

# **PUBLIC DISCLOSURE**

February 5, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Horizon Financial Bank  
Certificate Number: 15598

416 Main Street  
Munich, North Dakota 58352

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.

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## 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 neighborhoods, in a manner consistent with its resources and capabilities.

The following points summarize the bank's Community Reinvestment Act (CRA) performance:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment areas.
- The bank made a majority of its small farm and small business loans within its assessment areas.
- The geographic distribution of small farm and small business loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes.
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

## DESCRIPTION OF INSTITUTION

Horizon Financial Bank is wholly owned by Munich Bancshares, Inc., a one-bank holding company located in Munich, North Dakota. The institution received a Satisfactory rating at the previous FDIC Performance Evaluation, dated October 7, 2019, based on Interagency Small Institution Examination Procedures.

Horizon Financial Bank continues to operate from its main office in Munich, as well as from four full-service branches in North Dakota. The bank opened a new branch in a middle-income census tract in Langdon since the prior evaluation.

Horizon Financial Bank offers a variety of credit products including agricultural, commercial, home mortgage, and consumer loans. Agricultural lending continues to represent the institution's primary lending focus, followed by commercial lending. In addition, the bank participates in various government-sponsored loan programs. For instance, the bank originated loans through the Small Business Administration's Paycheck Protection Program, which assisted small farms and businesses struggling with the impact of the Coronavirus pandemic. Horizon Financial Bank also provides a variety of deposit products, including checking, savings, and certificates of deposit accounts. Finally, alternative banking services include four cash-dispensing ATMs, internet and mobile banking, bill pay, mobile check deposit, and electronic periodic statements.

As of December 31, 2023, Horizon Financial Bank reported total assets of \$189.6 million, total loans of \$140.6 million, and total deposits of \$165.8 million; the following table illustrates the loan portfolio. Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the assessment areas' credit needs.

<b>Loan Portfolio Distribution as of 12/31/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	1,580	1.1
Secured by Farmland	33,994	24.2
Secured by 1-4 Family Residential Properties	6,569	4.7
Secured by Multifamily (5 or more) Residential Properties	490	0.3
Secured by Nonfarm Nonresidential Properties	11,930	8.5
<b>Total Real Estate Loans</b>	<b>54,563</b>	<b>38.8</b>
Commercial and Industrial Loans	9,501	6.8
Agricultural Loans	68,160	48.5
Consumer Loans	2,652	1.9
Obligations of States and Political Subdivisions in the U.S.	84	0.1
Other Loans	111	0.1
Lease Financing Receivables (net of unearned income)	5,542	3.9
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>140,613</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0 percent</i>		

## **DESCRIPTION OF ASSESSMENT AREAS**

Horizon Financial Bank continues to operate in two non-contiguous assessment areas in North Dakota: Munich and Bismarck. Additional information regarding the assessment areas is presented later in the evaluation.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior CRA evaluation dated October 7, 2019, to the current evaluation dated February 5, 2024. Examiners used Interagency Small Institution Examination Procedures to evaluate Horizon Financial Bank’s CRA performance. Examiners used full-scope examination procedures to evaluate the bank’s performance in each assessment area. To assess overall performance, examiners placed the most weight on the bank’s performance in the Munich Assessment Area since this is where the vast majority of the bank’s lending, deposit, and branching activity occurs, as depicted in the table below.

<b>Breakdown of Loan Activity, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Munich	94,455	81.2	136,969	83.6	4	80.0
Bismarck	21,833	18.8	26,951	16.4	1	20.0
<b>Total</b>	<b>116,288</b>	<b>100.0</b>	<b>163,920</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>
<i>Source: Bank Data 2023; FDIC Summary of Deposits (6/30/2023)</i>						

**Activities Reviewed**

Bank records indicated that the lending focus and product mix remained relatively consistent throughout the evaluation period. As noted earlier, the bank’s primary lending focus is agricultural lending, followed by commercial lending. Therefore, examiners analyzed all small farm and small business loans originated, renewed, or extended in 2023 for the Assessment Area Concentration and Geographic Distribution performance criteria. However, examiners did not analyze small farm loans in the Bismarck Assessment Area since it is not a lending focus in that assessment area. For the Borrower Profile criterion, examiners reviewed a sample of small farm loans originated within the Munich Assessment Area in 2023, as well as all small business loans originated within both assessment areas in 2023. Bank management confirmed that the sample selected was representative of the bank’s performance during the entire evaluation period. The table below details the loan products reviewed.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Sample</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Farm	282	47,532	55	8,502
Small Business	60	10,373	37	7,683

*Source: Bank Data*

D&B data for 2023 provided a standard of comparison for small farm and small business lending. Although both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of farms and businesses served. Small farm lending received the most weight when assessing the bank’s overall performance and in the Munich Assessment Area since agricultural lending is the bank’s primary lending focus overall and within this assessment area. Finally, examiners did not review home mortgage loans since these loans comprise only 5.0 percent of the loan portfolio and are not major focus of the bank.

**CONCLUSIONS ON PERFORMANCE CRITERIA**

**LENDING TEST**

Horizon Financial Bank demonstrated satisfactory performance under the Lending Test. The bank’s combined performance in all criteria supports this conclusion.

**Loan-to-Deposit Ratio**

Horizon Financial Bank’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and credit needs of the assessment areas. As shown in the following table, the bank’s net loan-to-deposit ratio averaged 69.4 percent over the past 17 calendar quarters, which is similar to the ratios of comparable institutions. Examiners selected comparable institutions based on their asset size, branching structure, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2023	Average Net Loan-to-Deposit Ratio
	(\$000s)	(%)
<b>Horizon Financial Bank, Munich, North Dakota</b>	<b>189,564</b>	<b>69.4</b>
Merchants Bank, Rugby, North Dakota	234,001	71.9
Peoples State Bank of Velva, Velva, North Dakota	149,854	79.2

*Source: Reports of Condition and Income 12/31/2019 – 12/31/2023*

**Assessment Area Concentration**

As detailed in the table below, Horizon Financial Bank made a majority of its small farm and small business loans within its assessment areas.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	226	80.1	56	19.9	282	39,713	83.6	7,819	16.4	47,532
Small Business	37	61.7	23	38.3	60	7,683	74.1	2,690	25.9	10,373

*Source: Bank Data  
Due to rounding, totals may not equal 100.0%*

**Geographic Distribution**

The geographic distribution of small farm and small business loans reflects reasonable dispersion throughout the assessment areas, which is consistent with the bank’s performance in the Munich Assessment Area. While the bank’s performance in the Bismarck Assessment Area was poor, it received the least weight in the analysis. Examiners focused on the percentage of loans in low- and moderate-income census tracts, as applicable. Refer to the applicable assessment area sections of the evaluation for additional information.

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes, which is consistent with the bank’s performance in the Munich Assessment Area. While the bank’s performance in the Bismarck Assessment Area was poor, it received the least weight in the analysis. Examiners focused on the percentage of small farm and small business loans to farms and businesses with gross annual revenues of \$1 million or less. Refer to the applicable assessment area sections of the evaluation for additional information.

**Response to Complaints**

The institution 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.

### MUNICH ASSESSMENT AREA – Full-Scope Review

#### DESCRIPTION OF INSTITUTION’S OPERATIONS IN MUNICH ASSESSMENT AREA

The Munich Assessment Area includes all of Cavalier, Ramsey, and Towner counties in North Dakota, which remains unchanged since the prior evaluation. According to 2020 U.S. Census data, the assessment area includes one moderate- and five middle-income census tracts. The bank operates its Devils Lake, Langdon, Munich, and Osnabrock offices in this assessment area.

#### **Economic and Demographic Data**

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

Demographic Information of the Munich Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	6	0.0	16.7	83.3	0.0	0.0
Population by Geography	17,471	0.0	25.1	74.9	0.0	0.0
Housing Units by Geography	9,708	0.0	26.9	73.1	0.0	0.0
Owner-Occupied Units by Geography	5,149	0.0	15.7	84.3	0.0	0.0
Occupied Rental Units by Geography	2,636	0.0	49.9	50.1	0.0	0.0
Vacant Units by Geography	1,923	0.0	25.2	74.8	0.0	0.0
Businesses by Geography	2,418	0.0	23.5	76.5	0.0	0.0
Farms by Geography	492	0.0	3.7	96.3	0.0	0.0
Family Distribution by Income Level	4,380	21.7	20.3	21.6	36.3	0.0
Household Distribution by Income Level	7,785	29.4	17.9	17.7	35.1	0.0
Median Family Income Non-Metropolitan - ND		\$82,366	Median Housing Value			\$130,801
			Median Gross Rent			\$613
			Families Below Poverty Level			8.8%
<i>Source: 2020 U.S. Census and 2023 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

#### **Competition**

The Munich Assessment Area is relatively competitive for financial services. Per 2023 FDIC Deposit Market Share data, 10 financial institutions operate 17 offices within the assessment area.

Of these institutions, Horizon Financial Bank ranked third with 10.0 percent of the deposit market share.

**Community Contact**

Examiners contacted an individual familiar with the assessment area’s agricultural sector. The contact stated that the agricultural economy remains strong and that agricultural lending is the area’s primary credit need. The contact added that the drought conditions experienced in 2023 decreased crop yields in some areas, but the overall yields were still adequate. Per the contact, the strong agricultural economy has resulted in decreased loan demand; however, loan requests will likely increase during the 2024 operating season due to high input costs. The contact noted that local financial institutions are meeting the area’s credit needs and that Horizon Financial Bank is an excellent institution to work with. Lastly, the contact is not aware of any discriminatory practices by area financial institutions.

**Credit Needs**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that agricultural lending is the primary credit need in the assessment area, followed by commercial lending.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN MUNICH ASSESSMENT AREA**

**LENDING TEST**

Horizon Financial Bank demonstrated reasonable performance under the Lending Test in the Munich Assessment Area, which is supported by the Geographic Distribution and Borrower Profile performance.

**Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Munich Assessment Area, which is consistent with the bank’s small farm and small business lending performance.

***Small Farm Loans***

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area when compared to D&B data, which is depicted in the table below.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	3.7	1	0.5	100	0.3
Middle	96.3	216	99.5	38,672	99.7
<b>Totals</b>	<b>100.0</b>	<b>217</b>	<b>100.0</b>	<b>38,772</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					



***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area when compared to D&B data, which is depicted in the table below. Although its performance slightly lags demographic data, all four of the bank’s branches in this assessment area are located in middle-income census tracts. Further, the bank did not deny any commercial loan requests to borrowers operating in the assessment area in 2023.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	23.5	3	13.0	1,315	29.0
Middle	76.5	20	87.0	3,216	71.0
<b>Totals</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>4,531</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes, which is consistent with the bank’s small farm and small business lending performance.

***Small Farm Loans***

The distribution of borrowers reflects reasonable penetration among farms of different sizes when compared to D&B data, which is depicted in the table below. Although the bank’s performance is less than demographic data, the 2017 Census of Agriculture revealed that 44.6 percent of area producers list their primary occupation as “Other” rather than farming. The 2017 Census of Agriculture also revealed that 47.5 percent of farms in the assessment area did not report interest expenses related to their operations. This information indicates that many farms in the assessment area have off-farm income and may not need credit to finance farm operations, which was corroborated by the community contact.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	98.0	42	76.4	6,048	71.1
>\$1,000,000	1.4	13	23.6	2,454	28.9
Revenue Not Available	0.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>	<b>8,502</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

***Small Business Loans***

As shown in the following table, the distribution of borrowers reflects reasonable penetration among businesses of different sizes when compared to D&B data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	81.6	19	82.6	2,631	58.1
>\$1,000,000	3.8	4	17.4	1,900	41.9
Revenue Not Available	14.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>4,531</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data, Bank Data Due to rounding, totals may not equal 100.0%</i>					

## **BISMARCK ASSESSMENT AREA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN BISMARCK ASSESSMENT AREA**

The Bismarck Assessment Area includes all of Burleigh and Morton counties in North Dakota, which comprise a portion of the Bismarck, ND Metropolitan Statistical Area (MSA). There were no changes to the assessment area since the previous evaluation. Per 2020 U.S. Census data, the assessment area includes 3 moderate-, 21 middle-, and 2 upper-income census tracts. The bank operates its Bismarck office in this assessment area.

#### **Economic and Demographic Data**

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

<b>Demographic Information of the Bismarck Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	26	0.0	11.5	80.8	7.7	0.0
Population by Geography	131,749	0.0	8.2	81.3	10.5	0.0
Housing Units by Geography	58,226	0.0	10.2	81.0	8.8	0.0
Owner-Occupied Units by Geography	37,381	0.0	7.6	80.1	12.2	0.0
Occupied Rental Units by Geography	15,926	0.0	14.8	83.0	2.2	0.0
Vacant Units by Geography	4,919	0.0	15.0	81.4	3.6	0.0
Businesses by Geography	17,569	0.0	10.2	79.1	10.7	0.0
Farms by Geography	873	0.0	5.2	84.1	10.8	0.0
Family Distribution by Income Level	33,977	17.9	18.0	25.5	38.6	0.0
Household Distribution by Income Level	53,307	23.0	16.2	19.5	41.3	0.0
Median Family Income MSA - 13900 Bismarck, ND MSA		\$93,359	Median Housing Value			\$253,357
			Median Gross Rent			\$902
			Families Below Poverty Level			4.2%
<i>Source: 2020 U.S. Census and 2023 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

### **Competition**

The Bismarck Assessment Area is highly competitive for financial services. Per 2023 FDIC Deposit Market Share data, 18 financial institutions operate 54 offices within the assessment area. Of these institutions, Horizon Financial Bank ranked 16<sup>th</sup> with 0.5 percent of the deposit market share.

### **Community Contact**

Examiners contacted a representative of an organization that promotes economic development in the assessment area. The contact stated that the area's economy is stable, but high interest rates have resulted in a decline in building permits. The contact added that businesses appear to be holding off on new projects until interest rates decrease. Per the contact, many industries are still affected by the labor shortage and supply chain issues. The contact noted that there is a very high level of competition between area financial institutions and that the financial institutions are meeting the area's credit needs. Lastly, the contact is not aware of any discriminatory practices by area financial institutions.

### **Credit Needs**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that commercial, agricultural, and home mortgage lending are all credit needs within the assessment area.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN BISMARCK ASSESSMENT AREA

### LENDING TEST

Horizon Financial Bank demonstrated poor performance under the Lending Test in the Bismarck Assessment Area, which is supported by the Geographic Distribution and Borrower Profile performance. However, the bank only has one office and a relatively small presence in this assessment area given the high level of competition.

#### Geographic Distribution

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. D&B data indicates that 10.2 percent of businesses are located within the moderate-income census tracts; however, none of the 14 loans originated by the bank in the assessment area were located in these census tracts.

#### Borrower Profile

As illustrated in the table below, the distribution of borrowers reflects poor penetration among businesses of different sizes when compared to D&B data. Examiners noted that all six of the loans to businesses with gross annual revenues over \$1 million were to two borrowers, which somewhat skews the data due to the limited lending activity occurring in the assessment area.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	87.7	7	50.0	1,035	32.9
>\$1,000,000	3.2	6	42.9	1,294	41.0
Revenue Not Available	9.1	1	7.1	823	26.1
<b>Total</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>3,152</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data, Bank Data Due to rounding, totals may not equal 100.0%</i>					

## 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 institution'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 institution 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.