

# **PUBLIC DISCLOSURE**

December 3, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Federal Savings Bank of Washington  
Certificate Number: 29710

439 Indiana 57  
Washington, IN 47501

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

First Federal Savings Bank of Washington's (FFSBW) 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 institution's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans are in the institution's AA.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and businesses of different sizes.
- There are no low- or moderate-income census tracts in the AA. As such, this criterion was not evaluated.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

## DESCRIPTION OF INSTITUTION

### **Background**

FFSBW is headquartered in Washington, Indiana and operates throughout Daviess and Martin Counties. The bank converted from a federal savings bank to a state-chartered bank effective December 31, 2018. The Office of the Comptroller of the Currency (OCC) previously regulated FFSBW. This 2020 CRA Performance Evaluation is the first completed by the FDIC.

The institution received a Satisfactory rating at its previous OCC CRA Performance Evaluation dated November 25, 2013, based on the Small Institution CRA Examination Procedures.

### **Operations**

FFSBW operates one full-service office in Daviess County located in southwest Indiana. This office is located in a middle-income census tract. Since the previous evaluation, the bank closed its single office located in Martin County, effective July 13, 2018. This office was also located in a middle-income census tract. FFSWB offers loan products including home mortgage, commercial, agricultural, and consumer loans, primarily focusing on home mortgage and commercial loans.

The bank offers a variety of deposit services including checking, savings, money market accounts, and certificates of deposit. Alternative banking services include mobile and internet banking, remote deposit capture, one cash-dispensing only automated teller machine, and one drive-up facility. The bank maintains a website at <http://www.firstfederalwashington.com>.

**Ability and Capacity**

According to the Consolidated Report of Condition dated September 30, 2020, the bank had total assets of \$78.1 million, including total loans of \$56.8 million, total deposits of \$64.5 million, and securities totaling \$3.4 million. The loan portfolio is detailed in the following table. The major categories of loans by dollar volume are home mortgage (includes 1-4 family and multifamily) and commercial at 69.3 percent and 18.9 percent of the total loan portfolio, respectively. The bank’s loan portfolio mix is representative of its business strategy and focus.

<b>Loan Portfolio Distribution as of 09/30/20</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	1,360	2.4
Secured by Farmland	2,283	4.0
Secured by 1-4 Family Residential Properties	39,276	69.2
Secured by Multifamily (5 or more) Residential Properties	56	0.1
Secured by Nonfarm Nonresidential Properties	4,791	8.4
<b>Total Real Estate Loans</b>	<b>47,766</b>	<b>84.1</b>
Commercial and Industrial Loans	5,955	10.5
Agricultural Loans	642	1.2
Consumer Loans	2,271	4.0
Other Loans	129	0.2
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>56,763</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 financial institutions to define one or more AAs within which examiners evaluate its performance. FFSBW designated one AA in Indiana, and it includes all of Daviess and Martin Counties. Both counties are located in the Indiana Non-Metropolitan Statistical Area (MSA). This AA consists of whole geographies, does not arbitrarily exclude low- or moderate -income areas, and includes the geography within which the bank's office is located.

**Economic and Demographic Data**

The AA includes all 10 census tracts in Daviess and Martin Counties. The AA consists of seven middle-income and three upper-income census tracts according to the 2015 American Community Survey (ACS). The AA does not include any low- or moderate-income census tracts.

During the review period, there were changes made to the census tract income category distribution within the AA. Per the previous evaluation, based on 2010 U.S. Census data, the AA included one moderate-income, seven middle-income, and two upper-income census tracts. Per the 2015 ACS, the single moderate-income tract was moved to middle-income, two middle-income tracts were moved to upper-income, and one upper-income tract was moved to middle-income. This evaluation uses the 2015 ACS data.

The following table provides a summary of the demographics, housing and business information within the AA.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Washington 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)	10	0.0	0.0	70.0	30.0	0.0
Population by Geography	42,673	0.0	0.0	73.6	26.4	0.0
Housing Units by Geography	17,215	0.0	0.0	73.6	26.4	0.0
Owner-Occupied Units by Geography	11,561	0.0	0.0	71.4	28.6	0.0
Occupied Rental Units by Geography	4,092	0.0	0.0	73.2	26.8	0.0
Vacant Units by Geography	1,562	0.0	0.0	91.1	8.9	0.0
Businesses by Geography	2,620	0.0	0.0	74.0	26.0	0.0
Farms by Geography	284	0.0	0.0	79.6	20.4	0.0
Family Distribution by Income Level	10,889	16.9	18.0	23.8	41.4	0.0
Household Distribution by Income Level	15,653	22.3	16.1	19.7	41.9	0.0
Median Family Income Non-MSAs - IN		\$55,715	Median Housing Value			\$105,821
			Median Gross Rent			\$598
			Families Below Poverty Level			9.5%

*Source: 2015 ACS and 2019 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 economy in this AA has remained somewhat stable since the previous evaluation. The largest employment sectors in the AA are services, retail trade, construction, and non-classifiable establishments. Major employers in Daviess and Martin counties are as follows: Daviess Community Hospital, Boyd and Sons Incorporates, Crane Army Ammunition Activity, and United States Gypsum Company. According to the U.S. Bureau of Labor Statistics, the unemployment rate for Daviess and Martin Counties in March 2020 were 2.6 percent and 2.5 percent, respectively.

However, the unemployment rate rose sharply following the onset of the COVID-19 pandemic, reaching 8.4 percent and 8.7 percent in April 2020, respectively. The unemployment rate has since declined to 3.1 percent and 3.5 percent in September 2020, respectively. The unemployment rate in both counties is lower than the State of Indiana’s overall rate of 5.8 percent for the same period.

According to 2019 D&B data, 2,620 non-farm business are located in the AA. In addition, 68.2 percent of the businesses have four or fewer employees and 87.9 percent operate from a single location. The bank’s lending performance to small farms is compared to the percentage of farms reporting gross annual revenue of \$1 million or less, as noted in the following 2019 D&B Data:

- 82.4 percent have \$1 million and less.
- 4.7 percent have more than \$1 million.
- 12.9 percent have unknown revenues.

The 2019 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 presented in the following table. The categories are based on the 2019 FFIEC-updated median family income for the Indiana nonmetropolitan area.

<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>IN NA Median Family Income (99999)</b>				
2019 (\$61,200)	<\$30,600	\$30,600 to <\$48,960	\$48,960 to <\$73,440	≥\$73,440
<i>Source: FFIEC</i>				

**Competition**

The AA is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2020, 8 financial institutions operated 13 full-service offices within the AA. FFSBW ranked fourth in market share, holding 8.1 percent of all deposits. The top two depository institutions hold 61.7 percent of all deposits in the AA.

The bank is not required to collect or report HMDA data or its small business loan data, and it has not elected to do so; therefore, the analysis of home mortgage and small business loans does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand and competition for home mortgage and small business loans and is therefore included under this section. Aggregate data for 2019 showed that 123 lenders reported 1,412 home mortgage loans in this AA, indicating a moderate degree of competition for this product. The top three home mortgage lenders account for 37.5 percent of the market share. Additionally, aggregate data for 2019 showed that 38 lenders reported 771 small business loans in this AA, indicating a moderate degree of competition for this product as well. The top three small business lenders account for 74.2 percent of the market share.

## **Community Contact**

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available.

Examiners completed one community contact for this AA with an economic development entity. The contact spoke of opportunities for providing services to unbanked persons in the community. A need to strengthen secondary education in the rural area was also mentioned, and the local government is working to improve the educational system.

## **Credit Needs**

The information provided from the community contact, along with review of the market for financial services, helps determine whether local financial institutions are responsive to the credit needs identified below. It also shows what credit opportunities are available.

Examiners determined that small business and home mortgage lending represent primary credit needs in the AA. While no major unmet credit needs were identified, the large number of small businesses in the area reflects a continued demand for small business loans. There also continues to be a demand for home purchases in the AA.

## **SCOPE OF EVALUATION**

### **General Information**

The evaluation covers the period from the prior evaluation dated November 25, 2013, to the current evaluation dated December 3, 2020. Examiners used the Interagency Small Institution CRA Examination Procedures to evaluate FFSBW's CRA performance based on the following criteria:

- LTD Ratio
- AA Concentration
- Borrower Profile
- Geographic Distribution
- Response to CRA-related complaints

This evaluation does not include any lending activity performed by affiliates.

### **Activities Reviewed**

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business focus, portfolio composition, and number and dollar amount of loans originated during the evaluation period. Home mortgage lending received greater weight in this evaluation as it represents a high concentration of originations during the evaluation period. Furthermore, no other loan types, such as farm or consumer loans, represent major product lines; therefore, they provided no material support for conclusions or ratings and are

not presented. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period.

As previously mentioned, the bank is not required to collect or reports its home mortgage or small business data and it has not elected to do so. This evaluation considered home mortgage and small business loans originated in 2019. In 2019, the bank originated 68 home mortgage loans totaling \$7.5 million and 26 small business loans totaling \$2.3 million. All of these loans were reviewed for the Assessment Area Concentration criteria under the Lending Test. For the Borrower's Profile criterion, examiners reviewed a sample of home mortgage loans, as income information was not readily available for the entire loan universe. Examiners selected the sample using a 90 percent confidence interval and a 10 percent precision level. The sample included 36 home mortgage loans totaling \$3.0 million. Of the sampled loans, 31 loans totaling \$2.7 million were made in the AA and are reflected in the Borrower Profile report tables.

Examiners used 2015 ACS data as a comparator to assess the bank's mortgage lending performance and 2019 D&B data as a comparator to assess the bank's small business lending performance. Examiners evaluated performance by the number and dollar volume of home mortgage and small business loans originated. While this evaluation presents the number and dollar volume of loans, examiners emphasized performance by the number of loans as it is a better indicator of the number of individuals and businesses served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

FFSBW demonstrated satisfactory performance under the Lending Test. The bank's performance under the Borrower Profile criteria primarily supports this conclusion.

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

The LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 74.3 percent over the past 28 calendar quarters from December 31, 2013, through September 30, 2020. The ratio steadily increased during the review period, ranging from a low of 58.3 percent on March 31, 2014, to a high of 93.4 percent on September 30, 2018. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. As shown in the following table, FFSBW's performance is above two of the five similarly-situated institutions and comparable to the remaining three institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2020 \$(000s)	Average Net LTD Ratio (%)
<b>First Federal Savings Bank of Washington</b>	<b>78,063</b>	<b>74.3</b>
Similarly-Situated Institution #1	92,241	80.1
Similarly-Situated Institution #2	84,049	83.3
Similarly-Situated Institution #3	91,990	43.4
Similarly-Situated Institution #4	81,315	51.0
Similarly-Situated Institution #5	60,420	91.7
<i>Source: Reports of Income and Condition 12/31/2013 through 9/30/2020</i>		

### Assessment Area Concentration

A majority of loans and other lending related activities are in the institution's AA. The majority by total number of loans for both products reviewed were made within the bank's AA. It is noted that 59.6 percent of small business loans by dollar volume were made outside the AA in 2019. However, this percentage is skewed due to the number of large dollar loans made outside the AA. Greater weight is given to the number of loans versus dollar volume of loans as it represents the number of small businesses served. Therefore, it is evident that the bank is committed to extending small business loans primarily within its AA.

The following table contains detailed information regarding home mortgage and small business lending inside and outside the AA for all 2019 loans.

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		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	63	92.6	5	7.4	68	7,067	94.4	420	5.6	7,486
Small Business										
2019	16	61.5	10	38.5	26	939	40.4	1,387	59.6	2,326
<b>Total</b>	<b>79</b>	<b>84.0</b>	<b>15</b>	<b>16.0</b>	<b>94</b>	<b>8,006</b>	<b>81.6</b>	<b>1,807</b>	<b>18.4</b>	<b>9,812</b>
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

**Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. This rating is supported by reasonable home mortgage and small business lending performances.

**Home Mortgage Loans**

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels. The following table shows the distribution of the sampled home mortgage loans. The bank’s lending to low-income individuals at 6.5 percent is below the percentage of families at 16.9 percent. However, 9.5 percent of families in the AA have incomes below the poverty level and are unlikely to qualify for a traditional mortgage loans, which limits the opportunity and demand to lend to borrowers in the low-income demographic. As a result, the bank’s lending performance to low-income borrowers is reasonable.

The bank’s lending to moderate-income individuals at 19.4 percent is slightly higher than the percentage of families at 18.0 percent.

Given the bank’s lending performance to both low- and moderate-income borrowers, home mortgage lending performance is reasonable.

<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					
2019	16.9	2	6.5	137	5.1
Moderate					
2019	18.0	6	19.4	395	14.7
Middle					
2019	23.8	10	32.3	505	18.7
Upper					
2019	41.4	12	38.7	1,642	60.9
Not Available					
2019	0.0	1	3.2	17	0.6
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>2,696</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data Due to rounding, totals may not equal 100.0%</i>					

## Small Business Loans

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes. As shown in the following table, the bank's lending to businesses with gross annual revenues of \$1 million or less at 81.3 percent is comparable to the percentage of businesses at 82.4 percent.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤\$1,000,000					
2019	82.4	13	81.3	527	56.1
>\$1,000,000					
2019	4.7	3	18.8	412	43.9
Revenue Not Available					
2019	12.9	0	0.0	0	0.0
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>939</b>	<b>100.0</b>
<i>Source: 2019 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

## Geographic Distribution

There are no low- or moderate-income census tracts in the AA, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. As such, this criterion was not evaluated.

## Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the 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.

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## 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.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**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).

**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 (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., 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 Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**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 (e.g., 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.

**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 (also known as non-MSA):** 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.