

## **PUBLIC DISCLOSURE**

April 29, 2019

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Root River State Bank  
18 Third Street Southeast  
P.O. Box 517  
Chatfield, Minnesota 55923  
RSSD 309851

**Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue, P.O. Box 291  
Minneapolis, MN 55480-0291**

NOTE: 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 the 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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*Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.*

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

Examiners evaluated the Community Reinvestment Act (CRA) performance of Root River State Bank, Chatfield, Minnesota, using the Small Bank CRA Examination Procedures. Based on the bank's asset size and financial condition, the bank effectively meets the credit needs of small farms and small businesses in its assessment area. Several factors support the bank's satisfactory rating.

- The bank's lending to farms and businesses of different sizes is reasonable.
- The geographic distribution and dispersion of the bank's loans throughout the assessment area is reasonable.
- The net loan-to-deposit ratio indicates a reasonable level of lending.
- The bank originated a majority of its loans within its assessment area.

The bank received a satisfactory rating at the previous evaluation, dated March 23, 2015.

## SCOPE OF EVALUATION

The scope of this evaluation covers the bank's major product lines, which are small farm and small business loans. As shown in Table 1, these loan types represent a significant percentage of the number and dollar amount of the bank's recent lending activity.

<b>TABLE 1<sup>1</sup></b>				
<b>Loan Originations From January 1, 2018, Through December 31, 2018</b>				
<b><i>Loan Type</i></b>	<b><i>Number of Loans</i></b>	<b><i>Percentage of Total Number</i></b>	<b><i>Total Loan Dollars</i></b>	<b><i>Percentage of Total Dollars</i></b>
Small Farm ( $\leq$ \$500,000)	116	58.6	\$4,465,889	46.2
Small Business ( $\leq$ \$1 million)	68	34.3	3,130,398	32.4
Consumer	8	4.0	77,779	0.8
Residential Real Estate <sup>2</sup>	5	2.5	887,700	9.2
Agricultural ( $>$ \$500,000)	1	0.5	1,100,000	11.4
<b>Total</b>	<b>198</b>	<b>100.0</b>	<b>\$9,661,766</b>	<b>100.0</b>

Examiners based the evaluation of the bank's performance on statistical samples of 74 small farm and 51 small business loans originated between January 1, 2018, and December 31, 2018.

Examiners analyzed the following criteria to determine the bank's CRA rating:

- Lending to farms and businesses of different sizes
- Geographic distribution of loans
- Net loan-to-deposit ratio
- Lending inside the assessment area
- Record of responding to complaints about the bank's CRA performance

<sup>1</sup>Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.

<sup>2</sup> At the previous examination, the bank was subject to Home Mortgage Disclosure Act (HMDA) collection and reporting requirements. The bank is no longer subject to HMDA because of low volume of covered loans.

Of the five criteria, examiners placed the greatest weight on the bank's lending to farms and businesses of different sizes, followed by the geographic distribution of loans. Finally, the net loan-to-deposit ratio and lending inside the assessment area received lower but equal weight. By loan type, the bank's small farm loans received the greatest weight based on lending activity and loan portfolio composition.

The evaluation is based in part on information from bank management and from community contacts. Examiners interviewed individuals familiar with the economic and demographic characteristics of the bank's assessment area. The CRA evaluation period is from March 24, 2015, to April 29, 2019.

## DESCRIPTION OF INSTITUTION

*Offices and Delivery Systems.* The bank's one office has drive-up and walk-up facilities, as well as one cash-dispensing-only ATM. The bank has standard weekday business hours and offers extended hours on Fridays and Saturdays.

The bank also offers Internet banking services, which allow customers to review account information, transfer funds between accounts, and pay bills.

*Loan Portfolio.* According to the December 31, 2018, Report of Condition, the bank's assets total \$68.7 million, with a loan portfolio of \$35.7 million. The bank's portfolio consists of 50.2% agricultural, 25.2% commercial, 19.0% residential real estate, 3.3% consumer, and 2.3% other loan types. Since the previous evaluation, total assets increased by 2.6% and the loan portfolio increased by 10.7%. As a percentage of the loan portfolio, agricultural and commercial lending increased by 8.8% and 7.7%, respectively. Although consumer lending increased by 37.6%, the overall consumer loan dollars represent a small percentage of the loan portfolio.

*Credit Products.* To meet the credit needs of farms, businesses, and residents in the assessment area, the bank offers a variety of loan products, including agricultural, commercial, and consumer loans. The bank also continues to offer loans through the Small Business Administration and U.S. Department of Agriculture Farm Service Agency.

*Deposit Market Share.* According to the June 30, 2018, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks fourth out of eleven in market share in Fillmore County, with \$59.3 million, or 11.6%, of the total deposits. Of the 29 FDIC-insured financial institutions operating in Fillmore, Olmsted, and Winona counties, the bank ranks 15th, which represents 1.0% of the total deposits.

## DESCRIPTION OF ASSESSMENT AREA

*Assessment Area.* The bank has one designated assessment area for CRA purposes. The assessment area is comprised of portions of three counties in southeastern Minnesota: Fillmore, Olmsted, and Winona. The assessment area includes two moderate- and 10 middle-income census tracts. The Fillmore and Olmsted counties' census tracts are in the Rochester, MN metropolitan statistical area (MSA). The bank has not changed its assessment area since the last examination; however, the income designation changed for two tracts in Fillmore County and two tracts in Olmsted County, based on 2018 Federal Financial Institutions Examination Council (FFIEC) adjusted census data. Previously, the assessment area consisted of three moderate-, eight middle-, and one upper-income tracts.

Table 2 shows the demographic characteristics of the assessment area based on the 2018 FFIEC adjusted census data<sup>3</sup> and 2018 Dun & Bradstreet data.

TABLE 2								
Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	3,259	22.1
Moderate-income	2	16.7	2,323	15.8	193	8.3	2,808	19.1
Middle-income	10	83.3	12,392	84.2	832	6.7	3,805	25.9
Upper-income	0	0.0	0	0.0	0	0.0	4,843	32.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment	12	100.0	14,715	100.0	1,025	7.0	14,715	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	3,468	2,636	16.1	76.0	532	15.3	300	8.7
Middle-income	18,520	13,714	83.9	74.0	3,575	19.3	1,231	6.6
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment	21,988	16,350	100.0	74.4	4,107	18.7	1,531	7.0
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	350	13.9	324	14.1	19	9.9	7	19.4
Middle-income	2,174	86.1	1,973	85.9	172	90.1	29	80.6
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment	2,524	100.0	2,297	100.0	191	100.0	36	100.0
Percentage of Total Businesses:			91.0		7.6		1.4	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	65	15.9	64	15.9	1	14.3	0	0.0
Middle-income	345	84.1	339	84.1	6	85.7	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment	410	100.0	403	100.0	7	100.0	0	0.0
Percentage of Total Farms:			98.3		1.7		0.0	

2018 FFIEC Census Data and 2018 D&B Information

*Income.* For purposes of classifying census tracts by income level, this evaluation relies on the FFIEC adjusted census data median family income. For tracts in the Rochester MSA, the figure is \$81,036 for 2018. For tracts in the non-MSA portion of the assessment area, the figure is \$63,182.

*Population.* According to the U.S. Census Bureau, the 2017 estimated population in Chatfield is 3,067. According to the 2018 FFIEC adjusted census data, the population of the assessment area is 54,160, which is an increase of 2.6% from the last evaluation. This data also indicated that 42.1% of households in the assessment area are low- or moderate-income.

*General Economic Conditions.* According to bank management and community contacts, economic conditions in the assessment area are relatively stable, overall. Agriculture remains the primary industry, but health care, manufacturing, and tourism continue to diversify and stabilize the economy. Major employers in the assessment area include a furniture manufacturer, fiberglass manufacturer, nursing facility, and the school district. Additionally, many residents commute to Rochester for work, as it is approximately 30 minutes from Chatfield. The area has not experienced any major layoffs, and one community contact mentioned there is a need for skilled workers.

Bank management and community contacts stated that the agriculture economy is struggling and the outlook is uncertain. At the previous evaluation, the agriculture economy was good. Very high commodity prices offset high input costs for grain, dairy, and cattle, which are the primary products in the area. Since then, yields and quality have improved. However, commodity prices decreased and input costs remain high. The economic downturn has impacted dairy farmers the most, due to a significant drop in demand. A community contact indicated that some dairy producers have gone out of business. Bank management and a community contact describe credit demand as steady; credit needs have shifted from capital purchases to renewing debt and financing storage facilities. Some producers hold off selling yields in hopes that prices will increase. Bank management and a community contact also described a shift in the demographics of producers. Some smaller producers are selling to larger operations or leaving the industry, which may be attributed to the aging farming community, the costs of transferring wealth to the next generation of farmers, or younger generations no longer interested in farming.

Bank management and a community contact stated most households have two incomes and estimated that local wages range from \$15 to \$22 per hour. One community contact mentioned that skilled workers often receive full benefit packages. According to the Bureau of Labor Statistics, the 2018 non-seasonally adjusted average unemployment rate in Fillmore, Olmsted, and Winona counties was 3.2%, 2.4%, and 2.6%, respectively. The 2018 non-seasonally adjusted average rate for the state of Minnesota was 2.9%.

Although it is common for residents to leave Chatfield to pursue education and employment in larger cities, many return to start families. Additionally, individuals are moving from larger cities to Chatfield and the surrounding area to retire.

According to a community contact, there is a demand for housing in Chatfield, but wages have not increased at the same rate as home prices. Land lot prices vary throughout the assessment area and range from \$68,000 in Chatfield to \$10,000 in Harmony. As a result, construction costs in Chatfield are higher than other communities in the area.

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<sup>3</sup> The FFIEC adjusted census data is based on decennial U.S. Census data and American Community Survey five-year estimate data, and it also reflects the Office of Management and Budget's metropolitan statistical area revisions.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in meeting the credit needs of its assessment area is rated Satisfactory. Overall, the bank's lending to farms and businesses of different sizes is reasonable. The bank's geographic distribution of loans is reasonable. The bank's net loan-to-deposit ratio is reasonable, and the bank originated a majority of its loans within the assessment area.

### LENDING TO FARMS AND BUSINESSES OF DIFFERENT SIZES

The bank's lending to small farms and small businesses is reasonable. The bank's lending activity demonstrates its willingness to meet the needs of small entities in the assessment area.

*Small Farm Lending.* The bank's lending to small farms is reasonable. Table 3 displays the distribution of small farm lending in the assessment area.

<b>Table 3 Small Farm Lending</b>				
<b><i>Small Farm Loans</i></b>	<b><i>≤ \$100,000</i></b>	<b><i>&gt; \$100,000 to ≤ \$250,000</i></b>	<b><i>&gt; \$250,000 to ≤ \$500,000</i></b>	<b><i>Total Originations</i></b>
Percentage of All Small Farm Loans	93.0%	5.6%	1.4%	100.0%
Percentage of Loans to Farm with Revenues of \$1 Million or Less	92.9%	5.7%	1.4%	98.6%

According to 2018 demographics, 98.3% of the farms in the assessment area have gross annual revenues of \$1 million or less. The bank originated 98.6% of its small farm loans to farms with gross annual revenues of \$1 million or less. The bank's lending is comparable to demographics. Bank management and a community contact stated that loan demand has been steady and that area farmers seek loans for a variety of purposes, such as purchasing livestock and equipment, funding operating expenses, or refinancing debt. Given these factors, the bank's willingness to make small dollar loans to small farms is noteworthy; 75.7% of the loans to small farms were originated for amounts of \$25,000 or less.

*Small Business Lending.* The bank's lending to small businesses is reasonable. Table 4 displays the distribution of small business lending in the assessment area.

<b>Table 4 Small Business Lending</b>				
<b><i>Small Business Loans</i></b>	<b><i>≤ \$100,000</i></b>	<b><i>&gt; \$100,000 to ≤ \$250,000</i></b>	<b><i>&gt; \$250,000 to ≤ \$1,000,000</i></b>	<b><i>Total Originations</i></b>
Percentage of All Small Business Loans	92.3%	7.7%	0.0%	100.0%
Percentage of Loans to Businesses with Revenues of \$1 Million or Less	90.9%	9.1%	0.0%	84.6%

According to 2018 demographics, 91.0% of businesses in the assessment area have gross annual revenues of \$1 million or less. The bank originated 84.6% of its small business loans to businesses with gross annual revenues of \$1 million or less. Although the lending is below demographics, it is reasonable. Only three of these loans were made to businesses with gross annual revenues greater than \$1 million. According to bank management and a community contact, businesses seek loans for acquisitions,

equipment purchases, working capital, and renovations. A majority of the loans, or 59.1%, to small businesses were for amount of \$25,000 or less.

### GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution and dispersion of small farm and small business loans is reasonable and does not reveal any unexplained gaps in lending.

Table 5 Geographic Distribution of Small Business and Small Farm Loans by Income Level of Census Tract*				
Loan Type Sample	Moderate Income		Middle Income	
	#	\$	#	\$
Small Business	0.0%	0.0%	100.0%	100.0%
Small Farm	1.4%	2.4%	98.6%	97.6%
Number of Census Tracts	2		10	
Percentage of Census Tracts	16.7%		83.3%	
Percentage of Businesses**	13.9%		86.1%	
Percentage of Farms**	15.9%		84.1%	
*Income classification of census tracts based on 2018 FFIEC census data.				
**Percentages are based on 2018 Dun & Bradstreet data.				

As shown in Table 5, the bank originated 1.4% of small farm loans and did not originate any small business loans in the moderate-income tracts. Although the bank's lending is below demographics, it is reasonable. One of the moderate-income tracts is mostly in the city of Rochester, where there is strong competition for loans. The other moderate-income census tract is in the southern portion of the bank's assessment area, in Fillmore County, where several banks operate.

The majority of the loans were made in the middle-income tracts. However, the bank did not make any loans in five of the 10 tracts. Two of the five tracts have communities where other banking options are available, and the other three tracts are in or near the city of Rochester. Given those factors, the bank's lack of lending in those tracts is reasonable.

### LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is reasonable given the bank's asset size and financial condition, assessment area credit needs, and competition from local financial institutions. According to the December 30, 2018, Uniform Bank Performance Report, the bank's net loan-to-deposit ratio is 58.7%, which is below the national peer group's net loan-to-deposit ratio of 72.6%. The bank's national peer group includes all insured commercial banks having assets between \$50 million and \$100 million, with two or fewer full-service banking offices and located in an MSA.



<b>Table 6</b> <b>16-Quarter Average Net Loan-to-Deposit Ratios</b>		
<i>Bank Name and Location</i>	<i>Assets as of December 31, 2018 (in thousands)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
Root River State Bank, Chatfield, MN	\$ 68,687	59.9%
First Southeast Bank, Harmony, MN	\$101,477	113.4%
F & M Community Bank N.A., Preston, MN	\$132,031	90.8%
Rushford State Bank, Rushford, MN	\$ 53,825	86.5%

Since the previous evaluation, the bank's quarterly net loan-to-deposit ratio ranged from 54.0% to 65.2%, which reflects normal fluctuations in business. As shown in Table 6, the bank's average net loan-to-deposit ratio for the past 16 quarters is 59.9%. While the average net loan-to-deposit ratio is lower than that of local competitor banks, it is reasonable given the high competition in the assessment area. The bank operates in an MSA in which numerous financial institutions are active, including larger national and regional banks, as well as a regional agricultural cooperative. In addition, bank management indicated the bank holds deposits from several large depositors, which affects the ratio. Finally, community contacts did not identify unmet credit needs in the assessment area.

#### COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

Overall, the bank originated a majority of its loans within its assessment area: 77.6% of loans by number, and 61.3% by total dollar amount. Table 7 shows lending activity by loan type within the assessment area.

<b>Table 7</b> <b>Distribution of Loans Inside and Outside the Assessment Area</b>								
<i>Loan Category</i>	<i>Inside</i>				<i>Outside</i>			
	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>
Small Business	26	51.0	936	36.6	25	49.0	1,622	63.4
Small Farm	71	95.9	2,082	87.9	3	4.1	286	12.1
<b>Total</b>	<b>97</b>	<b>77.6</b>	<b>3,018</b>	<b>61.3</b>	<b>28</b>	<b>22.4</b>	<b>1,907</b>	<b>38.7</b>

The bank originated a substantial majority of small farm loans in the assessment area. Although the bank originated a majority of small business loans by number inside the assessment area, a majority of small business loan dollars were originated outside the assessment area. By number, 88.0% of the small business loans made outside the assessment area were made to one borrower with whom the bank has a long-standing relationship. In addition, the bank made a large dollar business loan, which reflects the majority of the loan dollars outside of the assessment area, to a borrower located in a county adjacent to Olmsted County. Bank management stated that loans originated outside the assessment area are mainly made because of existing relationships the bank has with borrowers.

#### RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

Neither the bank nor the Federal Reserve Bank of Minneapolis has received any CRA-related complaints concerning the bank since the previous evaluation.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The examination did not reveal any evidence of violations of antidiscrimination laws or regulations (including Regulation B--Equal Credit Opportunity Act, Regulation C--Home Mortgage Disclosure Act, and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

## Appendix A

### Glossary of Common CRA Terms

**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 statistical area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; (4) activities that revitalize or stabilize low- or moderate-income census tracts, designated disaster areas, or distressed or underserved nonmetropolitan middle-income census tracts; or (5) Neighborhood Stabilization Program (NSP)-eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and census tracts.

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. It 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.

**Distressed nonmetropolitan middle-income census tract:** A middle-income, nonmetropolitan census tract 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 20.0% or more, or (3) a population loss of 10.0% or more between the previous and most recent decennial census or a net migration loss of 5.0% 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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which 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).

**Full-scope review:** Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (i.e., approved, denied, or withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of 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.

**Limited-scope review:** Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

**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 statistical area/assessment area.

**Metropolitan statistical area (MSA):** An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county 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 percent 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 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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 qualified investment is defined as any 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 MSA. 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 MSA, the institution will receive a rating for the multistate metropolitan area.

**Small loan to business:** A loan included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

**Small loan to farm:** 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 or classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income census tract:** A middle-income, nonmetropolitan census tract will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate 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 more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)