

## **PUBLIC DISCLOSURE**

May 7, 2019

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First State Bank Shannon-Polo  
Certificate: #1781

1 South Linn Street  
Shannon, Illinois 61078

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

300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606

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.

The First State Bank Shannon-Polo's (FSBSP) 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 Lending Test performance.

- The average loan-to-deposit ratio is reasonable.
- Overall, a substantial majority of the bank's loans were originated in the assessment area. Specifically, a substantial majority of small farm loans and home mortgage loans and a majority of the small business loans were originated within the assessment area.
- Overall, the bank's lending to borrowers, small farms and business of varying income levels is reasonable. As such, the bank has a reasonable penetration of small farm and small business loans to farms and businesses of different sizes and an excellent penetration of home mortgage loans to borrowers of different income levels.
- The bank's performance under the geographic distribution of loans criterion was given minimal weight as no census tracts are classified as low- or moderate-income in the assessment area.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor was not considered in the overall rating.

## **SCOPE OF THE EVALUATION**

### **General Information**

This evaluation covers the period from the prior CRA evaluation dated May 30, 2013 to the current evaluation dated May 7, 2019. Examiners used the Interagency Small Institution Examination Procedures to evaluate FSBSP's CRA performance, which includes a lending test.

The Lending Test considered the institution's performance according to the following criteria:

- Loan-to-deposit ratio
- Assessment area concentration
- Borrower profile
- Geographic distribution
- Response to CRA-related complaints

### **Loan Products Reviewed**

Examiners determined that FSBSP's major product lines are agricultural, residential, and commercial loans, with a primary focus on agricultural lending. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Refer to the glossary for definitions of the loan products reviewed.

As of March 31, 2019, agricultural loans represented 52.6 percent, commercial loans represented 24.3 percent, and residential loans represented 18.1 percent of the total loan portfolio. In terms of dollar amounts, both agricultural and commercial loans have experienced the largest increases since the previous evaluation while residential and consumer loans have declined. Agricultural loans are weighted more heavily in this evaluation as they represent over 50 percent of the loan portfolio by dollar amount, as well as being the bank's main lending focus.

The bank is not subject to the CRA and Home Mortgage Disclosure Act data reporting regulatory requirements. As such, a sample of agricultural, commercial, and residential loans extended from January 1, 2018 through December 31, 2018 were reviewed and included in this evaluation. Consumer loans represented 3.9 percent of the loan portfolio and were not analyzed and presented in this evaluation. The loans included in this evaluation are considered representative of FSBSP's lending performance since the last public evaluation completed on May 30, 2013. The universe of residential loans includes 42 loans totaling over \$5.1 million sold on the secondary market with servicing retained.

The following table represents the loan products reviewed.

Loan Products Reviewed				
Loan Category	Universe		Loans Sampled	
	#	\$(000s)	#	\$(000s)
Agricultural Loans	79	18,776	50	5,123
Commercial Loans	111	8,308	50	2,597
Residential Loans	126	10,577	50	3,825
<i>Source: Bank Records from 01/01/2018 through 12/31/2018</i>				

## DESCRIPTION OF INSTITUTION

### *Background*

FSBSP is a \$160 million financial institution headquartered in Shannon, Illinois (population 757), which is in the northwestern part of the State. Shannon Bancorp, Inc., a one-bank holding company, wholly-owns subject bank and there are no other affiliates. The main office is located in census tract 9601, a middle-income census tract, in Carroll County. FSBSP operates a full-service branch in Lake Carroll, which is a resort community located ten miles west of the main bank location in census tract 9601. A full-service branch office is located approximately 18 miles southeast of the main office in Polo, Illinois (population 2,355). This branch is in census tract 9615, an upper-income census tract, in Ogle County. The bank has not participated in any merger activity or opened or closed any branches since the last evaluation.

### *Operations*

FSBSP offers a variety of products and services to meet the credit and deposit needs of the local area. Loan types include consumer loans, both secured and unsecured; residential real estate loans for home purchase, refinance, home improvement, home equity, and construction; commercial loans, both operating and real estate; and agricultural loans, both operating and real estate. FSBSP sells long-term fixed rate residential real estate loans on the secondary market. Some of the deposit products offered include checking, savings, certificates of deposit, and money market accounts. FSBSP offers internet and mobile banking and operates six automated teller machines (ATMs).

### *Ability and Capacity*

According to the March 31, 2019 Call Report, FSBSP had \$160 million in total assets, \$136 million in deposits, and \$103 million in loans. Since the previous evaluation, the bank has experienced a decrease in assets and deposits while loans have grown significantly. Specifically, FSBSP experienced a 3.5 percent decrease in total assets, a 2.7 percent decrease in deposits, and a 55.3 percent increase in loans since the previous evaluation. The significant increase in loans is attributed to local farm sales with the buyers being current banking customers in need of financing. There are no legal or financial impediments that would hinder the bank's ability to meet the credit needs of the AA.

The loan portfolio distribution is shown in the following table.

Loan Portfolio Distribution as of 3/31/2019		
Loan Category	\$(000s)	%
Construction and Land Development	1,007	1.0
Secured by Farmland	41,414	40.0
1-4 Family Residential	18,661	18.0
Multi-family (5 or more) Residential	53	0.1
Commercial Real Estate	10,191	9.9
<b>Total Real Estate Loans</b>	<b>71,326</b>	<b>69.0</b>
Commercial and Industrial	14,853	14.4
Agricultural	13,043	12.6
Consumer	4,067	3.9
Other	140	0.1
Less: Unearned Income	-	-
<b>Total Loans</b>	<b>103,429</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

## DESCRIPTION OF ASSESSMENT AREA

### **CARROLL COUNTY CENSUS TRACTS - 9601, 9604 and 9605** **LEE COUNTY CENSUS TRACT - 5** **OGLE COUNTY CENSUS TRACT - 9607, 9608, 9609, 9614, and 9615** **STEPHENSON COUNTY CENSUS TRACTS - 4 and 5** **WHITESIDE COUNTY CENSUS TRACT - 1**

FSBSP's assessment area consists of 12 contiguous geographies located in non-metropolitan statistical areas (non-MSA) in northern Illinois. The AA includes portions of Carroll, Lee, Ogle, Stephenson, and Whiteside Counties. The AA consists only of whole geographies, includes the tracts where the institution's main office and branch office is located, does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate-income areas.

According to the 2015 American Community Survey (ACS) data, the assessment area is comprised of seven upper-income census tracts and five middle-income tracts. No other financial institutions are located in Shannon. Besides the bank's branch, there is one other financial institution located in Polo, Illinois. Numerous other financial institutions are located throughout, and adjacent to, the AA. The AA is largely rural in nature with agricultural-related occupations responsible for a large portion of employment.

### *Economic and Demographic Data*

As of March 2019, the Illinois Department of Employment Security reports the unemployment rate for Carroll County at 5.7 percent, Lee County at 5.2 percent, Ogle County at 6.6 percent, Stephenson County at 5.6 percent, Whiteside County at 5.3 percent, and the State of Illinois at

4.5 percent. These figures reflect increases from the same period in 2018 when the unemployment rate was 4.7 percent for Carroll County, 5.1 percent for Lee County, 5.3 percent for Ogle County, 4.7 percent for Stephenson County, 4.5 percent for Whiteside County, and 4.3 percent for the State.

Major employers in the AA include Polo Community Unit School District #222, Eastland Community Unit School District #308, Eastland Feed and Grain, Inc. (feed mill), Polo Cooperative Association (retail fertilizer provider), PNC Inc. (solenoid and wiring harness manufacturer). There are numerous larger employers in the city of Freeport, which is located 16 miles to the northeast of Shannon.

The following table outlines the demographic and economic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	12	0.0	0.0	58.3	41.7	0.0
Population by Geography	44,457	0.0	0.0	53.5	46.5	0.0
Housing Units by Geography	21,138	0.0	0.0	56.9	43.1	0.0
Owner-Occupied Units by Geography	15,083	0.0	0.0	50.8	49.2	0.0
Occupied Rental Units by Geography	3,537	0.0	0.0	70.5	29.5	0.0
Vacant Units by Geography	2,518	0.0	0.0	74.1	25.9	0.0
Businesses by Geography	2,244	0.0	0.0	58.0	42.0	0.0
Farms by Geography	438	0.0	0.0	62.3	37.7	0.0
Family Distribution by Income Level	12,425	13.4	15.1	23.0	48.5	0.0
Household Distribution by Income Level	18,620	18.7	13.9	16.9	50.5	0.0
Median Family Income Non-MSAs, IL - 2015		\$59,121	Median Housing Value			\$124,610
Median Family Income Non-MSAs, IL - 2018		\$63,900	Median Gross Rent			\$606
			Families Below Poverty Level			6.5%
Sources: 2015 ACS Census and 2018 D&B Data. Due to rounding, totals may not equal 100.0. (*) The NA category consists of geographies that have not been assigned an income classification.						

The evaluation used the 2018 FFIEC-updated median family income (MFI) levels to analyze home mortgage loans under the Borrower Profile criterion. Since the AA is not located in a MSA, examiners used the statewide non-MSA MFI figure for the State of Illinois and the corresponding income levels shown in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
IL NA Median Family Income (99999)				
2018 (\$63,900)	<\$31,950	\$31,950 to <\$51,120	\$51,120 to <\$76,680	≥\$76,680
Source: FFIEC.				

### ***Competition***

The AA is a mildly competitive market for financial services. There are some larger regional banks with branch offices in nearby Freeport (population 24,091), as well as several smaller community banks located in various communities throughout the AA. According to the FDIC Deposit Market Share data as of June 30, 2018, 16 FDIC-insured financial institutions operate 32 full-service offices within Carroll and Ogle Counties. The bank's three branch offices and a majority of borrowers are located in these two counties. Of the 16 institutions operating in Carroll and Ogle Counties, FSBSP ranked 4<sup>th</sup> with 8.35 percent of the deposit market share.

### ***Community Contact***

As part of the evaluation process, examiners reviewed recent community contacts that were conducted in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available. Examiners reviewed contacts conducted with local businesspersons in the AA whom are knowledgeable of the current economic conditions, employment opportunities, housing availability, local business and farming economies, and other demographic data.

The contacts indicated that there has been minimal economic growth. A contact indicated that the activity in the residential and commercial real estate market has been slow in recent years, which is consistent with most communities in the area. This slow real estate market can be attributed to past national and state economic conditions, which also negatively affected the area and the shrinking population in rural areas. Agricultural land prices have experienced increases in value mainly due to outside investors from Chicago. A contact stated a reasonable amount of housing is available for borrowers of various income levels, but believes that the overall condition of housing in the AA is average to poor contributing to low housing values. A significant number of AA residents commute to Freeport, Rockford, Sterling, and Dixon, Illinois for the manufacturing, education, and health care-related job opportunities. A contact stated local financial institutions are generally involved in their communities, and are committed to assisting consumers, business owners, farmers, and homebuyers with financing. In addition, area banks are experiencing increasing competition from government agencies, insurance companies, and implement manufacturers willing to provide financing to agricultural borrowers. The community contact information did not reveal any unmet credit needs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

FSBSP has demonstrated reasonable CRA performance. The bank's lending performance in the AA provides support for this conclusion. The evaluation of FSBSP's lending performance is based upon a review of the small farm, small business, and residential lending activity during the evaluation period.



### **Loan-to-Deposit Ratio**

The net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and AA credit needs. FSBSP's average net loan-to-deposit ratio is 67.8 percent, based on the 23 calendar quarters since the prior evaluation. The net loan-to-deposit ratio has fluctuated from a low of 49.5 percent on June 30, 2013 to a high of 83.5 percent on December 31, 2017. The net loan-to-deposit ratio shows an increasing trend since the prior evaluation.

Five comparable financial institutions with headquarters in or adjacent to, the bank's AA were selected based upon asset size and similar lending focus. A review of five financial institutions revealed average net loan-to-deposit ratios ranging from 49.5 percent to 84.0 percent during the same period. FSBSP's average net loan-to-deposit ratio is considerably higher than one of these institutions and comparable to one other institution as shown in the following table.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2018 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>First State Bank Shannon-Polo</b>	<b>157,378</b>	<b>67.8</b>
Institution A	216,163	84.0
Institution B	142,314	83.9
Institution C	258,059	83.8
Institution D	211,557	73.1
Institution E	87,305	49.5
<i>Source: Reports of Condition and Income 6/30/2013 to 12/31/2018</i>		

### **Assessment Area Concentration**

A sample of agricultural, commercial, and residential loans originated by the bank during 2018 was analyzed to determine the portion of loans extended inside and outside the AA. Based on the samples of loans, overall, the bank originated a substantial majority of its loans within the assessment area. More specifically, FSBSP originated a substantial majority of its agricultural and residential loans and a majority of commercial loans to borrowers within its AA.

The following table provides further details about the number and dollar volume of loans made inside and outside the AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total  #	Dollar Amount of Loans \$(000s)				Total  \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Agricultural										
2018	42	84.0	8	16.0	50	4,010	78.3	1,113	21.7	5,123
Commercial										
2018	32	64.0	18	36.0	50	1,414	54.5	1,183	45.5	2,597
Home Mortgage										
2018	41	82.0	9	18.0	50	2,828	73.9	997	26.1	3,825
Source: Bank Data. Due to rounding, totals may not equal 100.0.										

### **Borrower Profile**

Overall, the bank's lending to borrowers of varying income levels and small farms and businesses of varying sizes is reasonable. This assessment is supported by an excellent level of lending to borrowers of different income levels and a reasonable level of lending to small farms and businesses of different sizes.

#### *Small Farm Loans*

FSBSP's performance in lending to small farms of different sizes is reasonable. The performance was analyzed and compared to farms that reported gross annual revenues. As shown in the following table, the bank is reasonably serving the assessment area by extending agricultural-related loans to small farms at 88.1 percent. This lending performance is comparable to the 97.5 percent of total farming operations that reported gross annual revenues of less than \$1 million in the AA.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2018	97.5	37	88.1	2,501	62.4
>=\$1,000,000					
2018	1.8	5	11.9	1,509	37.6
Revenue Not Available					
2018	0.7	---	---	---	---
Totals					
2018	100.0	42	100.0	4,010	100.0
Sources: 2018 D&B Data; 1/1/2018 - 12/31/2018 Bank Data					

### *Small Business Loans*

FSBSP's performance in lending to small businesses of different sizes is reasonable. The performance was analyzed and compared to businesses that reported gross annual revenues. As shown in the following table, the bank is reasonably serving the assessment area by extending commercial-related loans to small businesses at 81.3 percent. This lending performance is comparable to the 79.1 percent of total businesses that reported gross annual revenues of less than \$1 million in the AA.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000					
2018	79.1	26	81.3	738	52.2
>\$1,000,000					
2018	5.7	6	18.7	676	47.8
Revenue Not Available					
2018	15.2	-	-	-	-
Totals					
2018	100.0	32	100.0	1,414	100.0
Sources: 2018 D&B Data; 1/1/2018 - 12/31/2018 Bank Data					

### *Home Mortgage Loans*

Overall, FSBSP's lending performance to borrowers of different income levels is excellent. An analysis was performed to determine the distribution of residential loans according to the borrowers' income as reported on the loan applications for year 2018. The median family income levels are based on the HUD-estimated median family income levels for the non-MSA portions of Illinois for 2018.

The bank's lending to low-income families is excellent. Specifically, FSBSP extended 17.1 percent of its residential loans to low-income families that comprise 13.4 percent of the population. According to the 2015 ACS Census, 6.5 percent of the families in the AA had incomes below the poverty level. These families typically do not possess the financial means to qualify for or afford a home mortgage loan due to financial constraints, which affects the level of available lending opportunities in the AA to this income segment. This context makes the bank's high penetration to low-income families in the AA commendable.

FSBSP's lending to moderate-income families is excellent. The bank extended 24.4 percent of its residential loans to moderate-income families that comprise 15.1 percent of the population in the AA. Overall, the bank's residential lending performance reflects an excellent penetration among low- and moderate-income borrowers.

The following table shows the distribution of consumer residential real estate loans by the borrowers' income.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2018	13.4	7	17.1	257	9.1
Moderate					
2018	15.1	10	24.4	544	19.2
Middle					
2018	23.0	6	14.6	546	19.3
Upper					
2018	48.5	17	41.5	1,447	51.2
Not Available					
2018	0.0	1	2.4	34	1.2
Totals					
2018	100.0	41	100.0	2,828	100.0
<i>Sources: 2015 ACS Data, Bank Records; Poverty level 6.5 percent</i>					

### **Geographic Distribution**

This rating criterion received very little weight in the overall evaluation of the lending performance in the assessment area. This assessment area is comprised of seven middle- and five upper-income census tracts. No low- or moderate-income tracts are located in close proximity to the AA.

### **Response to Complaints**

Neither the bank nor the FDIC received any CRA-related complaints since the previous evaluation; therefore, this factor was not considered in determining the overall 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 overall 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/assessment area.

**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.

**Assessment Area:** 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 assessment area. 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 assessment area. 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/assessment area.

**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.