

PUBLIC DISCLOSURE

May 22, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Valley State Bank
Certificate Number: 15038

502 North Merchant Street
Belle Plaine, Kansas 67013

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

1100 Walnut St, Suite 2100
Kansas City, Missouri 64106

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.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	1
DESCRIPTION OF ASSESSMENT AREA	2
SCOPE OF EVALUATION.....	5
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	9
APPENDICES	10
SMALL BANK PERFORMANCE CRITERIA.....	10
GLOSSARY	11

INSTITUTION RATING

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

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

The bank's performance under applicable criteria supports the overall Community Reinvestment Act (CRA) rating. The following points summarize this performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the small business, small farm, and home mortgage loans reviewed are located inside the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion was not evaluated.

DESCRIPTION OF INSTITUTION

The Valley State Bank is a full-service community bank headquartered in Belle Plaine, Kansas. Morley Bancshares Corporation, a one-bank holding company also located in Belle Plaine, owns the bank. The bank received a Satisfactory rating under the Interagency Small Institution Examination Procedures at the prior FDIC performance evaluation dated June 13, 2018. Since the previous evaluation, the institution had one branch opening in Wichita (March 2022), no branch closings, and no merger or acquisition activity.

The Valley State Bank currently operates five office locations, all of which are located in south central Kansas. The main office is in Sumner County, and the four branches (three in Wichita and one in Derby) are all located further north in neighboring Sedgwick County. Four of the five offices, including the newest Wichita branch, are traditional full-service facilities. The fifth office is a branch located within an area high school campus, and it is part of a joint program between the bank and the subject school district to help teach financial literacy to students. This branch serves the students and faculty of the school, and student interns help with bank operations.

The bank continues to offer commercial, residential, consumer, and agricultural loans. Small business and home mortgage loans remain a primary focus. The bank was also an active originator

of loans through the Small Business Administration’s Paycheck Protection Program, which operated in 2020 and 2021 to provide relief to small businesses and farms during the Coronavirus Disease 2019 pandemic.

The Valley State Bank provides a variety of deposit services including checking, savings, and money market deposit accounts, as well as certificates of deposit. Alternative banking services include internet and telephone banking, mobile banking, online bill pay, and access to a large network of ATMs.

According to the March 31, 2024 Reports of Condition and Income, the institution reported total assets of \$191.4 million, total deposits of \$160.0 million, and total loans of \$106.5 million. The following table illustrates the noted loan portfolio.

Loan Portfolio Distribution as of 3/31/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	6,482	6.1
Secured by Farmland	10,532	9.9
Secured by 1-4 Family Residential Properties	34,721	32.6
Secured by Multi-family (5 or more) Residential Properties	0	0.0
Secured by Non-Farm Non-Residential Properties	30,153	28.3
Total Real Estate Loans	81,888	76.9
Commercial and Industrial Loans	9,082	8.6
Agricultural Production and Other Loans to Farmers	1,288	1.2
Consumer	14,057	13.2
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	25	0.0
Lease Financing Receivables (net of unearned income)	133	0.1
Less: Unearned Income	0	0.0
Total Loans	106,473	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The Valley State Bank continues to designate all of Sumner and Sedgwick counties as its assessment area. Both counties remain part of the four-county Wichita, Kansas Metropolitan Statistical Area (MSA). The following sections detail demographic and economic information from the 2020 U.S. Census and 2023 D&B data for the assessment area.

Economic and Demographic Data

The assessment area includes 141 census tracts, of which 8 are low-income, 42 are moderate-income, 54 are middle-income, 35 are upper-income, and 2 have not been assigned an income classification. The LMI tracts are generally concentrated in and near central Wichita, and extend through the city’s southern suburban areas. Sumner County, where the bank is headquartered, consists entirely of middle- and upper-income tracts.

Of the bank’s five office locations, two are in upper-income tracts (main office and new northeast Wichita branch), two are in moderate-income tracts (Derby branch and high school branch), and one is in a middle-income tract (south Wichita branch.)

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	141	5.7	29.8	38.3	24.8	1.4
Population by Geography	546,206	3.7	26.6	38.0	31.1	0.6
Housing Units by Geography	231,652	4.5	29.4	38.1	27.0	1.1
Owner-Occupied Units by Geography	130,943	2.0	20.5	42.2	35.2	0.2
Occupied Rental Units by Geography	77,839	7.3	40.9	33.7	15.9	2.2
Vacant Units by Geography	22,870	9.4	41.4	30.0	17.0	2.2
Businesses by Geography	45,606	2.5	21.4	33.7	39.4	3.0
Farms by Geography	1,639	1.0	13.4	43.0	41.4	1.1
Family Distribution by Income Level	132,448	20.4	18.5	21.2	39.9	0.0
Household Distribution by Income Level	208,782	23.7	17.7	17.7	40.9	0.0
Median Family Income MSA - 48620 Wichita, KS MSA		\$74,120	Median Housing Value			\$140,763
			Median Gross Rent			\$835
			Families Below Poverty Level			9.2%
<i>Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Federal Financial Institutions Examination Council (FFIEC) updates median family income figures annually. The median family income figures for the Wichita, Kansas MSA were used to analyze home mortgage borrower profile performance. These figures along with the corresponding low-, moderate-, middle-, and upper-income thresholds are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Wichita, KS MSA Median Family Income (48620)				
2022 (\$85,700)	<\$42,850	\$42,850 to <\$68,560	\$68,560 to <\$102,840	≥\$102,840
2023 (\$85,200)	<\$42,600	\$42,600 to <\$68,160	\$68,160 to <\$102,240	≥\$102,240
<i>Source: FFIEC</i>				

The 2023 D&B data indicates the primary industries in the assessment area include the services industries, which comprise 37.0 percent of all area businesses (non-farm and farm); followed by non-classifiable establishments at 17.7 percent; and finance, insurance, and real estate at 12.7 percent. This data also indicates that a notable number of area businesses are relatively small with 90.4 percent having less than ten employees, and 89.8 percent operating from a single location.

Competition

The competition for financial services in the assessment area is strong. According to June 30, 2023 FDIC Deposit Market Share data, there are 43 banks operating 170 offices in the assessment area. The Valley State Bank ranks 17th in deposit market share among these banks, with 0.8 percent of the market’s deposits.

Community Contact

Examiners may contact community members or other third parties in the assessment area to help gain insight into the area’s economy, demographic trends, and business environment. This information not only helps in identifying credit needs, but also assists in determining whether local financial institutions are responsive to those needs.

A contact actively serving businesses in the area indicated that despite ongoing inflation and labor market challenges, many area businesses have been able to strategically adjust operations in order to carry on fairly normally. However, credit has tightened even more this past year, making it challenging for smaller businesses to obtain needed financing. The primary credit needs continue to include business and home mortgage loans, and other consumer-related loans. The contact indicated that area financial institutions generally do what they can to be active in their communities, and responsive to area credit needs. In the current environment, the contact felt that smaller community banks have become more crucial, as they sometimes can be more flexible in their underwriting than their larger counterparts.

Credit Needs

Considering demographic and economic data, examiners determined that home mortgage and small business loans represent the primary credit needs in the assessment area. This conclusion is supported by comments from the community contact, as well as area demographics on the number of housing units and small businesses in the assessment area.

SCOPE OF EVALUATION

General Information

Examiners conducted this CRA evaluation using Interagency Small Institution Examination Procedures. The evaluation covers the period from the prior evaluation dated June 13, 2018, to the current evaluation dated May 22, 2024.

Activities Reviewed

Examiners reviewed small business, small farm, and home mortgage loans for this evaluation. Examiners selected these products based on the bank's business strategy, loan portfolio composition, and the number and dollar volume of loans originated during the evaluation period. Since examiners determined that small business loans and home mortgage loans are the bank's primary products, these loans received the most weight in determining overall conclusions.

For the small business and small farm loans, examiners reviewed activity for 2023 since management indicated the bank's lending patterns for that year are reasonably representative of the bank's overall lending patterns since the previous evaluation. The 2023 bank records showed 102 small business loans totaling \$8.5 million, and 36 small farm loans totaling \$3.3 million.

For the home mortgage loans, examiners reviewed all loans reported on the bank's 2022 and 2023 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. This consisted of 76 loans totaling \$9.2 million in 2022, and 71 loans totaling \$8.3 million in 2023.

For the Lending Test, examiners reviewed all of the above noted loans to evaluate the Assessment Area Concentration criterion. For the Geographic Distribution criterion, examiners reviewed all loans inside the assessment area for all three loan products. To evaluate the Borrower Profile criterion, examiners reviewed all home mortgage and small farm loans, and a sample of small business loans inside the assessment area. The small business loan sample included 63 loans totaling \$5.0 million.

For the Geographic Distribution and the Borrower Profile analyses, examiners use prescribed comparative data as the standard of comparison in determining performance. Specifically, examiners used 2023 D&B data as the standard of comparison for the bank's small business and small farm lending performance, and 2022 HMDA aggregate and 2020 U.S. Census data as the standard of comparison for the bank's home mortgage lending performance. Examiners placed more weight on the comparisons to the aggregate data since it is typically a better indicator of market conditions and loan demand. Since there were no anomalies in the bank's home mortgage lending between 2022 and 2023, examiners only presented the analyses for 2022 since this is the most recent year with available aggregate data. Lastly, although both the number and dollar volume of loans are analyzed, examiners emphasize performance by number of loans because it is a better indicator of the number of businesses, farms, and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Valley State Bank demonstrates reasonable performance under the Lending Test. The bank’s performance in all evaluated criteria collectively supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s performance was evaluated based on the average of the 24 quarterly net loan-to-deposit ratios since the previous evaluation. The bank’s resulting average loan-to-deposit ratio of 71.1 percent compares reasonably to similarly situated banks. Examiners selected the similarly situated banks based on their asset size, geographic location, and product mix. The following table provides details.

Net Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2024 \$(000s)	Average Net Loan- to-Deposit Ratio (%)
The Valley State Bank, Belle Plaine, Kansas	191,351	71.1
Kanza Bank, Kingman, Kansas	273,066	75.6
Vintage Bank, Leon, Kansas	246,181	73.4
Carson Bank, Mulvane, Kansas	186,241	72.0
<i>Source: Reports of Condition and Income 6/30/2018 through 3/31/2024</i>		

Assessment Area Concentration

As shown in the following table, a majority of the small business, small farm, and home mortgage loans reviewed, by number and dollar volume, are located within the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2022	66	86.8	10	13.2	76	7,948	86.4	1,253	13.6	9,201
2023	56	78.9	15	21.1	71	5,630	67.8	2,670	32.2	8,300
Subtotal	122	83.0	25	17.0	147	13,578	77.6	3,923	22.4	17,501
Small Business	85	83.3	17	16.7	102	7,080	82.8	1,466	17.2	8,546
Small Farm	25	69.4	11	30.6	36	1,781	54.5	1,485	45.5	3,266
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Although the small farm lending performance was reasonable, the bank’s excellent small business and home mortgage lending performance supports this conclusion. Examiners focused on the bank’s level of lending in the assessment area’s LMI census tracts.

Small Business Loans

The geographic distribution of small business loans is excellent. As the following table shows, the bank’s level of lending is proportionate to comparative demographic data in the low-income tracts, and notably exceeds demographic data in the moderate-income tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	2.5	2	2.4	229	3.2
Moderate	21.4	30	35.3	1,844	26.0
Middle	33.7	26	30.6	2,200	31.1
Upper	39.4	24	28.2	2,107	29.8
Not Available	3.0	3	3.5	700	9.9
Totals	100.0	85	100.0	7,080	100.0
<i>Source: 2023 D&B Data, Bank Data Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans is excellent. As the following table shows, the bank’s level of lending is slightly above aggregate data in the low-income tracts, and notably exceeds aggregate data in the moderate-income tracts.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.0	1.4	2	3.0	332	4.2
Moderate	20.5	20.1	23	34.8	2,071	26.1
Middle	42.2	40.2	26	39.4	3,692	46.5
Upper	35.2	38.0	15	22.7	1,853	23.3
Not Available	0.2	0.2	0	0.0	0	0.0
Totals	100.0	100.0	66	100.0	7,948	100.0
<i>Source: 2020 U.S. Census, Bank Data, 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Farm Loans

The geographic distribution of small farm loans is reasonable. As the following table shows, the bank made no loans in low-income census tracts; however, there is a nominal number of farms operating in those tracts. Additionally, the bank lending performance in the moderate-income tracts modestly lags comparative demographic data. Given these factors, the bank’s performance is reasonable.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	1.0	0	0.0	0	0.0
Moderate	13.4	2	8.0	212	11.9
Middle	43.0	14	56.0	705	39.6
Upper	41.4	9	36.0	864	48.5
Not Available	1.1	0	0.0	0	0.0
Totals	100.0	25	100.0	1,781	100.0

*Source: 2023 D&B Data, Bank Data
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels. Although the small farm lending performance was excellent, the bank’s reasonable small business and home mortgage lending performance supports this conclusion. For this criterion, examiners focused on the bank’s level of lending to LMI individuals, and operations with gross annual revenues of \$1 million or less.

Small Business Loans

The borrower distribution for small business loans is reasonable. As the following table shows, the bank’s level of lending to businesses with revenues of \$1 million or less lags demographic data in this revenue category. However, examiners conducted an adjusted analysis to remove any skewing effects created from some businesses in the sample receiving multiple loans. This adjusted analysis, based solely on the number of borrowers rather than the number of loans, showed that 40 of the 54 business borrowers (or 74.1 percent) had revenues of \$1 million or less, which is more in line with demographic data. Given the bank’s overall performance, the borrower distribution is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	85.5	44	69.8	2,798	56.3
>\$1,000,000	4.7	19	30.2	2,176	43.7
Revenue Not Available	9.8	0	0.0	0	0.0
Total	100.0	63	100.0	4,974	100.0

*Source: 2023 D&B Data, Bank Data
Due to rounding, totals may not equal 100.0%*

Home Mortgage Loans

The borrower distribution for home mortgage loans is reasonable. As the following table shows, the bank’s level of lending to both low- and moderate-income borrowers modestly trails aggregate data. However, examiners conducted an adjusted analysis to account for the bank’s higher level of loans in the “Not Available” income category in comparison to aggregate levels. For this adjusted analysis, examiners eliminated a proportionate number of the bank’s loans in the “Not Available” income category to align the bank’s activity in that category with aggregate levels, and allow for a more meaningful comparison on the remaining income categories. This adjusted analysis changed the bank’s penetration to 4.4 percent to low-income borrowers, and 22.2 percent to moderate-income borrowers. These adjusted lending levels are more aligned with aggregate levels and further support reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.4	9.9	2	3.0	178	2.2
Moderate	18.5	21.2	10	15.2	680	8.6
Middle	21.2	19.5	9	13.6	958	12.1
Upper	39.9	26.4	13	19.7	2,463	31.0
Not Available	0.0	23.0	32	48.5	3,669	46.2
Totals	100.0	100.0	66	100.0	7,948	100.0

*Source: 2020 U.S. Census, Bank Data, 2022 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0%*

Small Farm Loans

The borrower distribution for small farm loans is excellent. All 25 small farm loans were originated to operations with revenues of \$1 million or less. This performance exceeds demographic data, which indicates that 98.1 percent of assessment area farms are in this same revenue category.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

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

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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

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

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

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

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).

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

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

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

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

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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

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

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

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

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

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

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

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

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

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.