

PUBLIC DISCLOSURE

October 30, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grant County State Bank
Certificate Number: 15687

102 North Washington Street
Swayzee, Indiana 46986

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**.

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

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the institution's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated November 14, 2011 to the current evaluation dated October 30, 2017. Examiners used the Small Institution CRA Evaluation Procedures to evaluate GCSB's CRA performance. These procedures include the CRA Small Bank Lending Test which is based upon the following criteria:

- Loan-to-deposit Ratio
- Assessment Area Concentration
- Geographic Distribution of Loans
- Borrower Profile
- Response to Substantiated Complaints.

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

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The bank is not subject to the data collection requirements of the Home Mortgage Disclosure Act.

Home mortgage loans contributed more weight to the overall conclusions as this loan product had the largest volume of loan originations by number and dollar amount. Small business loans were ranked second in weight as this product's originations (by number and dollar) represented a sizable origination volume for the time frame reviewed. No other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, small farm and consumer loans provided no material support for the conclusions or ratings and were not reviewed.

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Home mortgage loans were sampled in 2016 using a 90 percent confidence interval with a 10 percent precision level. The sample of 76 loans totaling \$7,134,000 was selected from a universe of 227 loans totaling \$17,147,000. All originations for small business loans were reviewed for 2016. The 2016 small business loans equaled 61 loans totaling \$6,193,000. D&B data for 2016 provided a standard of comparison for the small business lending. Year-to-date 2017 lending (through September 15, 2017) was reviewed for the home mortgage loans and small business loans. However, only the 2016 loan data is presented in this evaluation, as the 2017 overall lending performance was consistent with that of 2016. The 2017 lending is discussed where the performance warrants it.

Examiners reviewed the number and dollar volume of home mortgage and small business loans. While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

Bank management indicated that the bank staff works hard to maintain its customer base and customers return to the bank to provide repeat business. Lending numbers are based upon the bank's ability to retain its customer base and is largely based on loan requests received from its customers and area demographics. The bank continued to offer its own products during this evaluation and does not offer special loan promotions or outside loan products.

DESCRIPTION OF INSTITUTION

Background

GCSB is headquartered in Swayzee, Indiana, and operates in east central Indiana, in Grant County. The bank is owned by Grant County State Bancshares, Incorporated, a one-bank holding company, also in Swayzee. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated November 14, 2011, based on Interagency Small Institution Examination Procedures.

Operations

The bank operates three full-service offices in Grant County with the main office in Swayzee and one branch each in Sweetser and Marion. The bank offers loan products including commercial, home mortgage, agricultural, and consumer loans, primarily focusing on home mortgage loans and commercial lending. GCSB provides a variety of deposit services including checking, savings, and certificates of deposit. Alternative banking services include automated teller machines, online banking and bill pay services, and a 24-hour automated telephone banking line. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

Ability and Capacity

Assets totaled approximately \$162 million as of June 30, 2017, and included total loans of \$137 million and securities totaling \$4 million. The loan portfolio is illustrated in the following table.

Table 1 - Loan Portfolio Distribution as of 06/30/17		
Loan Category	\$(000s)	%
Construction and Land Development	2,811	2.1
Secured by Farmland	5,981	4.4
1-4 Family Residential	64,509	47.2
Multi-family (5 or more) Residential	6,638	4.9
Commercial Real Estate	23,682	17.3
Total Real Estate Loans	103,621	75.8
Commercial and Industrial	12,686	9.3
Agricultural	9,751	7.1
Consumer	10,496	7.7
Other	147	0.1
Less: Unearned Income	0	0.
Total Loans	136,701	100.0
<i>Source: Reports of Condition and Income Due to rounding, totals may not equal 100.0.</i>		

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

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. The bank has designated a single assessment area in the Indiana Non-MSA area. The bank's assessment area conforms to the CRA regulation requirements, as it includes the census tracts where the bank's offices are located, consists of contiguous whole census tracts, and does not arbitrarily exclude any low- or moderate-income census tracts. The following sections discuss demographic and economic information for the assessment area. Since the last evaluation, the remaining three middle-income census tracts in Grant County were added to the assessment area. This resulted in all 16 census tracts in Grant County comprising the assessment area.

Economic and Demographic Data

The assessment area includes all of Grant County, Indiana. These tracts reflect the following income designations according to the 2010 U.S. Census:

- 0 low-income tracts,
- 6 moderate-income tracts,
- 8 middle-income tracts, and
- 2 upper-income tracts.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	16	0.0	37.5	50.0	12.5	0.0
Population by Geography	70,061	0.0	34.9	50.0	15.1	0.0
Housing Units by Geography	30,702	0.0	37.6	47.6	14.8	0.0
Owner-Occupied Units by Geography	18,845	0.0	29.3	53.2	17.5	0.0
Occupied Rental Units by Geography	7,866	0.0	52.8	37.4	9.8	0.0
Vacant Units by Geography	3,991	0.0	47.1	41.3	11.6	0.0
Businesses by Geography	3,252	0.0	34.7	47.6	17.8	0.0
Farms by Geography	241	0.0	7.9	72.6	19.5	0.0
Family Distribution by Income Level	17,600	22.0	19.8	21.7	36.5	0.0
Household Distribution by Income Level	26,711	27.3	18.5	18.0	36.3	0.0
Median Family Income Non-MSAs IN		\$53,037	Median Housing Value			\$83,779
			Median Gross Rent			\$563

Table 2 – Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
			Families Below Poverty Level			12.0%
Sources: 2010 U.S. Census and 2016 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.						

There are 30,702 housing units in the assessment area. Of these, 61.4 percent are owner-occupied, 25.6 percent are occupied rental units, and 13.0 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

The 2016 FFIEC-updated median family income level is 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.

Table 3 – Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
IN NA Median Family Income (99999)				
2016: \$57,100	<\$28,550	\$28,550 to <\$45,680	\$45,680 to <\$68,520	≥\$68,520
Source: FFIEC Due to rounding, totals may not equal 100.0				

According to the 2016 D&B data, there were 3,252 businesses in the assessment area. Gross annual revenues (GARs) for these businesses are below.

- 79.1 percent have \$1 million or less.
- 5.8 percent have more than \$1 million.
- 15.1 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 44.9 percent; followed by retail trade (15.1 percent); finance, insurance, and real estate (9.8 percent); and construction (5.9 percent). In addition, 67.9 percent of area businesses have four or fewer employees, and 84.6 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the September 2017 unemployment rate was 3.8 percent statewide. The unemployment rate for that same time period within the assessment area at 4.2 percent in Grant County was comparable to the statewide rate.

Competition

The assessment area is highly competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 2017, there were 7 financial institutions that

operated 17 full-service offices within Grant County. Of these institutions, GCSB was ranked 2nd with an 18.8 percent deposit market share.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is therefore included here. Aggregate data for 2015 shows that 33 institutions reported 586 small business loans in Grant County, indicating a moderate degree of competition for this product.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area 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 reviewed a recent contact with an economic development organization in the assessment area. The contact stated that supporting revolving loan funds and microloan funds are opportunities for local banks. Examiners also observed that the maintenance of employment through small businesses provided job opportunities for residents. Local employment helps to retain the population base and ensures the needed services are available within the nearby communities.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

GCSB demonstrated reasonable performance under the Lending Test.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 87.7 percent over the past 23 calendar quarters from December 31, 2011, to June 30, 2017. The ratio ranged from a low of 68.3 percent as of March 31, 2013, to a high of 107.8 percent as of September 30, 2016. The ratio has steadily increased during the evaluation period. Examiners selected three comparable institutions based on their asset size, geographic location, and lending focus. As shown in the following table, GCSB maintained a ratio higher than all three comparable institutions.

Table 4 - Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/17 \$(000s)	Average Net LTD Ratio (%)
Grant County State Bank	161,613	87.7
Similarly-Situated Institution #1	144,389	53.0
Similarly-Situated Institution #2	179,048	79.2
Similarly-Situated Institution #3	170,591	80.4
<i>Source: Reports of Condition and Income 12/31/11 through 6/30/17</i>		

Assessment Area Concentration

A majority of home mortgage and small business loans, by number and dollar volume, are in the institution's assessment area. See the following table.

Table 5 - 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										
2016	60	78.9	16	21.1	76	4,623	64.8	2,511	35.2	7,134
Small Business										
2016	43	70.5	18	29.5	61	4,149	67.0	2,044	33.0	6,193
Total	103	75.2	34	24.8	137	8,772	65.8	4,555	34.2	13,327
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2016 Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts. No low-income census tracts are present in the assessment area. The six moderate-income census tracts are contiguous to one another in the towns of Marion and Gas City, Indiana. Marion and Gas City are very near one another. GCSB's Marion office is on the northern edge of the moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area.

In 2016, the bank originated 16.7 percent of its home mortgage loans within moderate-income tracts. This was 12.6 percent below the 29.3 percent owner-occupied housing level in those tracts. However, in year-to-date 2017, the number and percent of loans in the moderate-income tracts increased to 22 loans and 41.5 percent of lending. The bank did not use special loan products or marketing efforts to achieve the lending increase, since it occurred due to customers seeking loans in 2017. In addition to the increased performance in 2017, the bank's Marion office is located in a moderate-income tract further representing the bank's willingness and efforts to lend in this tract segment. The bank's performance is reasonable.

Table 6 - Geographic Distribution of Home Mortgage Loans

Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate	29.3	10	16.7	435	9.4
Middle	53.2	27	45.0	2,345	50.7
Upper	17.5	23	38.3	1,843	39.9
Not Available	0.0	0	0.0	0	0.0
Total	100.0	60	100.0	4,623	100.0

*Sources: 2010 U.S. Census, 1/1/2016 - 12/31/2016 Bank Data
Due to rounding, totals may not equal 100.0*

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's lending in moderate-income tracts in 2016 exceeded the businesses operating in those tracts.

The bank's lending performance was 44.2 percent in the moderate-income tracts in 2016, which exceeded the 34.7 percent business population. The performance was a healthy percentage (9.5 percent) above the business population. No special loan products or advertising were used.

However, the bank works hard to retain its customer base and obtain new business in its assessment area through solid customer service. This is very reasonable performance when considering two of the bank's three offices are not near the moderate-income tracts. As mentioned previously, competition for small business loans in the assessment area is moderate.

Table 7 - Geographic Distribution of Small Business Loans

Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	34.7	19	44.2	1,529	36.9
Middle	47.6	19	44.2	2,370	57.1
Upper	17.8	5	11.6	250	6.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	43	100.0	4,149	100.0

*Sources: 2016 D&B Data; 1/1/2016 - 12/31/2016 Bank Data
Due to rounding, totals may not equal 100.0*

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less. They also focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

Home Mortgage Loans

The distribution of home mortgage loans is reasonable to individuals of different income levels, including low- and moderate-income borrowers, based upon a comparison to the family population by income level. Lending to low-income borrowers was 21.7 percent in 2016, which was comparable to the 22 percent low-income family population. It is also noted that 12 percent of families in the assessment area have incomes below the poverty level. It can be difficult for these families to qualify for conventional mortgages and limits the opportunity to lend to low-income families.

Moderate-income borrowers received 23.3 percent of lending in 2016 which exceeded the 19.8 percent moderate-income family population by 3.5 percent. No special loan products or programs existed to alter the lending distribution to low- or moderate-income borrowers. The lending levels to low- and moderate-income borrowers occurred due to the mix of customers coming to the bank for loans. Maintaining customer satisfaction and serving the local community helps the bank reach the low- and moderate-income applicants.

The following table details the bank's mortgage lending by borrower income level in the assessment area.

Table 8 - Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	22.0	13	21.7	554	12.0
Moderate	19.8	14	23.3	984	21.3
Middle	21.7	13	21.7	891	19.3
Upper	36.5	20	33.3	2,194	47.5
Not Available	0.0	0	0.0	0	0.0
Total	100.0	60	100.0	4,623	100.0

*Sources: 2010 U.S. Census; 1/1/2016 - 12/31/2016 Bank Data
Due to rounding, totals may not equal 100.0*

Small Business Loans

The distribution of small business loans is reasonable among businesses of different sizes based upon a comparison to the business population by gross annual revenues. Small business loans are analyzed by gross annual revenue to evaluate the size of the businesses being served. As shown in the following table, the D&B data indicated that 79.1 percent of businesses had gross annual revenues of \$1 million or less, but this is not necessarily the percentage that would seek financing or be eligible for it. Small business lending was 86.0 percent in 2016 to businesses with gross annual revenues of \$1 million or less. The bank's lending performance is reasonable as it exceeds the business population in the \$1 million or less revenue category by 6.9 percent. The bank's efforts to serve and retain its business customers in the assessment area support this reasonable performance.

Table 9 - Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	79.1	37	86.0	2,537	61.1
>\$1,000,000	5.8	6	14.0	1,612	38.9
Revenue Not Available	15.1	0	0.0	0	0.0
Total	100.0	43	100.0	4,149	100.0

*Sources: 2016 D&B Data, 1/1/2016 - 12/31/2016 Bank Data.
Due to rounding, totals may not equal 100.0*

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

GLOSSARY

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

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

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

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

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

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

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

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

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

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

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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.