

PUBLIC DISCLOSURE

June 25, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First State Bank of Shelby
Certificate Number: 11013

320 Main Street
Shelby, Montana 59474

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

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 COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's performance:

- The loan-to-deposit (LTD) ratio is less than reasonable given the institution's size, financial constraints, and AA credit needs.
- The bank made a substantial majority of its small farm and small business loans in the AA.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- The distribution of borrowers reflects excellent penetration of loans among businesses and farms of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior Performance Evaluation (PE) dated September 17, 2012, to the current evaluation dated June 25, 2018. Examiners used Interagency Small Institution Examination Procedures to evaluate FSBS's CRA performance. These procedures consider the institution's performance according to the following criteria:

- LTD ratio
- AA concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

Loan Products Reviewed

Examiners determined that the bank's major product lines are small farm and small business loans. This conclusion considered the bank's number and dollar volume of loans originated during the evaluation period and the bank's business strategy. Home mortgage loans were not evaluated because the bank does not offer these types of loans. The bank does not have any lending affiliates that were considered as part of the evaluation.

The bank's record of originating small farm loans contributed more weight to the overall conclusions due to the larger loan volume when compared to small business lending. Also, no other types of loans, such as consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented. The following table shows the bank's originations and purchases over the most recent calendar year by loan type.

Loans Originated or Purchased in 2017				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	0	0.0	0	0.0
Secured by Farmland	2,045	30.9	7	3.6
1-4 Family Residential	0	0.0	0	0.0
Multi-Family (5 or more) Residential	0	0.0	0	0.0
Commercial Real Estate	517	7.8	5	2.5
Commercial and Industrial	1,261	19.0	44	22.2
Agricultural	2,328	35.1	80	40.4
Consumer	393	5.9	61	30.8
Other Loans	88	1.3	1	0.5
Total Loans	6,632	100.0	198	100.0
<small>Source: Bank Records 01/01/2017 through 12/31/2017. Due to rounding, totals may not equal 100.0.</small>				

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Examiners selected samples of small farm and small business loans originated in the period January 1, 2016, through December 31, 2017. These samples were considered representative of the bank's performance during the entire evaluation period.

During 2016, the bank originated 23 small farm loans totaling \$1.9 million, of which 14 were sampled totaling \$994,805, and 23 small business loans totaling \$1.2 million, of which 14 were sampled totaling \$862,576. In 2017, the bank originated 85 small farm loans totaling \$3.1 million, of which 30 were sampled totaling \$2.4 million, and 56 small business loans totaling \$3.8 million, of which 25 were sampled totaling \$900,957. D&B data for 2016 and 2017 provided a standard of comparison for the sampled small farm and small business loans.

Examiners reviewed the number and dollar volume of small farm 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 farms and businesses served.

DESCRIPTION OF INSTITUTION

Background

FSBS is located in Shelby, Montana, and operates primarily in the counties of Glacier, Liberty, Pondera, and Toole. Shelby is the county seat of Toole County and is located in north central Montana, approximately 30 miles south of the Canadian border and about 80 miles east of Glacier National Park. FSBS is owned by Prairie Bancshares Corporation, a one-bank holding company also in Shelby, Montana. FSBS received a Satisfactory rating at its previous FDIC PE dated September 17, 2012, based on Interagency Small Institution Examination Procedures.

Operations

FSBS operates one full-service branch in Shelby, Montana. FSBS offers loan products including agricultural, commercial, and consumer loans. The bank primarily focuses on agricultural and commercial lending products. FSBS does not offer home mortgage loan products. The bank provides a variety of deposit services including checking, savings, and certificates of deposit. Limited online banking services are also offered by the institution. The bank did not open or close any branches, and no merger or acquisition activities have occurred since the previous evaluation.

Ability and Capacity

Assets totaled approximately \$132 million as of March 31, 2018, and included total loans of \$20 million and total securities of \$101 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 03/31/2018		
Loan Category	\$(000s)	%
Construction and Land Development	0	0.0
Secured by Farmland	4,326	21.5
1-4 Family Residential	0	0.0
Multi-family (5 or more) Residential	0	0.0
Commercial Real Estate	1,811	9.0
Total Real Estate Loans	6,137	30.5
Commercial and Industrial	4,003	19.9
Agricultural	8,738	43.4
Consumer	794	4.0
Other	443	2.2
Less: Unearned Income	0	0.0
Total Loans	20,115	100.0

Source: Reports of Condition and Income.

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. FSBS designated a single AA that includes the contiguous counties of Glacier, Liberty, Pondera, and Toole, Montana. The following sections discuss demographic and economic information for the AA.

Economic and Demographic Data

The AA includes all 10 census tracts in Glacier, Liberty, Pondera, and Toole Counties. These tracts reflect the following income designations according to the 2010 U.S. Census and apply to the 2016 loan samples:

- 0 low-income tracts
- 2 moderate-income tracts
- 6 middle-income tracts
- 1 upper-income tract
- 1 tract with no income designation

All six middle-income tracts were designated in 2016 as distressed or underserved middle-income geographies due to being remote and rural.

The bank's only branch is located in a middle-income census tract in Toole County. The branch is located approximately 59 miles from the moderate-income census tract in Glacier County, and approximately 52 miles from the moderate-income census tract in Pondera County.

The AA income designations changed with the 2015 American Community Survey (ACS) Census and apply to the 2017 loan samples:

- 1 low-income tract
- 0 moderate-income tracts
- 7 middle-income tracts
- 0 upper-income tracts
- 2 tracts with no income designation

Four of the middle-income tracts were designated in 2017 as distressed or underserved middle-income geographies due to being remote and rural.

The bank's only branch is located approximately 59 miles from the low-income census tract in Glacier County. The headquarters for the Blackfeet Reservation is located within the low-income census tract. Spanning 1.5 million acres, the Blackfeet Reservation is located in northwest Montana, bordered on the north by Canada and on the west by Glacier National Park.

The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Assessment Area: First State Bank of Shelby						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	10.0	0.0	70.0	0.0	20.0
Population by Geography	27,397	20.2	0.0	77.5	0.0	2.2
Housing Units by Geography	11,428	16.0	0.0	83.5	0.0	0.5
Owner-Occupied Units by Geography	5,814	11.9	0.0	88.0	0.0	0.1
Occupied Rental Units by Geography	3,540	26.8	0.0	73.0	0.0	0.2
Vacant Units by Geography	2,074	9.3	0.0	88.8	0.0	2.0
Businesses by Geography	1,716	7.6	0.0	92.2	0.0	0.2
Farms by Geography	563	0.5	0.0	99.5	0.0	0.0
Family Distribution by Income Level	6,114	31.4	17.5	19.4	31.6	0.0
Household Distribution by Income Level	9,354	32.4	17.4	15.2	35.0	0.0
Median Family Income Non-MSAs - MT		\$59,958	Median Housing Value			\$107,528
			Median Gross Rent			\$518
			Families Below Poverty Level			20.3%
<i>Source: 2015 ACS Census and 2017 D&B Data. Due to rounding, totals may not equal to 100.0.</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2017 D&B data, there were 563 farms in the AA and 1,716 businesses in the AA. Gross annual revenues (GARs) for the AA farms are below. Due to rounding, the total does not equal to 100 percent.

- 98.2 percent have GARs of \$1 million or less.
- 1.2 percent have more than \$1 million in GARs.
- 0.5 percent have unknown revenues.

GARs for the AA businesses are below. Due to rounding, the total does not equal to 100 percent.

- 77 percent have GARs of \$1 million or less.
- 5.4 percent have more than \$1 million in GARs.
- 17.5 percent have unknown revenues.

Service industries represent the largest portion of businesses at 33 percent; followed by agriculture, forestry, and fishing (25.1 percent); retail trade (9.9 percent); and finance, insurance, and real estate (5.5 percent). In addition, 75.6 percent of area businesses have 4 or fewer employees, and 86.2 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor and Statistics shows the 2017 annual average unemployment rate for each county in the bank's AA as follows:

- Glacier – 8.0 percent
- Liberty – 3.1 percent
- Pondera – 3.9 percent
- Toole – 3.1 percent

The annual average unemployment rates in 2017 for the State of Montana and the United States were 4.0 percent and 4.4 percent, respectively. Montana unemployment rates have dropped since the previous evaluation, which reflects the economic recovery experienced nationwide.

Competition

According to the FDIC Deposit Market Share Data as of June 30, 2017, there were 7 FDIC-insured financial institutions that operated 13 full-service branches within the bank's AA. Of these institutions, FSBS ranked 3rd with a 21.2 percent deposit market share. Additionally, of the 7 FDIC-insured financial institutions that operate within the bank's AA, FSBS is the only single-branch lender.

The market share data does not include information from other types of lenders, such as credit unions and national mortgage lenders. The data also does not include financial institutions that do not have a physical presence in the area, but are able to lend through online portals. These factors are significant when considering FSBS's ability to compete with other lenders that operate within the AA.

Community Contact

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

Examiners contacted a representative of an organization that helps to support economic development throughout the bank's AA. The contact provided information about the area's different challenges and opportunities. Specifically, the area has struggled to attract and maintain a young workforce that is skilled enough to meet the needs of local employers. This has contributed to an aging workforce. The low unemployment numbers in parts of the AA are also evidence of the need for additional workers. The contact indicated that financial institutions have been responsive to AA credit needs and did not identify any specific credit needs related to small farms or businesses.

CONCLUSIONS ON PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's LTD ratio is less than reasonable given the institution's size, financial constraints, types of products offered, AA credit needs, and additional factors. The bank's LTD ratio, calculated from the Call Report data, averaged 22.4 percent over the past 23 quarters from September 30, 2012, to March 31, 2018. The ratio ranged from a low of 18.5 percent on March 31, 2018, to a high of 26.0 percent on September 30, 2016. The ratio was relatively stable during the evaluation period. The ratio does fluctuate seasonally as agricultural loan demand picks up in the growing seasons. This is reflected in the higher second and third quarter LTD ratios.

Additional factors have contributed to the low LTD ratio. Oil and gas production has remained consistent and has yielded high prices; however, new wells are not being drilled and the need for loans has decreased. FSBS has 9 large deposit accounts of oil and gas producers whose deposit totals range from a low of \$798,455 to a high of \$1.7 million, as of June 30, 2018. Additionally, the bank retains a large volume of local farmer's deposits as a result of prosperous crops and high prices. Cattle prices for ranching reflect the same trends as crops. Local farmers and ranchers have increased deposits with the bank and have not had a need to borrow as they have in the past.

Although examiners took the above additional factors into consideration, there has been a steady decline in the LTD ratio over the last three evaluations. The bank's LTD ratio was 43.0 percent in the PE dated August 6, 2007, declined to 31.8 percent in the PE dated September 17, 2012, and has further declined to 22.4 percent at the current PE. Thus, the LTD ratio is considered less than reasonable.

Assessment Area Concentration

The bank made a substantial majority of small farm and small business loans, by number and dollar volume, within its AA. 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)
Small Farm										
2016	12	85.7	2	14.3	14	920	92.5	75	7.5	995
2017	29	96.7	1	3.3	30	2,347	99.0	24	1.0	2,371
Subtotal	41	93.2	3	6.8	44	3,267	97.1	99	2.9	3,366
Small Business										
2016	9	64.3	5	35.7	14	571	66.2	292	33.8	863
2017	23	92.0	2	8.0	25	886	98.3	15	1.7	901
Subtotal	32	82.1	7	17.9	39	1,457	82.6	307	17.4	1,764
TOTAL	73	88.0	10	12.0	83	4,724	92.1	406	7.9	5,130
<i>Source: 1/1/2016 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0.</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The bank's reasonable performance of small farm and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in LMI census tracts.

Small Farm Loans

The geographic distribution of sampled small farm loans reflects reasonable dispersion. The following table shows the bank's performance in LMI census tracts in 2016 and 2017.

Geographic Distribution of Small Farm Loans					
Assessment Area: First State Bank of Shelby					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low					
2016	0.0	0	0.0	0	0.0
2017	0.5	0	0.0	0	0.0
Moderate					
2016	12.2	1	8.3	12	1.3
2017	0.0	0	0.0	0	0.0
Middle					
2016	87.8	11	91.7	908	98.7
2017	99.5	29	100.0	2,347	100.0
Upper					
2016	0.0	0	0.0	0	0.0
2017	0.0	0	0.0	0	0.0
Not Available					
2016	0.0	0	0.0	0	0.0
2017	0.0	0	0.0	0	0.0
Totals					
2016	100.0	12	100.0	920	100.0
2017	100.0	29	100.0	2,347	100.0
<i>Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data.</i>					
<i>Due to rounding, totals may not equal 100.0.</i>					

In 2016, the AA had no low-income and two moderate-income census tracts based on the 2010 U.S. Census. Although only one sampled loan was made in a moderate-income census tract in 2016, this performance is reasonable when considering the bank is located approximately 59 miles from the moderate-income census tract in Glacier County, and approximately 52 miles from the moderate-income census tract in Pondera County. Additionally, FSBS competes with national banks and local community banks that have branches within those census tracts.

In 2017, the AA included one low-income and no moderate-income census tracts based on the 2015 ACS Census. There were no sampled loans made in the low-income census tract; however, only 0.5 percent of farms are located in that census tract based on 2017 D&B data. Further, the bank is located approximately 59 miles from the low-income census tract and competes with national banks and local community banks that have branches within that census tract. Thus, the dispersion of small farm loans for 2017 is considered reasonable.

Small Business Loans

The geographic distribution of sampled small business loans also reflects reasonable dispersion. The following table shows the bank's performance in LMI census tracts in 2016 and 2017.

Geographic Distribution of Small Business Loans					
Assessment Area: First State Bank of Shelby					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2016	0.0	0	0.0	0	0.0
2017	7.6	0	0.0	0	0.0
Moderate					
2016	10.9	0	0.0	0	0.0
2017	0.0	0	0.0	0	0.0
Middle					
2016	88.9	9	100.0	570	100.0
2017	92.2	23	100.0	886	100.0
Upper					
2016	0.1	0	0.0	0	0.0
2017	0.0	0	0.0	0	0.0
Not Available					
2016	0.1	0	0.0	0	0.0
2017	0.2	0	0.0	0	0.0
Totals					
2016	100.0	16	100.0	570	100.0
2017	100.0	30	100.0	886	100.0
<i>Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0</i>					

None of the sampled loans in 2016 or 2017 were to businesses located in LMI census tracts. However, this performance is considered reasonable when considering the distance between FSBS's only office and these LMI census tracts. As discussed in the geographic distribution of small farm lending, the bank is located more than 50 miles from both of the moderate-income census tracts (based on the 2010 U.S. Census) and more than 50 miles from the low-income census tract (based on the 2015 ACS Census). Additionally, FSBS competes with national banks and local community banks that have branches within these census tracts.

Borrower Profile

The distribution of borrowers reflects excellent penetration among farms and businesses of different revenue sizes. The bank's excellent performance of small farm and small business lending supports this conclusion. Examiners focused on the percentage by number of loans to farms and businesses with GARs of \$1 million or less.

Small Farm Loans

The distribution of small farm loans reflects excellent penetration of loans to farms with GARs of \$1 million or less. The following table shows that all of the sampled loans in 2016 and 2017 were to farms with GARs of \$1 million or less. The bank’s performance exceeds the percent of farms in this revenue category in the bank’s AA, based on D&B data.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: First State Bank of Shelby					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2016	98.8	12	100.0	920	100.0
2017	98.2	29	100.0	2,347	100.0
>1,000,000					
2016	0.9	0	0.0	0	0.0
2017	1.2	0	0.0	0	0.0
Revenue Not Available					
2016	0.3	0	0.0	0	0.0
2017	0.5	0	0.0	0	0.0
Totals					
2016	100.0	12	100.0	920	100.0
2017	100.0	29	100.0	2,347	100.0

*Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data.
Due to rounding, totals may not equal 100.0.*

Small Business Loans

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1 million or less. The following table shows that all but one of the sampled loans in 2016 and 2017 were to businesses with GARs of \$1 million or less. The bank’s performance exceeds the percent of businesses in this revenue category in the bank’s AA, based on D&B data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: First State Bank of Shelby					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2016	77.7	9	100.0	571	100.0
2017	77.0	22	95.7	760	85.8
>1,000,000					
2016	5.2	0	0.0	0	0.0
2017	5.4	1	4.3	126	14.2
Revenue Not Available					
2016	17.1	0	0.0	0	0.0
2017	17.5	0	0.0	0	0.0
Totals					
2016	100.0	9	100.0	571	100
2017	100.0	23	100.0	886	100
<i>Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0</i>					

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.