Story County is the sole county in the Ames, Iowa MSA. Ames, Iowa is the home of Iowa State University. The AA has not changed since the prior evaluation. The following sections discuss demographic and economic information for the AA derived from several sources. Examiners considered this information in evaluating the bank’s lending performance.

**Economic and Demographic Data**

The AA includes four middle-income CTs (CTs 102,103,104, and 105) in eastern Story County and one upper-income CT (CT 1) in northwestern Story County. Due to the bank’s branch structure, the institution’s AA does not include the City of Ames. There was a slight change in the AA CT designations between the 2010 US Census and the 2015 ACS. The 2010 US Census

designated CT 104 as a moderate-income. CT 104 was designed as middle-income in response to the 2015 ACS. Examiners considered this information in evaluating the bank’s lending performance.

<b>Demographic Information of the AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	5	0.0	0.0	80.0	20.0	0.0
Population by Geography	24,118	0.0	0.0	54.5	45.5	0.0
Housing Units by Geography	10,075	0.0	0.0	55.6	44.4	0.0
Owner-Occupied Units by Geography	7,473	0.0	0.0	53.5	46.5	0.0
Occupied Rental Units by Geography	2,069	0.0	0.0	59.6	40.4	0.0
Vacant Units by Geography	533	0.0	0.0	68.5	31.5	0.0
Businesses by Geography	1,847	0.0	0.0	48.7	51.3	0.0
Farms by Geography	305	0.0	0.0	66.9	33.1	0.0
Family Distribution by Income Level	6,960	13.8	16.2	25.4	44.5	0.0
Household Distribution by Income Level	9,542	13.1	10.8	17.0	59.0	0.0
Median Family Income - 11180 Ames, Iowa MSA		\$77,539	Median Housing Value			\$179,469
			Median Gross Rent			\$771
			Families Below Poverty Level			4.9%
<i>Source: 2015 ACS and 2017 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(* The NA category consists of geographies that have not been assigned an income classification.</i>						

As shown above, the AA’s population is 24,118. Some of the larger communities in the AA include Cambridge, Huxley, Nevada, Slater, and Story City.

The Federal Financial Institutions Examination Council (FFIEC) updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are based on the respective FFIEC updated median family incomes presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Ames, Iowa MSA Median Family Income (11180)</b>				
2017 (\$80,000)	<\$40,000	\$40,000 to <\$64,000	\$64,000 to <\$96,000	≥\$96,000
<i>Source: FFIEC</i> <i>Due to rounding, totals may not equal 100.0</i>				

There are 10,075 housing units in the AA, of which 74.2 percent are owner-occupied, 20.5 percent are occupied rental units, and 5.3 percent are vacant.

The analysis of small farm loans under the Borrower Profile criterion compares the distribution of farms by gross annual revenue (GAR) level. According to 2017 D&B data, there were 305 farms in the AA. GARs for these farms are listed below.

- 98.0 percent have \$1 million or less.
- 1.3 percent have more than \$1 million.
- 0.7 percent have unknown revenues.

The U.S. Agricultural Census reveals that the number of farms decreased 10 percent between 2007 and 2012 in Story County. Additionally, the average farm size decreased by 3 percent between 2007 and 2012. On a statewide level, the number of farms decreased 5 percent, and the average farm size increased 4 percent during this period.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2017 D&B data, there were 1,847 businesses in the AA. GARs for these businesses are listed below.

- 82.9 percent have \$1 million or less.
- 6.2 percent have more than \$1 million.
- 10.9 percent have unknown revenues.

According to 2017 D&B data, the largest industries in the AA as a percentage of total industries are: services at 42.0 percent; agriculture, forestry, and fishing at 14.2 percent; retail trade at 8.5 percent; and construction at 8.2 percent. Some of the largest employers in Story County are 3M Company, Hy-Vee Food Stores, Iowa Department of Transportation, Iowa State University, Manpower Inc., Mary Greeley Medical Center, and Sauer-Danfoss Co.

The AA’s unemployment rate is low, reflecting a healthy economy. According to the U.S. Bureau of Labor Statistics, the 2017 annual unemployment rate for the State of Iowa was 3.1 percent, and the United States was 4.4 percent. Story County’s 2017 unemployment was only 2.2 percent. Story County’s average unemployment rate peaked in 2015 and then decreased in 2016 and 2017. All unemployment rates reviewed continue to decline since 2015. See below regarding the unemployment data.

<b>Average Unemployment Rates</b>				
<b>Area</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>January 2018</b>
	%	%	%	%
Story County, IA	2.5	2.4	2.2	1.8
<b>Iowa Average</b>	<b>3.8</b>	<b>3.6</b>	<b>3.1</b>	<b>3.6</b>
<b>National Average</b>	<b>5.3</b>	<b>4.9</b>	<b>4.4</b>	<b>4.1</b>
<i>Source: Bureau of Labor Statistics</i>				



## **Competition**

The market for financial services is very competitive inside the AA. According to the FDIC's June 2017 Deposit Market Share Report data, there were 20 financial institutions operating 38 offices in Story County. Of these institutions, State Bank & Trust Co. ranked 8<sup>th</sup> with a 5.6 percent deposit market share.

## **Community Contact**

As part of the evaluation process, examiners contact third parties active in the AA to help identify credit and community development needs. This information assists examiners in determining whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available. In conjunction with this evaluation, examiners interviewed a representative of an economic development organization that operates in the AA.

The contact stated the overall economic conditions are strong; however, Nevada has many employees that commute to Ames, Ankeny, or the Des Moines metro area for employment. This reduces the workforce available for new businesses coming into the area. Unemployment rates are very low in the area, which makes it difficult to find qualified applicants. Additionally, Nevada needs more housing, especially for lower income borrowers. Home values are increasing rapidly. The contact confirmed that the greatest credit needs in the area are home mortgage, commercial, and agricultural loans. There is heavy competition in the area for banking; however, it does not limit the opportunities for financial institutions to get involved. Overall, the representative had a positive perception of local financial institutions and indicated that credit needs are being met.

Considering the information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage, small farm, and small business loans are credit needs of the AA.

# **CONCLUSIONS ON PERFORMANCE CRITERIA**

## **LENDING TEST**

State Bank & Trust Co. demonstrated reasonable performance under the Lending Test. The performances under the LTD Ratio, AA Concentration, and Borrower Profile reviews support this conclusion. As previously stated, the AA does not contain any low- or moderate-income geographies. Therefore, examiners did not evaluate the geographic distribution of loans.

## **LTD Ratio**

State Bank & Trust Co.'s LTD ratio is reasonable given the institution's size, financial condition, and AA's credit needs. The bank's net LTD ratio, calculated from Call Report data, averaged 70.5 percent over the past 23 calendar quarters from June 30, 2012, to December 31, 2017. The

ratio ranged from a low of 60.8 percent as of March 31, 2013, to a high of 82.9 percent as of September 30, 2016. Management stated the fluctuations are mostly due to the existence of large public funds deposited twice a year.

Examiners compared the bank’s average net LTD ratio to four similarly-situated financial institutions (SSFIs) to help evaluate its reasonableness. SSFIs are defined as institutions operating in and around the AA with similar asset bases and product lines. State Bank & Trust Co.’s average net LTD ratio ranked fourth out of the five banks that were compared. However, like some of the other SSFIs, State Bank & Trust Co.’s net LTD ratio does not account for their secondary market volume. Specifically, 22 loans for \$3.7MM were sold in 2017 and 27 loans for \$4.0MM were sold in 2016. Bank management also stated that their goal is to have a net LTD ratio around 75 percent and the AA is very competitive. The following table provides details.

<b>LTD Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2017 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>State Bank &amp; Trust Co., Nevada, Iowa</b>	<b>158,888</b>	<b>70.5</b>
Community Bank, Nevada, Iowa	208,315	108.7
South Story Bank & Trust, Slater, Iowa	188,897	86.5
Central State Bank, State Center, Iowa	260,247	72.6
Reliance State Bank, Story City, Iowa	220,385	65.4

*Source: Reports of Condition and Income 6/30/2012 through 12/31/2017*

### **AA Concentration**

The bank made a majority of its home mortgage, small farm, and small business loans within its AA. Examiners reviewed the home mortgage, small farm, and small business loan samples, as described within the “Scope of the Evaluation” in drawing this conclusion. The following table provides details.

<b>Lending Inside and Outside of the AA</b>										
<b>Loan Category</b>	<b>Number of Loans</b>					<b>Dollar Amount of Loans \$(000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$(000s)</b>
Home Mortgage	10	71.4	4	28.6	14	1,828	72.3	701	27.7	2,529
Small Farm	17	77.3	5	22.7	22	2,404	89.2	292	10.8	2,696
Small Business	19	73.1	7	26.9	26	1,327	39.0	2,073	61.0	3,400

*Source: Evaluation Period: 1/1/2017 - 12/31/2017 Bank Data  
Due to rounding, totals may not equal 100.0*

As shown above, 71.4 percent of the home mortgage loans reviewed, by number, were within the AA. In addition, 77.3 percent of the small farm loans reviewed, by number, were within the AA. Lastly, 73.1 percent of the small business loans reviewed, by number, were within the AA.

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes. Reasonable performance in home mortgage and small business lending, and excellent performance in small farm lending support this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. They also focused on the percentage by number of small farm and small business loans to those with GARs of \$1 million or less. Refer to comments under each separately analyzed loan type for more analysis.

***Home Mortgage Loans***

The distribution of borrowers reflects, given the demographics of the AA and other performance contextual factors, reasonable penetration among individuals of different income levels. The following table provides details.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	13.8	0	0.0	0	0.0
Moderate	16.2	2	20.0	178	9.7
Middle	25.4	3	30.0	281	15.4
Upper	44.5	5	50.0	1,369	74.9
Not Available	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>1,828</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>					

As shown above, lending to low-income borrowers is below the percentage of low-income families in the AA, but lending to moderate-income borrowers is above the percentage of moderate-income families in the AA. Specifically, 2015 ACS data indicates that 13.8 percent of families in the AA are low-income and 16.2 percent are moderate-income. In comparison, State Bank & Trust Co. did not originate any home mortgage loans to low-income borrowers and 20 percent of their home mortgage loans to moderate-income borrowers. In addition, the small number of loans reviewed (ten) makes drawing conclusions difficult, as a swing in a single loan significantly affects the comparison. Although the bank’s loan penetration is below demographic data for low-income borrowers, several factors were taken into consideration when drawing overall conclusions.

According to 2015 ACS data, 4.9 percent of the families in the AA live below the poverty level, and 20.5 percent of the occupied housing units in the AA are rental units. This may limit

demand for housing credit from low-income families. Additionally, considering the median housing value is \$179,469 in the AA, a low-income family (with an income of less than \$40,000) may have difficulty qualifying for a mortgage under conventional underwriting standards. As previously stated, the bank sells and refers loans to secondary market investors. In 2017, 2 of 22 (9.1 percent) of the loans sold on the secondary market were to moderate-income borrowers. These loans are not included in the bank’s loan portfolio. Management also stated that they would extend credit to any qualified applicant. Given these factors, the bank’s home mortgage loan penetration among individuals of different income levels is reasonable.

### ***Small Farm Loans***

The distribution of small farm loans shows excellent penetration to farms with GARs of \$1 million or less, taking into consideration that nearly all of the farms in the AA fall into this GAR category. The following table provides details.

<b>Distribution of Small Farm Loans by GAR Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	98.0	17	100.0	2,404	100.0
>1,000,000	1.3	0	0.0	0	0.0
Revenue Not Available	0.7	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>2,404</b>	<b>100.0</b>
<i>Source: 2017 D&amp;B Data, 1/1/2017 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0</i>					

As shown in the preceding table, 100 percent of the small farm loans reviewed were to borrowers with GARs of \$1 million or less. In comparison, 2017 D&B data indicates that 98.0 percent of the AA’s farms had GARs of \$1 million or less. The distribution of small farm loans shows excellent penetration to farms with GARs of \$1 million or less.

### ***Small Business Loans***

The bank’s record of lending to businesses of different sizes is reasonable. The following table provides details.

<b>Distribution of Small Business Loans by GAR Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	82.9	13	68.4	505	38.1
>1,000,000	6.2	6	31.6	822	61.9
Revenue Not Available	10.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>1,327</b>	<b>100.0</b>
<i>Source: 2017 D&amp;B Data, 1/1/2017 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>					

As shown above, 68.4 percent of the small business loans reviewed were to borrowers with GARs of \$1 million or less. In comparison, 2017 D&B data indicates that 82.9 percent of the AA's businesses had GARs of \$1 million or less. Management stated that the sample included established borrowers that have seen their small businesses grow into large businesses. In addition, four of the six loans to businesses with GARs of over \$1 million were originated to only two businesses. As mentioned previously, there is a high level of competition among lenders in the area, and the community contact indicated that credit needs of the area are being met. Based on the performance context, examiners concluded that the bank's record of lending to small businesses is reasonable.

### **Geographic Distribution**

The bank's AA does not contain any low- or moderate-income geographies. Therefore, examiners did not evaluate the geographic distribution of loans.

### **Response to Complaints**

State Bank & Trust Co. did not receive any CRA-related complaints since the previous evaluation. As a result, this criterion did not affect the CRA rating.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's CRA rating.

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**AA:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**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. Other family 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).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an AA. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

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

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an AA. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic



branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 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.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.