PUBLIC DISCLOSURE

April 18, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers State Bank
Certificate Number: 14209

1240 8th Avenue
Marion, Iowa 52302

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

TABLE OF CONTENTS

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.

Farmers State Bank's (FSB) satisfactory Community Reinvestment Act (CRA) performance under both the Lending and Community Development Tests supports the overall rating. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment area.
- The bank made a majority of its small business, home mortgage, and small farm loans in its assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects a reasonable penetration of loans among businesses and farms 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 Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution's performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

DESCRIPTION OF INSTITUTION

FSB is a full-service financial institution headquartered in Marion, Iowa and owned by a one-bank holding company, Neighbor Insurance Agency, Inc., which is also located in Marion. FSB has no other affiliates or subsidiaries that examiners considered in the CRA evaluation. FSB received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated June 1, 2020, based on Interagency Intermediate Small Institution Examination Procedures.

FSB banking offices are located in Marion (2), Cedar Rapids (2), Hiawatha, Alburnett, and Tiffin, Iowa. Two limited-service facilities and an administrative office are also located in Marion. FSB opened the Tiffin office on March 15, 2021. No branches were closed during the review period, and no merger or acquisition activity occurred.

FSB's primary lending focus continues to be commercial, residential real estate, and agriculture loans, in that order. Management stated the bank works to meet the unique and tailored lending needs of area farmers and agribusiness-related customers, considering rolling liquidity needs and perishable collateral. Management further stated that FSB is one of the few institutions that provides a significant number of loans to owners of mobile homes, modular homes, and trailer park entities, which typically offer affordable housing options to lower-income individuals. Additionally, the bank assists with special financing alternatives through various standard and specialized programs. These programs are generally designed to assist small businesses, small farmers, and other individuals that may not qualify for loans through conventional financing methods. Secondary market financing options are also available for qualifying home mortgage loans. Further, FSB participated in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) in 2020 and 2021. This program provided financial assistance to businesses and farms adversely impacted by the COVID-19 pandemic.

In conjunction with an array of credit offerings, FSB offers an assortment of deposit products to meet consumer and business banking needs, including checking, savings, money market, certificates of deposit, Health Savings, and Individual Retirement accounts. The bank also offers insurance and investment products, as well as trust and estate planning, through its wealth management services. Alternative banking services include automated teller machines; telephone, internet, and mobile banking; electronic bill payment, statements, and document generation; person-to-person payment processing; remote deposit capture; merchant services; night deposit; and bank-by-mail options.

Assets totaled approximately $1.0 billion as of December 31, 2022, representing an increase of 22.1 percent since the March 31, 2020, Consolidated Reports of Condition and Income (Call Report). Total deposits equaled approximately $877.6 million, representing a 27.9 percent increase, and total loans were approximately $778.0 million, representing a 20.1 percent increase during the same timeframe. Management attributes these increases to active PPP participation, home equity access, government stimulus, and derecho funds. Composition of the loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 12/31/2022		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	87,401	11.2
Secured by Farmland	66,465	8.5
Secured by 1-4 Family Residential Properties	112,875	14.5
Secured by Multifamily (5 or more) Residential Properties	81,795	10.5
Secured by Nonfarm Nonresidential Properties	306,959	39.5
Total Real Estate Loans	**655,495**	**84.2**
Commercial and Industrial Loans	64,424	8.3
Agricultural Production and Other Loans to Farmers	30,512	3.9
Consumer Loans	14,442	1.9
Obligations of State and Political Subdivisions in the U.S.	13,064	1.7
Other Loans	37	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	**777,974**	**100.0**
Source: Call Report		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. FSB has designated two assessment areas within the State of Iowa. The Cedar Rapids Assessment Area consists of Linn County, which is part of the Cedar Rapids, Iowa Metropolitan Statistical Area (MSA). While the boundaries of the Cedar Rapids Assessment Area have not changed since the prior evaluation, the number of census tracts comprising the assessment area increased from 45 to 54 due to population growth noted by the 2020 U.S. Census. The Cedar Rapids Assessment Area continues to have one census tract categorized as "not applicable"; however, it is not the same census tract as previously categorized. Currently, Linn County census tract 2.13 is classified as "not applicable" and largely consists of commercial and retail space. A comparison of 2015 American Community Survey (ACS) data and 2020 U.S. Census data reflects the transition of tracts between income categories. In aggregate, allocation of this area's 54 geographies by income level revealed a decrease of one low-income census tract and an increase of four moderate-, three middle-, and three upper-income census tracts, and a decrease of ten middle-income census tracts. The Iowa City Assessment Area is new since the last evaluation and consists of Johnson County, which is part of the Iowa City, Iowa MSA. These two contiguous MSAs comprise the Cedar Rapids-Iowa City, Iowa Combined Statistical Area. Since demographics and lending performance were similar in these areas, assessment area information and conclusions were combined for presentation in this evaluation.

Economic and Demographic Data

FSB's assessment area is comprised of 4 low-, 26 moderate-, 38 middle-, 21 upper-income geographies, as well as one where an income designation is not applicable (commercial/retail space on the north side of Cedar Rapids). The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	90	4.4	28.9	42.2	23.3	1.1
Population by Geography	383,153	4.0	23.7	43.5	28.1	0.7
Housing Units by Geography	162,923	3.6	25.8	44.4	25.4	0.9
Owner-Occupied Units by Geography	103,255	0.7	19.5	47.4	32.3	0.2
Occupied Rental Units by Geography	48,479	8.9	38.3	38.5	12.1	2.3
Vacant Units by Geography	11,189	7.7	29.1	42.6	19.4	1.2
Businesses by Geography	43,536	6.7	24.4	38.4	28.8	1.7
Farms by Geography	1,861	2.1	16.2	44.9	36.3	0.5
Family Distribution by Income Level	89,787	19.2	18.3	22.3	40.2	0.0
Household Distribution by Income Level	151,734	23.7	16.4	17.7	42.2	0.0
Median Family Income - Cedar Rapids, Iowa MSA		$85,854	Median Housing Value			$197,399
Median Family Income - Iowa City, Iowa MSA		$93,237	Median Gross Rent			$881
			Families Below Poverty Level			6.4%
Source: 2020 U.S. Census and 2022 D&B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%						

According to 2022 D&B data, service industries represent the largest portion of businesses and farms at 34.0 percent; followed by non-classifiable establishments at 25.1 percent; finance, insurance, and real estate at 12.0 percent; and retail trade at 9.7 percent. In addition, 60.8 percent of assessment area farms and businesses have four or fewer employees, and 92.2 percent operate from a single location.

The FFIEC-estimated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion and to analyze certain community development activities. The median family income levels for the assessment area are presented in the following table by year.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Cedar Rapids, Iowa MSA				
2020 ($83,600)	<$41,800	$41,800 to <$66,880	$66,880 to <$100,320	≥$100,320
2021 ($87,300)	<$43,650	$43,650 to <$69,840	$69,840 to <$104,760	≥$104,760
2022 ($89,200)	<$44,600	$44,600 to <$71,360	$71,360 to <$107,040	≥$107,040
Iowa City, Iowa MSA				
2020 ($99,100)	<$49,550	$49,550 to <$79,280	$79,280 to <$118,920	≥$118,920
2021 ($95,700)	<$47,850	$47,850 to <$76,560	$76,560 to <$114,840	≥$114,840
2022 ($104,300)	<$52,150	$52,150 to <$83,440	$83,440 to <$125,160	≥$125,160
Source: FFIEC				

Competition

FSB's assessment area is considered highly competitive in the market for financial services. The FDIC Deposit Market Share Report as of June 2022 reflects that 33 insured institutions operate from 112 offices within the assessment area. These institutions range from small community banks to larger financial institutions operating branch offices in the area. Of these institutions, FSB ranked 6th with 7.9 percent of the deposit market share. The top three banks held 51.4 percent of the deposit market share. In addition, 2022 data obtained from the National Credit Union Administration's website shows eight credit unions with at least one location within the assessment area and reports nearly $11.1 billion dollars in deposits.

To further illustrate the level of competition and demand for loans, 2021 Home Mortgage Disclosure Act (HMDA) aggregate data shows 312 institutions reported 28,183 home mortgage loan originations/purchases within the assessment area. FSB ranked 19th with 1.0 percent of the market share by number of loans. The top two HMDA reporters held 37.2 percent of the home mortgage market share. Additionally, although the bank is not required to collect or report its small business or small farm loan data, and analyses under the Lending Test do not include direct comparisons to aggregate lending data, this aggregate lending data reflects the level of demand for these loan types and may be referenced throughout this evaluation for this purpose. CRA aggregate data for 2021 shows 110 lenders reported 7,704 small business loan originations, and 17 lenders reported 663 small farm loan originations in the assessment area.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to help identify credit needs. This information helps determine whether local financial institutions are responsive to community credit needs and provides context regarding available opportunities for area financial institutions. In conjunction with this evaluation, examiners referenced one previous contact from an economic development organization serving the assessment area.

The contact stated that the economy is generally stable. Recovery from the effects of the COVID-19 pandemic and the 2020 derecho windstorm disaster are nearly complete. Commercial development in the assessment area is growing slowly, but steadily. One area of concern is the declining occupancy rate for commercial office space, fueled by the remote work trend. Main street businesses in rural areas are struggling due to the preference of shoppers to go to larger retail areas. Low unemployment has had an effect on both agricultural and business employers, forcing wages up and making hiring harder for smaller entities. The residential real estate market has become much stronger over the past few years, as homeowners are spending equity funds to renovate and repair existing homes. With new home inventory being low, high demand for housing, and high construction input costs, the price of new housing has risen substantially. The refinance market has cooled considerably due to rising interest rates. Finally, the contact commented that the agricultural sector has become stronger, mainly due to increasing commodity prices. Farmers are buying and improving equipment, which helps the manufacturing sector.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage, small business, and small farm loans are primary credit needs of the assessment area. Call Reports filed by area financial institutions also support this assertion. The community contact stated that the main credit needs in the area are for general agriculture; business credit related to minority and women-owned businesses, as well as rural main street small business credit, and affordable housing credit, especially in rural areas. There are numerous opportunities for community development lending, investments, and services in the area. The environment for involvement by financial institutions is very competitive.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated June 1, 2020, to the current evaluation dated April 18, 2023. Examiners did not consider any affiliate activities during this evaluation. Examiners used Intermediate Small Institution Examination Procedures to evaluate FSB's CRA performance. Intermediate small institutions are evaluated under the Lending Test and Community Development Test, which are described in the Appendices.

Examiners conducted a full-scope review of the bank's assessment area to evaluate performance. As stated previously, FSB's assessment area consists of geographies located in two separate MSAs. FSB's presence in the Cedar Rapids MSA is significantly higher given branching structure, deposit composition, and lending volume; therefore, the bank's performance in this MSA impacts the conclusions more heavily in the evaluation. Although differences may be detailed as warranted in the narrative, examiners did not identify any trends between the MSAs that materially affected conclusions. As such, the evaluation presents performance analysis at the combined statistical area level. The following table reflects the distribution of loans, deposits, and office locations by MSA.

MSA Breakdown of Loans, Deposits, and Branches								
MSA	**Loans**				**Deposits**		**Branches**	
	#	**%**	**$(000s)**	**%**	**$(000s)**	**%**	**#**	**%**
Cedar Rapids MSA	3,259	96.6	743,503	96.0	903,345	99.7	8	88.9
Iowa City MSA	113	3.4	30,908	4.0	2,602	0.3	1	11.1
Total	**3,372**	**100.0**	**774,411**	**100.0**	**905,947**	**100.0**	**9**	**100.0**
Source: Bank Data (outstanding loan balances as of 2/28/2023); FDIC Summary of Deposits (6/30/2022)								

Activities Reviewed

Examiners determined the bank's major product lines to be commercial, residential real estate, and agricultural loans. This conclusion considered Call Report data, the number and dollar volume of reported loans during the evaluation period, and the bank's business strategy. Portfolio concentrations remained largely consistent throughout the evaluation period; however, commercial and residential real estate concentrations showed increases, whereas agriculture concentration decreased. Examiners obtained the data necessary for this evaluation from reported loan data, other bank records, individual customer loan files, interviews with bank management, and other information gathered as part of the examination process.

For the Assessment Area Concentration review, examiners evaluated lending performance based on all small business and small farm loans originated or renewed in calendar year 2022, as well as HMDA data collected and reported for 2020, 2021, and 2022. As data was available from the bank, Borrower Profile and Geographic Distribution performance was analyzed using all loans within the assessment area for all three products, with the exception of small farm lending in the Iowa City MSA. Small farm lending was not reviewed in this area due to negligible activity caused by low demand, and it is not a primary business focus of the bank. Further, 2020 HMDA data was not separately analyzed for the Iowa City MSA due to timing of the new branch and the added assessment area. Refer to the table under Assessment Area Concentration for product universe totals.

For small farm and small business conclusions, 2022 D&B data provided a standard of comparison. HMDA aggregate data for 2020 and 2021, 2015 ACS data, and 2020 U.S. Census data provided a standard of comparison for the home mortgage loans reviewed. Examiners primarily focused on FSB's lending performance in comparison to HMDA aggregate data, when available. Lending performance for 2020 and 2022 was reviewed to ensure that performance was consistent with 2021. In general, examiners did not identify any significant trends between 2020, 2021, and 2022 HMDA data that materially affected conclusions. Therefore, only 2021 HMDA data is presented for the Geographic Distribution and Borrower Profile criteria, as 2021 is the most recent year with available aggregate data. Examiners noted a significant decline in home mortgage lending activity during the review period. Reporting activity for 2022 more closely resembles that of the last evaluation period. Management attribute the higher volume in 2020 and 2021 to a steep rise in housing demands, supply shortages that drove up prices, as well as an increase in purchases and disaster repairs. However, the difference in home mortgage lending volume did not result in trends that materially affected conclusions. Any differences in FSB's home mortgage lending performance between HMDA reporting years are discussed in subsequent sections.

For the Lending Test, small business and home mortgage loan performance was given the greatest weight by examiners since these loans represent a substantial majority of the bank's outstanding loan portfolio and are emphasized by the bank as the primary business strategy. For the same reasons, small farm loan conclusions received the least weight. Examiners analyzed lending performance by both the number and dollar volume of loans; however, the performance by number of loans is emphasized as it is generally a better indicator of the number of individuals, small businesses, and small farms served.

For the Community Development Test, examiners reviewed management-provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FSB demonstrated overall reasonable performance under the Lending Test. The bank's reasonable performance under each criterion supports this conclusion. The following is a discussion of each performance criterion and how they support the bank's overall rating.

Loan-to-Deposit Ratio

FSB's average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, assessment area credit needs, and in comparison to similarly-situated institutions. The institution's net loan-to-deposit ratio, calculated from Call Report data, averaged 79.3 percent over the 11 calendar quarters from June 30, 2020, to December 31, 2022. The net loan-to-deposit ratio ranged from a high of 88.9 percent as of June 30, 2020, to a low of 72.1 percent as of June 30, 2021. The ratio generally declined over most the review period as gains in total deposits outpaced net loans. However, the ratio showed significant rebounds in 2022, placing it back near its highest level in 2020. Management ascribed the influx of deposits to payments made to individuals and businesses because of the COVID-19 pandemic and other stimulus measures, as well as derecho disaster funds. Management further commented that although net loans have rallied, the decreasing trend in net loans resulted from a freeze on a significant amount normal business activity, including commercial real estate development, largely due to building supply shortages and general uncertainty in the environment.

Examiners compared FSB's average net-loan-to-deposit ratio with those of three similarly-situated institutions to evaluate the institution's performance. Examiners selected comparable institutions based on similarities in lending focus, asset size, or markets served. As shown in the following table, FSB's ratio is similar to comparable institutions.

Loan-to-Deposit Ratio Comparison		
Bank	**Total Assets as of 12/31/2022 ($000s)**	**Average Net Loan-to-Deposit Ratio (%)**
FSB, Marion, Iowa	**1,040,259**	**79.3**
BankIowa, Cedar Rapids, Iowa	785,842	80.8
Community Savings Bank, Edgewood, Iowa	545,780	80.5
Two Rivers Bank & Trust, Burlington, Iowa	956,239	80.0
Source: Reports of Condition and Income 6/30/2020-12/31/2022		

The institution also originates and subsequently sells mortgage loans through secondary market relationships; these loans are not included in the institution's ratio. FSB reported originating and selling 299 loans totaling approximately $44.4 million on the secondary market from January 1, 2021 through March 31, 2023. While the sale of secondary market loans does not influence the average net loan-to-deposit ratio, this activity provides liquidity to originate additional home mortgage loans. Secondary market lending is responsive to the assessment area's credit needs by providing long-term home mortgage financing.

Assessment Area Concentration

FSB extended a majority of the small business, home mortgage, and small farm loans, by number and dollar volume, inside the assessment area. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total**	**Dollar Amount of Loans $(000s)**				**Total**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**	**#**	**$**	**%**	**$**	**%**	**$(000s)**
Home Mortgage										
2020	375	88.7	48	11.3	423	66,506	81.7	14,919	18.3	81,425
2021	288	87.8	40	12.2	328	60,941	85.0	10,785	15.0	71,726
2022	151	82.1	33	17.9	184	63,437	78.7	17,146	21.3	80,583
Subtotal	**814**	**87.1**	**121**	**12.9**	**935**	**190,884**	**81.7**	**42,850**	**18.3**	**233,734**
Small Business	216	87.4	31	12.6	247	42,202	86.5	6,589	13.5	48,791
Small Farm	95	82.6	20	17.4	115	13,453	83.4	2,687	16.6	16,140
Source: Bank Data. *Due to rounding, totals may not equal 100.0%*										

Geographic Distribution

The geographic distribution of loans reflects reasonable penetration throughout assessment area. The bank's reasonable performance in each product provides support for the overall conclusion. Emphasis is placed on the bank's record of lending in low- and moderate-income census tracts.

Small Business Loans

The geographic distribution of small business lending reflects reasonable dispersion after considering performance context factors. As shown in the following table, the percentage of lending in both the low-income and moderate-income areas of the assessment area is lower than benchmark data. The low-income census tracts provide limited opportunity, as depicted by D&B data, and most of the low-income tracts are in the Iowa City MSA where FSB has only one new branch office. Examiner noted that performance in the moderate-income census tracts was much better in the Cedar Rapids MSA, where the greatest weight is provided. Specifically, bank penetration was only six percentage points lower than benchmark data in the Cedar Rapids MSA, versus the 10.0 percentage points revealed in the table. As stated previously, competition is highly prevalent, with examiners noting that 18 banks operate from 26 locations just within the moderate-income census tracts. FSB operates only one branch in a moderate-income geography. Management agreed that competition and bank locations are factors as most lending typically occurs in close proximity to an office. Management also stated there are some larger customers with loans that do not meet the definition of a small business loan, involved in development in the low- or moderate-income areas. Further, 2021 CRA small business aggregate data shows lenders reported originating 17.9 percent of loans in the moderate-income census tracts, which is more in line with FSB's lending performance.

Geographic Distribution of Small Business Loans					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low	6.7	7	3.2	1,610	3.8
Moderate	24.4	31	14.4	4,854	11.5
Middle	38.4	127	58.8	22,810	54.0
Upper	28.8	45	20.8	11,555	27.4
Not Available	1.7	6	2.8	1,373	3.3
Totals	**100.0**	**216**	**100.0**	**42,202**	**100.0**
Source: 2022 D&B Data; Bank Data. *Due to rounding, totals may not equal 100.0%*					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable penetration throughout the assessment area when compared to aggregate data. As shown in the following table, the bank's record of originating home mortgage loans in low-income geographies mirrors aggregate data. Although the bank's record of originating 2021 home mortgage loans in moderate-income geographies is lower than aggregate lending data, 2020 showed better penetration levels that slightly exceeded aggregate. Additionally, a review of 2022 lending revealed the percentage of home mortgage loans in moderate-income geographies nearly tripled to 29.1 percent. Examiners noted that this appears to result from the changes in 2020 U.S. Census data income tract designations. Similar to the comment made under small business loans, management agreed that competition and bank locations are factors. As stated previously, examiner review of HMDA market share data confirms there is significant competition for home mortgage loans within the assessment area. Further, 2021 aggregate lending data in the moderate-income census tracts identifies that a larger local bank and credit unions originated the most loans in these tracts.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low	0.6	0.7	2	0.7	474	0.8
Moderate	16.6	14.7	29	10.1	10,087	16.6
Middle	57.6	55.4	192	66.7	35,197	57.8
Upper	25.0	29.0	65	22.6	15,183	24.9
Not Available	0.1	0.1	0	0.0	0	0.0
Totals	**100.0**	**100.0**	**288**	**100.0**	**60,941**	**100.0**
Source: 2015 ACS Data; Bank Data; 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

Small Farm Loans

The geographic distribution of small farm lending reflects reasonable dispersion given the performance context. As shown in the following table, the institution's lending in both low- and moderate-income census tracts is lower than the demographic data. Similar dispersion was noted at the prior evaluation. The low- and moderate-income tracts are primarily located in the metropolitan areas of Cedar Rapids where limited agricultural lending opportunities exist. D&B's reporting reflects a small percentage of farms are located within these geography categories (total of 12.9 percent). Additionally, the Alburnett branch handles a majority of FSB's agricultural lending, which is concentrated in the northern portion of Linn County. This rural geographic area is comprised of several middle-income census tracts. As such, FSB's lending dispersion corresponds to the loan product type and related demand.

Geographic Distribution of Small Farm Loans					
Tract Income Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
Low	2.7	0	0.0	0	0.0
Moderate	10.2	1	1.1	244	1.9
Middle	58.1	82	89.1	10,937	83.5
Upper	28.1	9	9.8	1,917	14.6
Not Available	0.8	0	0.0	0	0.0
Totals	**100.0**	**92**	**100.0**	**13,098**	**100.0**
Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%					

Borrower Profile

The distribution of borrowers reflects overall reasonable penetration among businesses and farms of different sizes and individuals of different income levels. FSB's home mortgage and small farm lending performance primarily supports this conclusion. Despite small business lending receiving greater weight in the evaluation, FSB's excellent performance in home mortgage lending and reasonable small farm lending performance elevates the overall Borrower Profile performance to a reasonable level. Emphasis is placed on the bank's record of lending to businesses and farms with gross annual revenues of $1 million or less and to low- and moderate-income borrowers.

Small Business Loans

The distribution of borrowers reflects poor penetration among businesses with gross annual revenues of $1 million or less when compared to demographic data. As illustrated in the following table, the bank's lending to businesses with revenues of $1 million or less is much lower than comparable benchmark data. Management stated that several of the small business borrowers reviewed have been long time customers of the bank and have experienced growth over the years. Management also noted competition as a factor in servicing commercial borrowers. As this document previously details, the assessment area is highly competitive. Aggregate CRA data for 2021 shows that lenders required to report small business loans originated only 44.2 percent of loans inside this assessment area to small businesses reporting gross annual revenues of $1 million or less. D&B data reports that 7.9 percent of the businesses located within the assessment area did not report revenues; however, bank data showed a significantly greater percentage where revenue was not available. Management commented that many of these are long-term customers where financials are waived or other data is considered. Although this does influence overall assessments, even with its absence, a majority of the bank's loans were originated to businesses with revenues greater than $1 million.

Distribution of Small Business Loans by Gross Annual Revenue Category

Gross Revenue Level	% of Businesses	#	%	$(000s)	%
<=$1,000,000	89.0	83	38.4	11,320	26.8
>$1,000,000	3.1	89	41.2	25,396	60.2
Revenue Not Available	7.9	44	20.4	5,486	13.0
Totals	**100.0**	**216**	**100.0**	**42,202**	**100.0**

Source: 2022 D&B Data; Bank Data.
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The distribution of home mortgage lending in the assessment area reflects excellent penetration to individuals of different income levels, including low- and moderate-income individuals. The lending percentages to low- and moderate-income borrowers in the following table compare favorably to pertinent aggregate lending data. The bank's Borrower Profile performance showed poor penetration in the Iowa City MSA. A majority of the loans in the Iowa City MSA involved non-owner occupied property (revenues not available). Management commented that the bank has gained property management customers in this market and the nature of the university and hospitals create a more transient population requesting non-owner occupied housing. However, this did not affect overall conclusions because more weight was given to the Cedar Rapids MSA, which showed even higher levels of penetration than those presented in the following table. Improved performance is noted when compared to the last evaluation.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low	18.7	10.2	40	13.9	4,040	6.6
Moderate	17.5	19.5	68	23.6	9,933	16.3
Middle	23.6	19.9	60	20.8	10,848	17.8
Upper	40.2	26.0	79	27.4	19,987	32.8
Not Available	0.0	24.4	41	14.2	16,133	26.5
Totals	**100.0**	**100.0**	**288**	**100.0**	**60,941**	**100.0**

Source: 2015 ACS Data; Bank Data; 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%

Small Farm Loans

The distribution of small farm loans among agricultural operations with gross annual revenues of $1 million or less reflects reasonable penetration. The bank's percentage of loans to small farms with gross annual revenues of $1 million or less is below D&B data, but reasonable when considering additional factors. Specifically, 2017 U.S. Census of Agriculture data reveals that 61.6 percent of the assessment area farms are small hobby farms. These farms list their principal occupation as "other than farming." The same data also shows that 54.1 percent of farms reported not incurring any interest expense. These statistics demonstrate there are a significant proportion of operators with limited or no borrowing needs. Examiners also noted that a larger percentage of loan were originated with no consideration of revenues. Similar to comments made under small business, management stated that many of these are long-term customers where financials are waived or other data is considered.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000	97.9	66	71.7	9,332	71.2
>$1,000,000	1.1	5	5.4	945	7.2
Revenue Not Available	0.9	21	22.8	2,821	21.5
Totals	**100.0**	**92**	**100.0**	**13,098**	**100.0**

Source: 2022 D&B Data; Bank Data.
Due to rounding, totals may not equal 100.0%

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

FSB demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities to evaluate the bank's performance under this test. Because the bank was responsive to the community development needs of its assessment area, community development activities benefitting the broader statewide or regional area were included in the analysis.

Information from performance evaluations of five intermediate small banks conducted during the evaluation period was used for comparative purposes to assess FSB's overall performance under the Community Development Test. The institutions were chosen due to similarities in asset size or types of areas served. FSB's overall community development performance compared reasonably to these institutions when considering available community development opportunities in the assessment area, and that two of the similarly-situated institutions received an Outstanding Community Development Test rating.

Community Development Loans

FSB originated 459 community development loans totaling approximately $100.8 million during the evaluation period. Of the bank's total, 428 loans totaling $26.4 million were originated as part of the SBA's PPP. These loans helped to promote economic development by financing small businesses and farms as they struggled with the impact of the COVID-19 pandemic. Additionally, 10 loans totaling nearly $13,000 were originated to assist customers affected by the derecho disaster declaration. The overall total also includes 53 community development loans totaling over $14.7 million benefitting the broader statewide or regional area that includes the bank's assessment areas. FSB extended loans to entities to support affordable housing; promote economic development by supporting permanent job creation, retention, and/or improvement for low- and moderate-income persons; and aid revitalization or stabilization efforts.

FSB's total community development loans represent 9.7 percent of total assets and 13.1 percent of net loans, as of December 31, 2022. The comparable institutions had community development loans to total assets ratios ranging from 9.6 percent to 27.8 percent, and community development loans to net loans ratios ranging from 14.8 percent to 44.0 percent. FSB's ratios are on the lower end of the range, but compare reasonably to these institutions. All comparable institutions' community development lending activity also included PPP loans. The following tables reflect the number and dollar volume of community development lending in each category by assessment area and activity year.

Community Development Lending by Assessment Area										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Assessment Area	15	29,812	0	0	356	47,256	35	9,053	**406**	**86,121**
Regional Activities	1	6,503	0	0	2	140	0	0	**3**	**6,643**
Statewide Activities	5	6,843	0	0	44	1,221	1	18	**50**	**8,082**
Total	**21**	**43,158**	**0**	**0**	**402**	**48,617**	**36**	**9,071**	**459**	**100,846**
Source: Bank Data										

Community Development Lending										
Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Total**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
2020 (Partial)	1	1,137	0	0	27	9,004	3	537	**31**	**10,678**
2021	7	12,659	0	0	370	24,256	32	4,193	**409**	**41,108**
2022	13	29,362	0	0	5	15,357	1	4,341	**19**	**49,060**
2023 (Year-to-Date)	0	0	0	0	0	0	0	0	**0**	**0**
Total	**21**	**43,158**	**0**	**0**	**402**	**48,617**	**36**	**9,071**	**459**	**100,846**
Source: Bank Data										

FSB's funding of multiple affordable housing projects within the assessment area is noteworthy, as this is an identified need by the community contact. Another notable example is that the bank financed a revitalization project in a moderate-income census tract. Loan funds were used for the construction and development of a project that will not only create employment but attract new businesses and residents to the area.

Qualified Investments

During the evaluation period, FSB recorded 99 qualified investments totaling nearly $19.8 million. Qualified donations and investments funded since the previous evaluation were considered under this component, as well as qualifying investments purchased prior to the evaluation period that remain outstanding. The total primarily consists of qualified investments, but also includes qualified donations of $263,000. As the bank was responsive to assessment area community development needs, these totals also include seven investments totaling approximately $2.1 million benefitting the broader statewide area that includes the bank's assessment area.

FSB's qualified investments represented 1.9 percent of the bank's total assets and 8.5 percent of securities, as of December 31, 2022. Comparable institutions reported qualified investments to total assets and qualified investments to securities ratios ranging from 0.7 percent to 4.4 percent and from 2.8 percent to 37.6 percent, respectively. FSB's performance compares reasonably to these institutions. FSB's ratios decreased since the prior evaluation when qualified investments and donations represented 2.0 percent of total assets and 16.4 percent of securities, as of March 31, 2020.

Through its investments and donations, FSB supported community development needs through affordable housing, community services to low- and moderate-income individuals, economic development, and revitalization or stabilization efforts. The following tables reflect the number and dollar volume of qualified investments in each category by area and activity year.

Qualified Investments by Assessment Area										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Assessment Area	4	17	35	112	45	15,671	8	1,842	**92**	**17,642**
Statewide Activities	0	0	2	933	2	469	3	738	**7**	**2,140**
Total	**4**	**17**	**37**	**1,045**	**47**	**16,140**	**11**	**2,580**	**99**	**19,782**
Source: Bank Data										

Qualified Investments										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Prior Period	1	16	1	400	29	7,414	3	755	**34**	**8,585**
2020 (Partial)	0	0	0	0	5	2,347	3	758	**8**	**3,105**
2021	0	0	1	533	6	4,930	3	685	**10**	**6,148**
2022	0	0	0	0	4	1,299	2	382	**6**	**1,681**
2023 (Year-to-Date)	0	0	0	0	0	0	0	0	**0**	**0**
Subtotal	**1**	**16**	**2**	**933**	**44**	**15,990**	**11**	**2,580**	**58**	**19,519**
Qualified Grants & Donations	3	1	35	112	3	150	0	0	**41**	**263**
Total	**4**	**17**	**37**	**1,045**	**47**	**16,140**	**11**	**2,580**	**99**	**19,782**
Source: Bank Data										

Examples of qualified investments where the bank has been most responsive to community development needs include multiple large dollar donations provided to a local organization to assist in construction of a new facility that would foster economic development through low- or moderate-income job retention and improvement. The equity investments that received consideration were not unique and are similar to those generally seen at other institutions.

Community Development Services

The institution received consideration for a total of 50 community development services that consisted of providing support for affordable housing, community services to low- and moderate-income individuals, and economic development efforts. FSB personnel provided technical or financial expertise to these organizations in many ways, all related to their employment with the institution. Employees dedicated their time and resources to 12 different organizations over the evaluation period. Most notably, in nine of these entities, bank employees served in a board member or officer capacity. Although the number of services performed decreased compared to the prior evaluation, it is noted that the COVID-19 pandemic and its public restrictions had a negative impact on opportunities available for employees to participate.

Comparable institutions provided between 23 and 83 services; FSB compares reasonably to these institutions. The following table illustrates the bank's community development services by activity year. All community development services were provided inside the assessment area.

Community Development Services					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2020 (Partial)	1	6	5	0	**12**
2021	1	6	5	0	**12**
2022	1	21	4	0	**26**
2023 (Year-to-Date)	0	0	0	0	**0**
Total	**3**	**33**	**14**	**0**	**50**
Source: Bank Data					

The following are notable examples of the bank's community development services:

- A bank representative serves as a director for a housing project specifically designed for low-income elderly individuals, as designated by U.S. Department of Housing and Urban Development guidelines.
- Bank representatives are involved the American Bankers Association's "Teaching Children to Save" program. FSB personnel have presented lessons using this program to educate children on topics such as money management, the value of money, and how to create good saving habits for future needs. A majority of the students were from families with low to moderate incomes.

FSB offers retail services that increase access to financial services in the assessment area, which include the alternative services described under this document's Description of Institution. These services are generally free of charge to bank customers, which benefits low- and moderate-income individuals. FSB operates one branch and automated teller machine in a moderate-income census tract. A checking account is offered with no minimum balance or service fees for the consumer.

As mentioned previously, the bank participates in various lending programs that aid small businesses, small farms, and potential homeowners. One specific program utilized includes the Federal Home Loan Bank HomeStart Program. FSB applied for and received grant funds offered through this program that targets low- and moderate-income borrowers and provides down payment and closing cost assistance. As a result, the bank originated 19 residential real estate loans, with grants totaling $139,500.

FSB also implemented measures to accommodate customers affected by the COVID-19 pandemic. The bank made loan accommodations and waived non-sufficient fund, overdraft, and excessive withdrawal fees. Management also identified alternative opportunities to assist communities as local charitable events were cancelled due to the virus and government mandated restrictions were imposed. Such efforts are considered highly responsive to the needs of low- and moderate-income individuals, small businesses, and small farms affected by the pandemic.

The institution also invests in, and is involved with, numerous other community activities that do not specifically meet the definition of community development; however, bank personnel are commended for their involvement in these other community events.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.

APPENDICES

INTERMEDIATE 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).

Community Development Test

The Community Development Test considers the following criteria:

1) The number and amount of community development loans;
2) The number and amount of qualified investments;
3) The extent to which the bank provides community development services; and
4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

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.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms; or
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

(1) Has as its primary purpose community development; and

(2) Except in the case of a wholesale or limited purpose institution:

(i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and

(ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

(1) Has as its primary purpose community development;

(2) Is related to the provision of financial services; and

(3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) An unemployment rate of at least 1.5 times the national average;
(2) A poverty rate of 20 percent or more; or
(3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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 Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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.