

## **PUBLIC DISCLOSURE**

April 16, 2018

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

Dakota Western Bank  
202 South Main Street  
PO Box D  
Bowman, North Dakota 59623

RSSD 827458

**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 Dakota Western Bank, Bowman, North Dakota, 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, small businesses, and residents in the assessment area. Several factors support the bank's satisfactory rating.

- Overall, the bank's lending to farms and businesses of different sizes and to borrowers of different incomes is reasonable.
- The net loan-to-deposit ratio is reasonable given the bank's asset size, financial condition, and credit needs of the assessment area.
- The bank originated a majority of its loans within the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The bank received a Satisfactory rating at the previous CRA evaluation, dated December 16, 2013.

## SCOPE OF EVALUATION

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

<b>TABLE 1<sup>1</sup></b>				
<b>Loan Originations From January 1, 2017, Through December 31, 2017</b>				
<i><b>Loan Type</b></i>	<i><b>Number of Loans</b></i>	<i><b>Percentage of Total Number</b></i>	<i><b>Total Loan Dollars</b></i>	<i><b>Percentage of Total Dollars</b></i>
Construction/Land Development	11	0.9	\$ 2,006,704	1.1
Consumer	208	18.4	3,423,037	1.8
Residential Real Estate	7	0.6	494,884	0.3
Small Business (≤ \$1 million)	146	12.9	18,533,083	9.9
Commercial (> \$1 million)	10	0.9	18,735,779	10.1
Small Farm (≤ \$500,000)	692	61.2	68,731,051	36.9
Agricultural (> \$500,000)	55	4.9	72,235,895	38.8
Municipal	2	0.2	1,926,100	1.0
<b>Total</b>	<b>1,131</b>	<b>100.0</b>	<b>\$186,086,533</b>	<b>100.0</b>

Examiners based the evaluation of the bank's performance on a statistical sample of 157 small farm loans and 85 small business loans originated between January 1, 2017, and December 31, 2017, and 68 consumer loans originated between July 1, 2017, and December 31, 2017.

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

- Lending to farms and businesses of different sizes and to borrowers of different income levels.
- Net loan-to-deposit ratio.

<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%.

- Lending inside the assessment area.
- Geographic distribution of loans.
- Record of responding to complaints about the bank's CRA performance.

Of the five core criteria, examiners placed the greatest weight on the bank's lending to farms and businesses of different sizes and to borrowers of different income levels, followed by the net loan-to-deposit ratio and lending inside the assessment area, which were weighted equally. Examiners place the least weight on the geographic distribution of loans. By loan type, small farm loans received the greatest weight based on lending activity and loan portfolio composition. Small business and consumer loans were weighted equally.

The evaluation is based 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 December 17, 2013, to April 16, 2018.

## DESCRIPTION OF INSTITUTION

*Offices and Delivery Systems.* Dakota Western Bank is a full-service financial institution with its main office in Bowman, North Dakota, and three full-service branches in Scranton, Hettinger, and Regent, North Dakota. The bank also operates a limited-service office in Bowman and a paying-and-receiving office in Rhame, North Dakota. The bank purchased a brick-and-mortar bank building and opened the Regent branch in March 2018. The bank offers drive-up services at the Scranton and Hettinger branches and at the limited-service branch in Bowman. Office and drive-up hours are reasonable for the communities the bank serves. Each office has a cash-dispensing-only ATM. The bank operates two additional cash-dispensing-only ATMs at convenience stores in Bowman and Hettinger.

The bank offers Internet banking for customers to review accounts, pay bills, place stop-payment orders, reorder checks, transfer funds, and make loan payments. In 2016, the bank enhanced the Internet services to include remote deposit. The bank's services are accessible throughout the assessment area.

*Loan Portfolio.* According to the December 31, 2017, Report of Condition, the bank's assets total \$261.7 million, with a loan portfolio of \$178.5 million. The loan portfolio consists of 72.6% agricultural, 20.6% commercial, 3.4% consumer, 2.2% residential real estate, and 1.1% other loan types. The loan portfolio grew by 30.2% since the previous evaluation due to increased loan demand; assets increased by 16.0%. Although the overall composition of the loan portfolio remained relatively stable, agricultural and commercial loans increased by 40.6% and 16.9%, respectively; consumer and residential real estate loans decreased by 24.7% and 20.6%, respectively.

*Credit Products.* The bank offers traditional, relatively noncomplex products, including loans and lines of credit to help meet the needs of the farms, businesses and consumers in the assessment area. The bank also participates in loan programs through the Small Business Administration and the Farm Service Agency to provide additional lending opportunities for its customers.

*Market Share.* According to the June 30, 2017, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks first of 11 institutions in the assessment area, with 25.2% of total deposits. Numerous financial institutions operate in the assessment area, including credit unions and branches of regional and national banks. Bank management indicated that there is significant competition from local dealers for automobile and implement loans.

## DESCRIPTION OF ASSESSMENT AREA

*Assessment Area.* The bank has defined one assessment area for CRA purposes. It consists of Adams, Bowman, Hettinger, and Slope counties in southwestern North Dakota; Harding and Perkins counties in northwestern South Dakota; and Fallon and Carter counties in southeastern Montana. Since the previous evaluation, the bank added Carter County, Montana, to its assessment area, which increased the number of census tracts in the assessment area by one (a middle-income tract). At the previous evaluation, the assessment area consisted of nine middle-income census tracts. The assessment area now includes 10 census tracts; nine are middle-income tracts, and one is an upper-income tract. In addition, the income classification of Bowman County census tract 9653.00 changed from middle-income in 2016 to upper-income in 2017, based on Federal Financial Institutions Examination Council (FFIEC) adjusted census data. Finally, seven of the middle-income tracts are classified as underserved, and two are classified as distressed and underserved.

Table 2 shows the demographic characteristics of the assessment area based on the 2017 FFIEC adjusted census data and 2016 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	936	18.8
Moderate-income	0	0	0	0	0	0	941	18.9
Middle-income	9	90	4,573	91.7	328	7.2	1,107	22.2
Upper-income	1	10	413	8.3	11	2.7	2,002	40.2
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>10</b>	<b>100</b>	<b>4,986</b>	<b>100</b>	<b>339</b>	<b>6.8</b>	<b>4,986</b>	<b>100</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	8,996	5,156	92.3	57.3	1,695	18.8	2,145	23.8
Upper-income	715	428	7.7	59.9	116	16.2	171	23.9
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>9,711</b>	<b>5,584</b>	<b>100</b>	<b>57.5</b>	<b>1,811</b>	<b>18.6</b>	<b>2,316</b>	<b>23.8</b>
	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
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	1,136	92	990	91.4	84	96.6	62	95.4
Upper-income	99	8	93	8.6	3	3.4	3	4.6
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>1,235</b>	<b>100</b>	<b>1,083</b>	<b>100</b>	<b>87</b>	<b>100</b>	<b>65</b>	<b>100</b>
	Percentage of Total Businesses:			<b>87.7</b>		<b>7</b>		<b>5.3</b>
	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
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	537	88.6	537	88.8	0	0	0	0
Upper-income	69	11.4	68	11.2	1	100	0	0
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>606</b>	<b>100</b>	<b>605</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>0</b>
	Percentage of Total Farms:			<b>99.8</b>		<b>0.2</b>		<b>0</b>

*Income.* This evaluation uses the 2017 FFIEC estimated median family income to classify borrowers by income level. For borrowers in the nonmetropolitan areas of North Dakota, the figure is \$78,800; for South Dakota, the figure is \$64,700; and for Montana, the figure is \$60,500. For purposes of classifying census tracts by income level, this evaluation relies on the 2017 FFIEC adjusted census data median family income for the nonmetropolitan areas of North Dakota, South Dakota, and Montana. The figures are \$72,620, \$60,961, and \$59,958, respectively.

*Population.* According to the 2017 FFIEC adjusted census data, the population in the assessment area is 17,449. Since the previous evaluation, the population increased by 10.3%, due in part to the addition of Carter County to the assessment area. The data also indicates that 22.6% of the households in the assessment area are low income, and 17.8% are moderate income. The percentage of low-income households in the assessment area is comparable to the percentages for South Dakota, North Dakota, and Montana, which range from 22.9% to 23.8%. The percentage of moderate-income households in the assessment area is slightly higher than the percentages for South Dakota, North Dakota, and Montana, which range from 16.6% to 16.9%. Finally, the percentage of households in the assessment area that fall below the poverty level is 10.9%, which is lower than the percentages for South Dakota, North Dakota, and Montana, which range from 11.8% to 14.5%.

*Economy.* Bank management and the community contact indicated that the economy of the assessment area is dependent on agriculture and oil production. While agriculture has experienced some issues due to a recent drought, it remains a primary driver of the local economy, and a majority of local residents are involved in farming. Farming operations are mainly small, family-owned farms that grow wheat, corn, and soybeans. Livestock operations are an important revenue source as well. Energy is another major industry in the area. Oil production in Bowman County has existed for 50 years. Although oil wells are not as numerous as in the Bakken Formation to the north, income from these wells continues to add to the community's economic vitality.

The slowdown of production in the Bakken Formation contributed to an influx of younger individuals and families to the Bowman area. These workers are drawn to job opportunities in fields such as construction, service, and oil industries. Major employers in the area include the local hospitals, schools, oil-related businesses, and farm-related businesses. Bank management and the community contact indicated that wages are generally competitive; the shortage of skilled workers has pushed wages up. While not everyone benefits from the higher wages, residents generally enjoy a higher standard of living compared to surrounding communities.

Bank management and the community contact stated that unemployment in the area is low. Unemployment rates in the assessment area are generally lower than state and national unemployment rates. According to the Bureau of Labor Statistics, the 2017 nonseasonally adjusted annual average unemployment rates for Adams, Bowman, Hettinger, and Slope counties are 2.4%, 1.7%, 1.9%, and 1.9%, respectively. The North Dakota average unemployment rate for the same period is 2.6%. The rates for Harding and Perkins counties are 3.3% and 3.0%, respectively, while the South Dakota rate is 3.3%. The rates for Carter and Fallon counties are 2.6 % and 2.7% respectively, while the Montana rate is 4.0%. The national unemployment rate for the same period is 4.4%.

According to the community contact, a shortage exists for single-family homes that younger, two-income families can afford. Older homes are available but they need repair; the level of improvements makes the homes unaffordable. Updated homes in the area sell quickly, while homes without updates remain on the market longer. Housing development is also difficult because the cost of infrastructure is high.

## 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 and to borrowers of different income levels is reasonable. The net loan-to-deposit ratio and geographic distribution of loans are also reasonable, and the bank originated a majority of its loans within the assessment area.

### LENDING TO FARMS AND BUSINESSES OF DIFFERENT SIZES AND TO BORROWERS OF DIFFERENT INCOME LEVELS

Overall, the bank's lending to farms and businesses of different sizes and to borrowers of different income levels is reasonable. The bank's lending to farms and businesses with gross annual revenues of \$1 million or less is reasonable, and its consumer lending to low- and moderate-income borrowers is excellent.

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

<b>TABLE 3</b>				
<b>Small Farm Lending</b>				
<i>Small Farm Originations</i>	<i>≤ \$100,000</i>	<i>&gt; \$100,000 to ≤ \$250,000</i>	<i>&gt; \$250,000 to ≤ \$500,000</i>	<i>Total Originations</i>
Percentage of Small Farm Loans	65.3%	24.5%	10.2%	100.0%
Percentage of Loans to Farms with Revenues of \$1 million or Less	70.1%	23.6%	6.3%	86.4%

According to 2016 Dun & Bradstreet data, 99.8% of the farms in the assessment area have gross annual revenues of \$1 million or less. As shown in the table, the bank originated 86.4% of its small farm loans to small farms. The bank's lending is below demographics, but reasonable. The loan sample includes multiple loans to only four large farm borrowers, and the bank has long-term relationships with these larger farms. In addition, 70.1% of the loans to small farms were in amounts of \$100,000 or less, which shows the bank's willingness to meet the credit needs of small farms. Further, 35.4% of the loans were in amounts of \$25,000 or less.

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

<b>TABLE 4</b>				
<b>Small Business Lending</b>				
<i>Small Business Originations</i>	<i>≤ \$100,000</i>	<i>&gt; \$100,000 to ≤ \$250,000</i>	<i>&gt; \$250,000 to ≤ 1,000,000</i>	<i>Total Originations</i>
Percentage of Small Business Loans	73.2%	12.7%	14.1%	100.0%
Percentage of Loans to Businesses with Revenues of \$1 million or Less	77.4%	12.9%	9.7%	87.3%

According to 2016 Dun & Bradstreet data, 87.7% of the businesses in the assessment area have gross annual revenues of \$1 million or less. As shown in the table, the bank originated 87.3% of its small business loans to small businesses. The bank's lending is comparable to demographics. The bank extended more than half of the loans made to larger businesses to only two borrowers. The bank is also



willing to make smaller loans to small businesses in the assessment area. As shown in the table, 77.4% of the loans to small businesses were in amounts of \$100,000 or less. Further, 40.3% of the loans were in amounts of \$25,000 or less.

*Consumer Lending.* The bank's lending to low- and moderate-income borrowers is excellent, particularly to low-income borrowers. Table 5 shows the bank's consumer lending in the assessment area.

TABLE 5								
Distribution of Consumer Loans in the Assessment Area by Borrower Income Levels*								
	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
Consumer Loans	53.7%	37.0%	16.7%	15.3%	16.7%	25.2%	13.0%	22.5%
Percentage of Households by Income Levels**	22.6%		17.8%		17.5%		42.1%	
*Based on the 2017 median family income of the nonmetropolitan areas of North Dakota (\$78,800), South Dakota (\$64,700), and Montana (\$60,500).								
**Based on 2017 FFIEC adjusted census data.								

As shown in the table, the bank originated 53.7% of its consumer loans to low-income borrowers. This significantly exceeds demographics, which show that 22.6% of households in the assessment area are low income. The bank originated 16.7% of its consumer loans to moderate-income borrowers. This is slightly below demographics, which indicate that 17.8% of households are moderate income. The bank maintains long-term lending relationships with families in its assessment area, often serving multiple generations with a range of income levels.

The bank provides small-dollar loans, which help serve the needs of low- and moderate-income borrowers. Of the loans sampled, 20.4% were for amounts of \$3,000 or less. Of these small-dollar loans, 81.8% were to low- and moderate-income borrowers.

#### LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is reasonable given the bank's asset size, its financial condition, and the assessment area's credit needs. The bank's 17-quarter average net loan-to-deposit ratio is 80.0%. At the previous evaluation, the bank's 16-quarter average net loan-to-deposit ratio was 70.9%. Since the previous evaluation, the bank's quarterly net loan-to-deposit ratio ranged from 60.0% to 95.5%. The bank's ratio reflects the cyclical nature of agricultural lending; lending increases during planting and harvesting seasons and decreases during the off-seasons. The bank's 17-quarter average net loan-to-deposit ratio is higher than the ratios of two other financial institutions operating in the area, as shown in Table 6.

<b>TABLE 6</b> <b>17-Quarter Average Net Loan-to-Deposit Ratio</b>		
<i>Name and Location</i>	<i>Assets as of December 31, 2017 (in thousands)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
Dakota Western Bank Bowman, North Dakota	\$261,680	80.0%
Bank of Baker Baker, Montana	\$146,255	64.5%
Dakota Community Bank & Trust, N.A. Hebron, North Dakota	\$763,899	71.2%

As of December 31, 2017, the bank's net loan-to-deposit ratio is 83.1%, which is slightly higher than the national peer group net loan-to-deposit ratio of 77.2%. The bank's national peer group includes all insured commercial banks having assets between \$100 million and \$300 million, with three or more full-service offices and not located in a metropolitan statistical area.

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

The bank originated a majority of its loans within the assessment area. Table 7 details the lending activity inside and outside the assessment area by loan type.

<b>TABLE 7</b> <b>Lending Inside and Outside the Assessment Area</b>								
<i>Loan Type</i>	<i>Inside</i>				<i>Outside</i>			
	<i>#</i>	<i>%</i>	<i>\$(000)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000)</i>	<i>%</i>
Small Farm	147	93.6	13,876	95.7	10	6.4	624	4.3
Small Business	71	83.5	7,334	77.3	14	16.5	2,151	22.7
Consumer	54	79.4	661	67.0	14	20.6	325	33.0
<b>Total</b>	<b>272</b>	<b>87.7</b>	<b>21,871</b>	<b>87.6</b>	<b>38</b>	<b>12.3</b>	<b>3,099</b>	<b>12.4</b>

The bank originated 87.7% of its small farm, commercial, and consumer loans inside its assessment area. Of the loans originated outside the assessment area, the majority were made to borrowers in neighboring counties. The bank maintains relationships with borrowers who moved to nearby areas or have family ties to the assessment area. A majority of the small business loan dollars extended outside the assessment area were loaned to one borrower. Finally, although the consumer loan dollars extended outside the assessment area appear high, several loans are for larger amounts (three loans make up almost 68% of these loan dollars).

#### GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution and dispersion of the bank's loans in the assessment area is reasonable and does not reveal any unexplained gaps in lending patterns. The assessment area includes nine middle-income census tracts and one upper-income tract. The assessment area does not include any low- or moderate-income census tracts. Bank management and the community contact did not identify any concentrations of low- or moderate-income families or households in the assessment area.

The bank originated small farm, small business, and consumer loans in most census tracts. The majority of the loans were extended in Bowman County, where four of the bank's six branches are located.

Although the bank made some loans in the Carter County and Hettinger County middle-income census tracts, it did not originate all loan types in each tract. The tracts have lower populations or are distant from the bank's branches (and other financial institutions operate branches there). In addition, Carter County was added to the assessment area since the previous evaluation, and the bank does not have branches here. Finally, although the Regent branch is located in Hettinger County, it was not opened until March 2018 (the loan samples are from 2017). Overall, the geographic distribution and dispersion of the bank's loans is reasonable.

#### **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 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 area. 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 area, or distressed or underserved nonmetropolitan middle-income census tracts; or (5) Neighborhood Stabilization Program (NSP)-eligible activities in area 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.)