

# **PUBLIC DISCLOSURE**

June 18, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Union State Bank of Hazen  
Certificate Number: 13195

209 Central Avenue North  
Hazen, North Dakota 58545

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, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Union State Bank of Hazen's (USB) 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 ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank originated a majority of its small farm and small business loans as well as its home mortgage loans in the assessment area.
- A geographic distribution analysis was not conducted as the bank's assessment area is comprised entirely of middle- and upper-income geographies.
- The distribution of borrowers reflects excellent penetration among farms and businesses of different revenue sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the rating.

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the prior evaluation dated April 28, 2014, to the current evaluation dated June 18, 2018. Examiners used Small Bank Examination Procedures to evaluate the bank's performance. These procedures considered the institution's performance according to the following criteria.

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

Interviews with bank management and information obtained through community contacts were used to assess current economic and demographic conditions and credit needs in the assessment area. Examiners also reviewed pertinent information from D&B and the 2015 American Community Service (ACS) data to provide context for the overall evaluation.

### Loan Products Reviewed

The bank's major product lines are agricultural, home mortgage, and commercial loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

Bank records indicate that the primary lending focus continues to be agricultural loans. However, the product mix has changed slightly since the last evaluation with home mortgage loans now replacing commercial loans as the second largest portion of the loan portfolio. Examiners selected a sample of small farm, home mortgage, and small business loans originated, extended, or renewed between January 1, 2017, and December 31, 2017. The review did not include loans originated and paid off during this time period as information on these loans was not readily available. D&B data for 2017 was used for comparison purposes in evaluating USB's small farm and small business lending performance. The 2017 Federal Financial Institutions Examination Council (FFIEC) estimated median family income for the Bismarck Metropolitan Statistical Area (MSA) and the 2017 FFIEC estimated median family income for the non-metropolitan portion of North Dakota were used for comparison purposes in evaluating the bank's home mortgage lending performance.

When determining the rating, agricultural loans received the most weight as they comprise the largest portion of the loan portfolio and account for the largest number of originations. Small business and home mortgage loans received lesser but equal weight. All three products are credit needs in the assessment area. No other loan types, such as consumer loans represent a major product line. Therefore, they provided no material support for conclusions or a rating and were not analyzed. The following table details the loan universes and samples selected for review.

| Loan Products Reviewed |          |          |          |          |
|------------------------|----------|----------|----------|----------|
| Loan Category          | Universe |          | Reviewed |          |
|                        | #        | \$(000s) | #        | \$(000s) |
| Small Farm             | 162      | 15,090   | 35       | 2,922    |
| Home Mortgage          | 46       | 6,841    | 22       | 3,719    |
| Small Business         | 99       | 7,787    | 31       | 2,001    |

*Source: Bank Records from 1/1/17 through 12/31/17.*

While both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans as it is a better indicator of the bank's lending efforts. Lending activity of affiliated financial institutions was not considered in evaluation of the bank's performance.

## DESCRIPTION OF INSTITUTION

### Background

USB is headquartered in Hazen, North Dakota, and is controlled by Hazen Bancorporation, Inc., a bank holding company also located in Hazen. At the previous evaluation dated April 28, 2014, USB was evaluated using Small Bank Examination Procedures. The previous evaluation was conducted by the FDIC and resulted in a Satisfactory rating.

### Operations

USB operates four locations in west central North Dakota. The bank has its main office as well as a limited service facility at a local grocery store in Hazen. The bank also has a full service branch in Beulah and a limited service facility in Stanton. USB provides a variety of traditional deposit services including checking, savings, and certificates of deposit. Alternative banking services include internet banking, mobile banking, and three automated teller machines. USB offers a variety of agricultural, commercial, and consumer loan products with a focus on agricultural lending. These products are consistent with the institution's size, financial capacity, and geographic location. The bank offered loans with guarantees from Farm Service Agency (FSA) and Small Business Administration (SBA) during the evaluation period, although no applicable loans are currently outstanding. In addition, USB offers special loan programs through the U.S. Department of Veterans Affairs, the U.S. Department of Agriculture, the North Dakota Housing Finance Agency, and the Bank of North Dakota. Finally, the institution originates and sells home mortgage loans on the secondary market to provide borrowers access to loan products with longer maturities.

## **Ability and Capacity**

As of March 31, 2018, USB reported total assets of \$141,110,000; net loans of \$77,214,000; and total deposits of \$128,154,000. Since June 30, 2014, total assets have increased by 18.1 percent, net loans have increased by 24.0 percent, and total deposits have increased by 25.2 percent. The bank's loan portfolio is illustrated in the following table.

| <b>Loan Portfolio Distribution as of 03/31/18</b> |                 |              |
|---|-----------------|--------------|
| <b>Loan Category</b>                              | <b>\$(000s)</b> | <b>%</b>     |
| Construction and Land Development                 | 2,675           | 3.4          |
| Secured by Farmland                               | 12,392          | 15.8         |
| 1-4 Family Residential                            | 19,348          | 24.7         |
| Multi-family (5 or more) Residential              | 0               | 0.0          |
| Commercial Real Estate                            | 8,190           | 10.4         |
| <b>Total Real Estate Loans</b>                    | <b>42,605</b>   | <b>54.3</b>  |
| Commercial and Industrial                         | 7,814           | 10.0         |
| Agricultural                                      | 13,050          | 16.6         |
| Consumer  | 8,634           | 11.0         |
| Other   | 6,402           | 8.1          |
| Less: Unearned Income                             | 0               | 0.0          |
| <b>Total Loans</b>                                | <b>78,505</b>   | <b>100.0</b> |

*Source: Reports of Condition and Income*

Examiners did not identify any financial, legal, or other impediments that affect USB's ability to meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires financial institutions to identify one or more assessment areas within which its CRA performance will be evaluated. The following sections discuss demographic and economic information for USB's assessment area.

### **Economic and Demographic Data**

The bank's assessment area includes all of Mercer and Oliver counties in west central North Dakota. Specifically, the assessment area consists of Census Tracts (CTs) 9616 – 9618 in Mercer County and 9612 in Oliver County. Oliver County is part of the Bismarck MSA.

CTs 9612, 9616, and 9618 are considered middle income according to the 2015 American Community Survey (ACS) data, while CT 9617 is considered to be upper income. The bank's main office and a limited facility are located in CT 9616, which encompasses the city of Hazen. The Beulah office is located in CT 9617, which encompasses the city of Beulah. The Stanton facility is located in CT 9618. The bank does not operate any offices in Oliver County. Details on demographic characteristics are presented in the following table.

| Demographic Information of the Assessment Area   |        |               |                              |                  |                 |               |
|--|--------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics  | #      | Low<br>% of # | Moderate<br>% of #           | Middle<br>% of # | Upper<br>% of # | NA*<br>% of # |
| Geographies (Census Tracts)  | 4      | 0.0           | 0.0                          | 75.0             | 25.0            | 0.0           |
| Population by Geography  | 10,452 | 0.0           | 0.0                          | 68.6             | 31.4            | 0.0           |
| Housing Units by Geography   | 5,591  | 0.0           | 0.0                          | 73.6             | 26.4            | 0.0           |
| Owner-Occupied Units by<br>Geography   | 3,691  | 0.0           | 0.0                          | 71.9             | 28.1            | 0.0           |
| Occupied Rental Units by<br>Geography  | 774    | 0.0           | 0.0                          | 64.9             | 35.1            | 0.0           |
| Vacant Units by Geography  | 1,126  | 0.0           | 0.0                          | 85.3             | 14.7            | 0.0           |
| Businesses by Geography  | 750    | 0.0           | 0.0                          | 69.7             | 30.3            | 0.0           |
| Farms by Geography   | 137    | 0.0           | 0.0                          | 92.0             | 8.0             | 0.0           |
| Family Distribution by Income<br>Level   | 3,078  | 18.3          | 14.0                         | 22.9             | 44.9            | 0.0           |
| Household Distribution by Income<br>Level  | 4,465  | 22.4          | 13.4                         | 15.6             | 48.6            | 0.0           |
| Median Family Income MSA -<br>Bismarck, ND MSA   |        | \$82,181      | Median Housing Value         |                  |                 | \$130,518     |
| Median Family Income Non-MSAs<br>- ND  |        | \$72,620      | Median Gross Rent            |                  |                 | \$647         |
|  |        |               | Families Below Poverty Level |                  |                 | 6.4%          |
| <i>Source: 2015 ACS Census and 2017 D&amp;B Data</i><br><i>Due to rounding, totals may not equal 100.0</i><br><i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> |        |               |                              |                  |                 |               |

The 2015 ACS Census data indicates that the assessment area includes 5,591 housing units, with owner-occupied homes comprising 66 percent, occupied rental units comprising 13.9 percent, and vacant housing units comprising 20.1 percent. The median gross rent was \$647 per month. According to 2017 D&B data, there were 137 farms and 750 businesses in USB's assessment area.

The 2017 FFIEC-updated median family income is used to analyze home mortgage loans under the Borrower Profile criterion. The following table demonstrates the income categories based on the 2017 FFIEC-updated median family income for the Bismarck MSA of \$82,000 and the non-metropolitan North Dakota area of \$78,800.

| Median Family Income Ranges                     |             |                         |                        |                |
|---|-------------|-------------------------|------------------------|----------------|
| Median Family Incomes                           | Low<br><50% | Moderate<br>50% to <80% | Middle<br>80% to <120% | Upper<br>≥120% |
| <b>Bismarck, ND MSA Median Family Income</b>    |             |                         |                        |                |
| 2017 (\$82,000)                                 | <\$41,000   | \$41,000 to <\$65,600   | \$65,600 to <\$98,400  | ≥\$98,400      |
| <b>Non-Metropolitan ND Median Family Income</b> |             |                         |                        |                |
| 2017 (\$78,800)                                 | <\$39,400   | \$39,400 to <\$63,040   | \$63,040 to <\$94,560  | ≥\$94,560      |
| <i>Source: FFIEC</i>                            |             |                         |                        |                |

The U.S. Bureau of Labor Statistics reports that the unemployment rate for April 2018 was approximately 3.8 percent in Mercer County and 4.4 percent in Oliver County. Comparable figures for the U.S. and the State of North Dakota were 3.9 percent and 2.9 percent, respectively. Major employers in the assessment area include agricultural and energy-related companies, a telecommunications company, as well as local school districts, government entities, and health care facilities. Management indicated that certain businesses in the area are experiencing an employee shortage. With regard to the energy-related companies, management reported that many individuals commute into the assessment area for employment.

The assessment area is rural in nature, with agricultural and energy-related industries (coal, natural gas, and electricity generation) dominating the economy. One community member noted that loans for agriculture and commercial purposes are primary credit needs in the area. Management and the contacts noted a severe drought in 2017 that resulted in stress on the area's livestock and crop producers. However, producers had several prior years of good yields and commodity prices, helping to offset the drought conditions and lower commodity prices. In addition, outside income from energy-related employment allowed many of the farmers to maintain their standard of living and lessened the impact to the local economy.

Crop production is the primary agricultural activity in the northeastern portion of Mercer County, while livestock production (mainly cow/calf operations) dominates the southern portion of the assessment area. The predominant crops grown in Mercer and Oliver counties include winter wheat, corn, soybeans, sunflowers, and peas. Bank management indicated that farm sizes continue to increase, while the number of farms is decreasing. There has been a slow appreciation in agricultural real estate values since the previous evaluation. Rental rates for pasture and cropland have also remained stable. In many cases, children have returned to the area and assumed the farming/ranching operations from their parents.

A coal plant was closed in Stanton, North Dakota, since the previous evaluation due to plant inefficiencies and the age of the employees (most retirement age which resulted in no layoffs). Management noted that prior to the 2016 national election, energy-related companies were being cautious with regard to reinvestment in their businesses. However, since the election, area companies have made needed improvements and in one case, a new coal plant was opened near Beulah, which created 30 new jobs. Many of the employees in this industry have reached retirement age, which has brought new people to the area. The volatility of North Dakota's oil industry has not impacted the bank's assessment area significantly as the nearest oil production is 33 miles away.

Both bank management and the community contacts characterized the area's economy as doing well. Bank management indicated that several businesses in Beulah and Hazen have changed hands since the last evaluation as business owners have reached retirement age and sold to younger people. Some new businesses have also been added to the Hazen and Beulah communities including a new hotel and bakery in Beulah and new chiropractor and new optometrist in Hazen. Additional multi-family housing has also been built in Hazen and Beulah, a new wellness facility has started business in Beulah, and a long term care facility in Beulah has been replaced.

When the oil industry was more active in the western part of North Dakota, the housing market was tighter in Beulah and Hazen, as employees from that industry would live in the area and commute to the oil fields. Currently, bank management noted that there are 78 homes in Beulah and Hazen listed for sale. One of the contacts noted that the area's housing market is depressed. A contact indicated that it is not unusual for houses to be on the market for one year before they sell, and that the current asking price for homes in Beulah is \$350,000 to \$400,000. Bank management indicated that it certainly is a buyer's market at the present time, but that there are homes for sale in most price ranges. Management opined that in many cases, personal circumstances are allowing home sellers to hold out for their asking price. As an option, they indicated that there is ample single family and multi-family housing available for rent.

### **Competition**

The assessment area is competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, USB ranked 1<sup>st</sup> in deposit market share in Mercer and Oliver counties out of a total of five institutions with approximately 41.2 percent market share. In comparison, The Union Bank, Beulah, North Dakota, ranked 2<sup>nd</sup> and comprised approximately 20.6 percent of the market. Management noted a good working relationship with area banks. However, a branch office of a large regional credit union located in Hazen provides stiff competition with regard to home mortgage and consumer loans. In addition, Farm Credit Services is very competitive with regard to agricultural loans.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs of the area. This information helps determine whether local financial institutions are responsive to these needs. It also demonstrates available credit opportunities. For this evaluation, examiners utilized recent contacts with someone who had knowledge of the agricultural industry and someone familiar with the housing and commercial markets in the area.

The community contacts opined that the primary credit needs in the assessment area are related to agricultural and commercial credit. A contact was complimentary of local financial institutions and noted that local financial institutions are involved in the community. In addition, the contacts stated that local financial institutions have been responsive to the credit needs in the assessment area.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. USB's loan-to-deposit ratio, calculated from Reports of Condition and Income data, averaged 59.6 percent over the past 16 calendar quarters from June 30, 2014, to March 31, 2018. The bank's ratio has fluctuated from 50.5 percent to 63.0 percent during this time frame.

Management noted that since USB is the oldest bank in the area, it has long relationships with various municipalities and cooperatives that have made significant deposits that has impacted the loan-to-deposit ratio over the evaluation period. Management also indicated that some individuals have made large deposits at the bank in order to avoid the volatility of the stock market. Net loans have fluctuated during the same time period due to the seasonal credit needs of agriculture.

Also impacting USB's loan-to-deposit ratio is the level of loan participations. As of March 31, 2018, the bank had approximately \$6,065,000 in loan participations purchased and \$23,583,000 in loan participations sold. In addition, USB has sold approximately \$4,685,000 in home mortgage loans in 2017 and to date in 2018 to the secondary market. The loan participations sold and the loans sold on the secondary market are not captured in USB's loan-to-deposit ratio.

Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

| <b>Loan-to-Deposit Ratio Comparison</b>                                |  |  |
|--|--|--|
| <b>Bank</b>  | <b>Total Assets as of<br/>3/31/2018<br/>\$(000s)</b> | <b>Average Net<br/>Loan-to-Deposit<br/>Ratio (%)</b> |
| <b>Union State Bank of Hazen<br/>Hazen, North Dakota</b>               | <b>141,110</b>                                       | <b>59.6</b>  |
| The Union Bank<br>Beulah, North Dakota                                 | 157,373  | 81.9   |
| Garrison State Bank and Trust<br>Garrison, North Dakota                | 139,869  | 88.4   |
| Farmers Security Bank<br>Washburn, North Dakota                        | 57,562   | 75.6   |
| <i>Source: Reports of Condition and Income 6/30/14 through 3/31/18</i> |  |  |

### Assessment Area Concentration

USB originated a majority of small farm, home mortgage, and small business loans within its assessment area, by number and dollar volume, as demonstrated in the following table.

| Lending Inside and Outside of the Assessment Area |                 |      |         |      |            |                                 |      |         |      |                   |
|---|-----------------|------|---------|------|------------|---------------------------------|------|---------|------|-------------------|
| Loan Category                                     | Number of Loans |      |         |      | Total<br># | Dollar Amount of Loans \$(000s) |      |         |      | Total<br>\$(000s) |
|   | Inside          |      | Outside |      |            | Inside                          |      | Outside |      |                   |
|   | #               | %    | #       | %    |            | \$                              | %    | \$      | %    |                   |
| Small Farm  | 30              | 85.7 | 5       | 14.3 | 35         | 2,602                           | 89.0 | 320     | 11.0 | 2,922             |
| Home Mortgage                                     | 16              | 72.7 | 6       | 27.3 | 22         | 2,756                           | 74.1 | 963     | 25.9 | 3,719             |
| Small Business                                    | 21              | 67.7 | 10      | 32.3 | 31         | 1,445                           | 72.2 | 556     | 27.8 | 2,001             |

*Source: Evaluation Period: 1/1/17 - 12/31/17 Bank Data  
Due to rounding, totals may not equal 100.0*

### **Geographic Distribution**

A geographic distribution analysis was not conducted as the bank's assessment area is comprised entirely of middle- and upper-income geographies.

### **Borrower Profile**

The distribution of borrowers reflects excellent penetration among farms and businesses of different revenue sizes and home mortgage borrowers of different income levels. USB's small farm, home mortgage, and small business lending performance supports this conclusion. Examiners focused on the percentage of loans, by number, to farms and businesses with gross annual revenues of \$1 million or less and to low- and moderate-income borrowers.

#### *Small Farm Loans*

The distribution of small farm loans originated in the assessment area reflects an excellent penetration of loans to farms with gross annual revenue of \$1 million or less. All of the reviewed loans were originated to farms with gross annual revenues of \$1 million or less. The comparable D&B data reveals that 99.3 percent of farms in the assessment area have gross annual revenues of \$1 million or less.

#### *Home Mortgage Loans*

The distribution of home mortgage loans reflects excellent penetration of individuals of different income levels. USB's performance of originating home mortgage loans to low-income borrowers is slightly below the comparable 2015 ACS Census data. However, 6 percent of the families in the assessment area are below the poverty level and would have a difficult time qualifying for or affording a home. Home mortgage lending to moderate-income borrowers slightly exceeds ACS Census data.

| Distribution of Home Mortgage Loans by Borrower Income Level |               |           |              |              |              |
|--|---------------|-----------|--------------|--------------|--------------|
| Borrower Income Level  | % of Families | #         | %            | \$(000s)     | %            |
| Low  | 18.3          | 2         | 12.5         | 204          | 7.4          |
| Moderate   | 14.0          | 3         | 18.8         | 427          | 15.5         |
| Middle   | 22.9          | 5         | 31.3         | 977          | 35.4         |
| Upper  | 44.9          | 6         | 37.5         | 1,148        | 41.7         |
| Not Available  | 0.0           | 0         | 0.0          | 0            | 0.0          |
| <b>Total</b>   | <b>100.0</b>  | <b>16</b> | <b>100.0</b> | <b>2,756</b> | <b>100.0</b> |

*Source: 2015 ACS Census; 1/1/17 - 12/31/17 Bank Data  
Due to rounding, totals may not equal 100.0*

### *Small Business Loans*

The distribution of small business loans in the assessment area reflects an excellent penetration of loans to businesses with gross annual revenue of \$1 million or less. As indicated in the following table, the bank's lending to businesses with gross annual revenues of \$1 million or less exceeds the 2017 D&B data.

| Distribution of Small Business Loans by Gross Annual Revenue Category |                 |           |              |              |              |
|---|-----------------|-----------|--------------|--------------|--------------|
| Gross Revenue Level   | % of Businesses | #         | %            | \$(000s)     | %            |
| <=\$1,000,000   | 78.4            | 18        | 85.7         | 725          | 50.2         |
| >1,000,000  | 5.1             | 3         | 14.3         | 720          | 49.8         |
| Revenue Not Available   | 16.5            | 0         | 0.0          | 0            | 0.0          |
| <b>Total</b>  | <b>100.0</b>    | <b>21</b> | <b>100.0</b> | <b>1,445</b> | <b>100.0</b> |

*Source: 2017 D&B Data, 1/1/17 - 12/31/17 Bank Data.  
Due to rounding, totals may not equal 100.0*

### **Response to Complaints**

The bank has not received any CRA-related complaints since the previous evaluation. Therefore, this performance criterion was not evaluated.

## **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/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.