

# **PUBLIC DISCLOSURE**

November 13, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Independent Bank  
Certificate Number: 1900

300 Front Street  
Russell, Minnesota 56169

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

1100 Walnut Street, 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 Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment areas' credit needs.
- The bank originated a substantial majority of its small farm, small business, and home mortgage loans inside its assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes and individuals of different income levels.
- The institution has not received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

**The Community Development Test is rated Satisfactory.**

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

## DESCRIPTION OF INSTITUTION

First Independent Bank is headquartered in Russell, Minnesota, and is wholly owned by Finlayson Bancshares, Inc., a two-bank holding company located in Finlayson, Minnesota. The institution is affiliated through common ownership with Northview Bank, Sandstone, Minnesota. First Independent Bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated January 11, 2021, based on Interagency Small Institution Examination Procedures.

In addition to its main office, First Independent Bank operates ten full-service offices in southwestern Minnesota. These branches are located in Balaton, Beardsley, Cottonwood, Hanley Falls, Lucan, Marshall, Ruthton, Tyler, Vesta, and Wood Lake. The bank acquired the branches in Cottonwood, Hanley Falls, Marshall, and Vesta, through its merger with United Southwest Bank on December 10, 2021. Additionally, the Tyler branch was acquired through its merger with Citizens

State Bank of Tyler, Inc., on April 19, 2022. Finally, two branches were consolidated as a result of merging with United Southwest Bank. These branches were located in Marshall and Hanley Falls and closed on March 18, 2022, and June 30, 2022, respectively. The Marshall branch was located in a moderate-income census tract; nonetheless, an existing office is in close proximity.

First Independent Bank offers a variety of credit products, including agricultural, commercial, home mortgage, and consumer loans. In addition, the bank originates and sells home mortgage loans to secondary market investors and participates in various government-sponsored loan programs. Agricultural lending continues to be the institution’s primary lending focus, followed by commercial and home mortgage lending. First Independent Bank offers a full line of traditional deposit products, including checking, savings, and certificates of deposit accounts. Alternative banking services include internet and mobile banking, bill pay, mobile check deposit, electronic periodic statements, prepaid cards, and seven cash-dispensing ATMs.

As of September 30, 2023, the institution reported total assets of \$485.4 million, which included total loans of \$303.2 million and total securities of \$155.8 million. Total deposits equaled \$402.5 million. The table below illustrates the bank’s loan portfolio; however, it does not reflect home mortgage loans sold to secondary market investors.

<b>Loan Portfolio Distribution as of 9/30/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	6,654	2.2
Secured by Farmland	79,316	26.2
Secured by 1-4 Family Residential Properties	49,554	16.3
Secured by Multifamily (5 or more) Residential Properties	3,573	1.2
Secured by Nonfarm Nonresidential Properties	34,030	11.2
<b>Total Real Estate Loans</b>	<b>173,127</b>	<b>57.1</b>
Commercial and Industrial Loans	24,446	8.1
Agricultural Production and Other Loans to Farmers	87,320	28.8
Consumer Loans	7,949	2.6
Obligations of State and Political Subdivisions in the U.S.	1,212	0.4
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	9,185	3.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>303,239</b>	<b>100.0</b>
<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 AREAS**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance is evaluated. First Independent Bank operates in two nonmetropolitan assessment areas in Minnesota, hereafter referred to as the Russell Assessment Area and the

Beardsley Assessment Area. Since the prior evaluation, the bank added the previously excluded census tracts of Big Stone, Murray, Pipestone, Traverse, and Yellow Medicine counties to its existing assessment areas. Examiners analyzed the bank’s performance in each assessment area separately. Additional information on the individual assessment areas is presented later in the evaluation.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated January 11, 2021, to the current evaluation dated November 13, 2023. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate First Independent Bank’s CRA performance. These procedures include two tests: the Lending Test and the Community Development Test. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. Refer to the Appendices for information on each test. This evaluation does not include any lending activity from affiliated entities.

Examiners used full-scope examination procedures to assess the bank’s performance in both assessment areas. To assess overall performance, examiners gave greater weight to performance in the Russell Assessment Area, since the majority of the loans, deposits, and branches are located in this assessment area. The following table provides a breakdown of loans, deposits, and branches by assessment area. Additionally, loans sold on the secondary market are not included, as they are not held within the bank’s portfolio.

<b>Assessment Area Breakdown of Loans, 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>
Russell Assessment Area	401,708	93.1	371,874	94.2	10	90.9
Beardsley Assessment Area	29,773	6.9	23,029	5.8	1	9.1
<b>Total</b>	<b>431,481*</b>	<b>100.0</b>	<b>\$394,903</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>
<small>Source: Bank Data; FDIC Summary of Deposits (6/30/2023)            *Calculation includes total lines of credit.</small>						

### **Activities Reviewed**

First Independent Bank’s primary lending focus is agricultural lending, followed by commercial and home mortgage lending. This conclusion considered the bank’s business strategy, volume of loans originated during the evaluation period, and data from Reports of Condition and Income. Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. Therefore, examiners analyzed small farm, small business, and home mortgage loans originated, extended, or renewed in 2022. These loans were considered representative of the bank’s lending during the entire evaluation period. The following table details the loan products reviewed.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Farm	300	31,975	85	10,765
Small Business	102	7,984	48	3,828
Home Mortgage	46	8,143	40	6,931
<i>Source: Bank Data</i>				

Examiners reviewed the entire universes of small farm, small business, and home mortgage loans to evaluate the Assessment Area Concentration criterion. To evaluate the Geographic Distribution criterion, examiners reviewed all loans made within the assessment areas. To evaluate the Borrower Profile criterion, examiners reviewed a random sample of small farm and small business loans originated within the assessment areas and all home mortgage loans originated within the Russell Assessment Area. Home mortgage lending was not analyzed for the Geographic Distribution or Borrower Profile criteria in the Beardsley Assessment Area because lending activity was nominal. D&B data for 2022 provided a standard of comparison for the small farm and small business loans, while the 2020 U.S. Census data was used as a comparison for home mortgage loans.

Small farm lending performance received the greatest weight in the analysis since agricultural lending represents the primary lending focus according to the loan portfolio, followed by small business loans and home mortgage loans. While both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because this is a better indicator of the number of farms, businesses, and individuals served.

For the Community Development Test, bank management provided data on community development loans, investments, and services since the prior CRA evaluation dated January 11, 2021. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in each assessment area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

First Independent Bank demonstrated satisfactory performance under the Lending Test. The bank’s lending performance under all evaluated criteria support this conclusion.

### **Loan-to-Deposit Ratio**

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and credit needs of the assessment areas. The bank’s ratio ranged from a low of 55.2 percent to a high of 75.2 percent. The loan-to-deposit ratio has fluctuated since the prior examination, predominately due to the acquisition of two banks with significantly lower ratios. However, the loan-to-deposit ratio has started to trend upwards in recent quarters. While notably lower than the average loan-to-deposit ratio at the prior evaluation (86.6 percent), the bank’s average loan-to-deposit ratio is similar to that of the comparable institutions over the past 12 calendar quarters. Examiners identified comparable institutions based on asset size and loan portfolio composition, as there were no similarly situated institutions in the geographic area. See the following table.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2023	Average Net Loan-to-Deposit Ratio
	(\$000s)	(%)
Rolling Hills Bank & Trust, Atlantic, Iowa	446,116	80.4
Star Bank, Bertha, Minnesota	381,475	78.1
First State Bank Southwest, Pipestone, Minnesota	378,616	51.7
<b>First Independent Bank, Russell, Minnesota</b>	<b>485,430</b>	<b>63.9</b>
Security Savings Bank, Canton, South Dakota	489,847	71.2
<i>Source: Reports of Condition and Income 12/31/2020 – 9/30/2023 Banks listed alphabetically by state, then city.</i>		

### **Assessment Area Concentration**

As detailed in the following table, First Independent Bank made a substantial majority of its small farm, small business, and home mortgage loans within its assessment areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Small Farm	284	94.7	16	5.3	300	30,550	95.5	1,425	4.5	31,975
Small Business	88	86.3	14	13.7	102	7,280	91.2	704	8.8	7,984
Home Mortgage	41	89.1	5	10.9	46	7,072	86.8	1,071	13.2	8,143
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Russell Assessment Area. Examiners generally focus on the percentage of loans in the low- and moderate-income census tracts located in the assessment areas, as applicable. The Beardsley Assessment Area does not contain any low- or moderate-income census tracts. Therefore, this criterion was not evaluated for the Beardsley Assessment Area, as it would not result in meaningful conclusions. As such, the reasonable performance in the Russell Assessment Area supports the overall conclusion for this criterion. Detailed discussion of the bank’s performance under this criterion is included in the Russell Assessment Area section of this evaluation.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. Examiners focused on the percentage of loans to farms and businesses with gross annual revenues of \$1 million or less and home mortgage loans to low- and moderate-income borrowers. The reasonable performance in both assessment areas supports this conclusion. Detailed discussion of the bank’s performance under this criterion is included in the individual assessment areas section of this evaluation.

### **Response to Complaints**

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

## COMMUNITY DEVELOPMENT TEST

First Independent Bank’s overall performance under the Community Development Test is Satisfactory. The institution demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity and the need and availability of such opportunities. Since the bank was responsive to the community development needs of its assessment areas, community development activities benefitting the broader statewide or regional areas were also considered in the analysis; however, these activities received less weight.

### Community Development Loans

First Independent Bank originated 1,208 community development loans totaling approximately \$33.6 million during the evaluation period. The volume of community development loans represents 6.9 percent of total assets and 11.3 percent of net loans as of September 30, 2023. Examiners compared the bank’s level of community development lending to five comparable institutions. The comparable institutions’ community development loans ranged from 4.5 percent to 24.6 percent of total assets and 7.7 percent to 32.7 percent of net loans.

The community development loans include 1,166 loans totaling \$21.2 million originated under the Small Business Administration (SBA) Paycheck Protection Program (PPP), which was established in 2020 to provide relief to small businesses during the COVID-19 pandemic. When examiners exclude the SBA PPP loans from the analysis, the bank’s performance represents 2.6 percent of total assets and 4.2 percent of net loans. When compared to the five comparable institutions, and excluding the SBA PPP loans, community development loans ranged from 1.8 percent to 8.7 percent of total assets and 3.2 percent to 13.6 percent of net loans.

First Independent Bank’s level of community development loans is comparable to these institutions. The following tables illustrate the bank's community development lending activity by assessment area and by year.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Russell	7	1,228	0	0	963	26,605	0	0	<b>970</b>	<b>27,833</b>
Beardsley	0	0	0	0	136	2,498	2	850	<b>138</b>	<b>3,348</b>
Broader Statewide/ Regional Area	0	0	0	0	100	2,447	0	0	<b>100</b>	<b>2,447</b>
<b>Total</b>	<b>7</b>	<b>1,228</b>	<b>0</b>	<b>0</b>	<b>1,199</b>	<b>31,550</b>	<b>2</b>	<b>850</b>	<b>1,208</b>	<b>33,628</b>
<i>Source: Bank Data</i>										



Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021	2	77	0	0	1,177	26,096	1	350	<b>1,180</b>	<b>26,523</b>
2022	4	1,131	0	0	9	832	0	0	<b>13</b>	<b>1,963</b>
Year-to-Date 2023	1	20	0	0	13	4,622	1	500	<b>15</b>	<b>5,142</b>
<b>Total</b>	<b>7</b>	<b>1,228</b>	<b>0</b>	<b>0</b>	<b>1,199</b>	<b>31,550</b>	<b>2</b>	<b>850</b>	<b>1,208</b>	<b>33,628</b>

*Source: Bank Data*

The following points summarize notable examples of the bank’s community development loans.

- As mentioned previously, the bank originated 1,166 PPP loans totaling \$21.2 million. The PPP, established by the Coronavirus Aid, Relief, and Economic Security Act, and implemented through the SBA, helped small farms and businesses maintain their payroll and cover applicable overhead expenses during the COVID-19 pandemic. The bank’s PPP loans financed farms and businesses, and resulted in permanent job creation, retention, and/or improvement for low- and moderate-income individuals.
- The bank made 33 loans totaling \$10.4 million that promoted economic development by financing small businesses and farms that created, retained, or improved permanent jobs for low- or moderate-income individuals.

### **Qualified Investments**

First Independent Bank made 33 qualified investments totaling \$12.7 million during the evaluation period, which represents 2.6 percent of total assets and 8.2 percent of total securities. Comparable institutions maintained qualified investment ratios ranging from 0.3 percent to 1.5 percent of total assets and 2.2 percent to 13.7 percent of total securities. First Independent Bank’s level of qualified investments is comparable to these institutions. The following tables illustrate the bank’s qualified investment activity by assessment area and by year.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	(000s)	#	(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Russell	0	0	8	1,207	0	0	7	4,138	<b>15</b>	<b>5,345</b>
Beardsley	0	0	6	1	0	0	5	354	<b>11</b>	<b>355</b>
Broader Statewide/ Regional Area	0	0	0	0	0	0	7	7,000	<b>7</b>	<b>7,000</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>1,208</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>11,492</b>	<b>33</b>	<b>12,700</b>

*Source: Bank Data*

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	12	5,156	12	5,156
2021	0	0	1	1,205	0	0	2	1,435	3	2,640
2022	0	0	0	0	0	0	4	3,260	4	3,260
Year-to-Date 2023	0	0	0	0	0	0	1	1,641	1	1,641
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,205</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>10,258</b>	<b>20</b>	<b>11,463</b>
Grants & Donations	0	0	13	3	0	0	0	0	13	3
<b>Total</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>1,208</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>11,492</b>	<b>33</b>	<b>12,700</b>

Source: Bank Data

### Community Development Services

During the evaluation period, employees provided 119 hours of financial expertise or technical assistance to 8 community development-related organizations. Most notably, 82 of the total hours were to provide community services to low- and moderate-income individuals. Specifically, the bank sets up and runs the Electronic Benefits Transfer (EBT) system to issue Supplemental Nutrition Assistance Program (SNAP) benefits using debit card technology at the Marshall Farmers Market, allowing individuals to use their EBT card and have access to food. SNAP provides food benefits to low-income families to supplement their grocery budget so they can afford nutritious food.

While not a direct comparison, comparable institutions provided between 25 and 165 qualified community development service activities. The following tables illustrate the bank's community development service hours by assessment area and year.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
Russell	23	92	0	2	117
Beardsley	0	0	0	2	2
<b>Total</b>	<b>23</b>	<b>92</b>	<b>0</b>	<b>4</b>	<b>119</b>

Source: Bank Data

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2021	0	27	0	0	27
2022	4	10	0	2	16
Year-to-Date 2023	19	55	0	2	76
<b>Total</b>	<b>23</b>	<b>92</b>	<b>0</b>	<b>4</b>	<b>119</b>

Source: Bank Data

In addition to community development services, the bank offers alternative banking services that are readily accessible throughout all assessment areas, including to low- and moderate-income individuals. These include services such as internet and mobile banking, bill pay, mobile check deposit, and electronic statements, among others. Furthermore, the Beardsley branch is located within a distressed and underserved, middle-income census tract. The Tyler branch is located within an underserved, middle-income census tract in Big Stone and Lincoln counties.

## **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.

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

#### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE RUSSELL ASSESSMENT AREA**

The Russell Assessment Area is within nonmetropolitan southwestern Minnesota. Specifically, the assessment area includes Lincoln, Lyon, Murray, Pipestone, Redwood and Yellow Medicine counties.

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

The assessment area contains a number of small rural communities, with the largest town being Marshall. Three census tracts in the assessment area (3605, 4603, and 7503) located in Lyon, Pipestone and Redwood counties, respectively, are designated as moderate-income tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area					
Assessment Area: Russell					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	27	0.0	11.1	88.9	0.0
Population by Geography	73,465	0.0	11.5	88.5	0.0
Housing Units by Geography	35,707	0.0	11.8	88.2	0.0
Owner-Occupied Units by Geography	23,075	0.0	8.5	91.5	0.0
Occupied Rental Units by Geography	7,462	0.0	21.3	78.7	0.0
Vacant Units by Geography	5,170	0.0	12.8	87.2	0.0
Businesses by Geography	7,611	0.0	11.2	88.8	0.0
Farms by Geography	1,656	0.0	2.5	97.5	0.0
Family Distribution by Income Level	19,546	19.2	20.2	22.7	37.9
Household Distribution by Income Level	30,537	24.0	16.9	19.1	40.1
Median Family Income Nonmetropolitan - MN		\$74,737	Median Housing Value		\$130,557
Families Below Poverty Level		7.3%	Median Gross Rent		\$668
<i>Source: 2020 U.S. Census and 2022 D&amp;B Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

The following table presents the FFIEC-estimated median family income levels for nonmetropolitan Minnesota in 2022 and 2023.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$83,600)	<\$41,800	\$41,800 to <\$66,880	\$66,880 to <\$100,320	≥\$100,320
2023 (\$83,600)	<\$41,800	\$41,800 to <\$66,880	\$66,880 to <\$100,320	≥\$100,320
<i>Source: FFIEC</i>				

### **Competition**

First Independent Bank operates in a highly competitive banking market, especially given the rural nature of the assessment areas. Per the FDIC Deposit Market Share data as of June 30, 2023, 25 financial institutions operate 52 offices within Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine counties. Of these institutions, First Independent Bank ranked second with a deposit market share of 10.7 percent.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs of the area. This information helps determine what credit opportunities are available and whether local financial institutions are responsive to credit needs. For this evaluation, examiners conducted an interview with a representative who promotes economic development throughout the area.

The contact stated that while there are job openings available locally, the largest obstacle for many employers is finding employees. The contact also stated that agricultural lending is the primary

credit need, as many area businesses focus on agriculture. The contact indicated that the local housing stock is in short supply, especially affordable homes. According to the contact, local credit needs include general business banking, including small farm and small business loans. Lastly, financial institutions are meeting lending needs by making credit readily available.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that agricultural lending represents the primary credit need in the assessment area. In addition, examiners determined that community development needs include affordable housing, community services, and economic development activities. Community development opportunities also exist for revitalizing and/or stabilizing moderate-income census tracts and helping to meet the essential community needs of the underserved middle-income geographies in this assessment area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE RUSSELL ASSESSMENT AREA**

### **LENDING TEST**

First Independent Bank demonstrated reasonable performance under the Lending Test in the Russell Assessment Area. The bank's reasonable geographic distribution and borrower profile performance supports this conclusion.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable small farm and home mortgage lending performance supports this conclusion. While small business lending performance is poor, it did not affect the overall assessment. Since the assessment area does not contain any low-income census tracts, examiners focused on the percentage of loans made in the moderate-income census tracts within the assessment area.

### ***Small Farm***

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's lending performance in moderate-income geographies is slightly less than the comparable demographic data. Two of the three moderate-income census tracts are not in close proximity to the bank's office and would likely be served by financial institutions in or near those areas. More specifically, two of these geographies includes Pipestone and Redwood Falls, Minnesota, which are approximately 17 and 18 miles, respectively, from the bank's closest branch.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Assessment Area: Russell</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	2.5	2	0.8	118	0.5
Middle	97.5	243	99.2	24,830	99.5
Upper	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>245</b>	<b>100.0</b>	<b>24,948</b>	<b>100.0</b>

*Source: 2022 D&B Data; Bank Data.  
Due to rounding, totals may not equal 100.0%*

### ***Small Business***

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. The following table shows the bank did not extend any small business loans in moderate-income geographies.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Russell</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	11.2	0	0.0	0	0.0
Middle	88.8	81	100.0	6,969	100.0
Upper	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>	<b>6,969</b>	<b>100.0</b>

*Source: 2022 D&B Data; Bank Data  
Due to rounding, totals may not equal 100.0%*

### ***Home Mortgage***

As shown in the following table, the geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area when compared to demographic data. Although the bank's performance is less than comparable demographic data, there is a high level of competition among financial institutions operating in or near the moderate-income tracts.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Assessment Area: Russell</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	8.5	1	2.5	538	7.8
Middle	91.5	39	97.5	6,393	92.2
Upper	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>6,931</b>	<b>100.0</b>

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

### **Borrower Profile**

Overall, the distribution of borrowers reflects reasonable penetration throughout the Russell Assessment Area. The bank's reasonable performance under each loan category supports this conclusion.

### ***Small Farm***

The distribution of borrowers reflects reasonable penetration among farms of different sizes throughout the assessment area. As shown in the following table, the bank's lending to farms with gross annual revenues of \$1 million or less approximates demographic data.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Russell</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	98.6	53	96.4	5,681	93.9
>\$1,000,000	0.7	2	3.6	369	6.1
Revenue Not Available	0.8	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>	<b>6,050</b>	<b>100.0</b>

*Source: 2022 D&B Data, Bank Data.  
Due to rounding, totals may not equal 100.0%*

### ***Small Business***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes throughout the assessment area. As displayed in the following table, the bank's lending to businesses with gross annual revenues of \$1 million or less is comparable to demographic data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Russell</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	82.1	31	75.6	2,468	70.2
>\$1,000,000	4.7	10	24.4	1,049	29.8
Revenue Not Available	13.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>3,517</b>	<b>100.0</b>

*Source: 2022 D&B Data, Bank Data.  
Due to rounding, totals may not equal 100.0%*

### ***Home Mortgage***

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. As depicted in the table below, lending to moderate-income borrowers is comparable to demographic data. However, the bank's lending to low-income borrowers is less than demographic data. Examiners considered that many low-income borrowers may have difficulty qualifying for home mortgage loans, especially since 7.3 percent of the families within the assessment area are below the poverty level. Additionally, the community contact stated that affordable housing stock is low, which results in fewer opportunities for lower-income individuals to purchase a home.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Assessment Area: Russell</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	19.2	1	2.5	75	1.1
Moderate	20.2	8	20.0	769	11.1
Middle	22.7	6	15.0	910	13.1
Upper	37.9	20	50.0	4,526	65.3
Not Available	0.0	5	12.5	651	9.4
<b>Total</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>6,931</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

## **COMMUNITY DEVELOPMENT TEST**

First Independent Bank demonstrates adequate responsiveness to the community development needs of the Russell Assessment Area through community development loans, qualified investments, and community development services.

### **Community Development Loans**

First Independent Bank originated 970 community development loans totaling \$27.8 million in the Russell Assessment Area. This included 930 PPP loans totaling \$16.3 million, mentioned previously, which provided economic development support for the assessment area. Of the remaining 40 loans, 7 loans totaling \$1.2 million promoted affordable housing and 33 loans totaling \$10.3 million promoted economic development.

### **Qualified Investments**

The bank made 15 qualified investments totaling \$5.3 million in the Russell Assessment Area, including 7 donations totaling \$1,950. This activity included 8 investments totaling \$1.2 million to organizations that provide community services to low- and moderate-income individuals, and 7 investments totaling \$4.1 million to revitalize and stabilize underserved areas.

### **Community Development Services**

Bank representatives provided 117 hours of financial expertise or technical assistance to community development organizations in the Russell Assessment Area. Of these service hours, 23 were to organizations that provide affordable housing, 92 were to organizations that provide community services to low- and moderate-income individuals, and the remaining services helped to revitalize and stabilize underserved areas.



## BEARDSLEY ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE BEARDSLEY ASSESSMENT AREA

The Beardsley Assessment Area is comprised of Big Stone and Traverse counties in nonmetropolitan western Minnesota. The bank has one branch in the assessment area located in Beardsley.

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

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

<b>Demographic Information of the Assessment Area</b>					
<b>Assessment Area: Beardsley</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	5	0.0	0.0	100.0	0.0
Population by Geography	8,526	0.0	0.0	100.0	0.0
Housing Units by Geography	5,215	0.0	0.0	100.0	0.0
Owner-Occupied Units by Geography	2,859	0.0	0.0	100.0	0.0
Occupied Rental Units by Geography	1,025	0.0	0.0	100.0	0.0
Vacant Units by Geography	1,331	0.0	0.0	100.0	0.0
Businesses by Geography	947	0.0	0.0	100.0	0.0
Farms by Geography	268	0.0	0.0	100.0	0.0
Family Distribution by Income Level	2,320	18.7	21.2	21.2	39.0
Household Distribution by Income Level	3,884	26.9	17.3	17.6	38.2
Median Family Income Nonmetropolitan - MN		\$74,737	Median Housing Value		\$101,101
Families Below Poverty Level		7.4%	Median Gross Rent		\$628
<i>Source: 2020 U.S. Census and 2022 D&amp;B Data Due to rounding, totals may not equal 100.0%</i>					

#### **Competition**

First Independent Bank operates in a somewhat competitive banking market. Per the FDIC Deposit Market Share data as of June 30, 2023, seven financial institutions operate eight offices within Big Stone and Traverse counties. Of these institutions, First Independent Bank ranked sixth with a deposit market share of 5.8 percent.

#### **Credit and Community Development Needs and Opportunities**

Considering information from the bank management and demographic and economic data, examiners determined that agricultural lending represents the primary credit needs in the assessment area. Community development needs include affordable housing, community services, and economic development activities. Community development opportunities also exist for revitalizing and/or stabilizing the distressed and underserved middle-income geographies in this assessment area.

# CONCLUSIONS ON PERFORMANCE CRITERIA IN THE BEARDSLEY ASSESSMENT AREA

## LENDING TEST

First Independent Bank demonstrated reasonable performance under the Lending Test in the Beardsley Assessment Area. Reasonable performance under the Borrower Profile criterion supports this conclusion.

### Geographic Distribution

The Beardsley Assessment Area does not contain any low- or moderate-income geographies. Therefore, this criterion was not evaluated for this assessment area, as it would not result in meaningful conclusions.

### Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration throughout the Beardsley Assessment Area. The bank’s reasonable small farm and excellent small business lending performances support this conclusion. Small farm lending received the most weight.

### *Small Farm*

The distribution of borrowers reflects reasonable penetration among farms of different sizes throughout the assessment area. The following table shows that the bank’s lending to farms with gross revenue of \$1 million or less notably trails demographic data. However, the 2017 Census of Agriculture data indicates 45.7 percent of producers in Big Stone and Traverse counties report a primary occupation other than farming, and 46.9 percent of farm operations did not report having interest expenses. As such, several of the farm operations in the assessment area do not need any credit financing. Considering these factors, performance is reasonable.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Beardsley</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	98.5	22	73.3	3,209	68.1
>\$1,000,000	0.7	8	26.7	1,506	31.9
Revenue Not Available	0.7	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>4,715</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data, Bank Data.</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

### *Small Business*

The distribution of borrowers reflects reasonable penetration among businesses of different sizes throughout the assessment area. The bank’s lending to businesses with gross annual revenues of \$1 million or less is comparable to demographic data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Beardsley</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	78.6	6	85.7	211	67.8
>\$1,000,000	3.8	1	14.3	100	32.2
Revenue Not Available	17.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>311</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data, Bank Data.</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

## **COMMUNITY DEVELOPMENT TEST**

First Independent Bank demonstrates adequate responsiveness to the community development needs of the Beardsley Assessment Area through community development loans, qualified investments, and community development services.

### **Community Development Loans**

First Independent Bank originated 138 community development loans totaling \$3.3 million in the Beardsley Assessment Area. This includes 136 PPP loans totaling \$2.5 million, mentioned previously, which provided economic development support for the assessment area. The remaining loans totaling \$850,000, helped revitalize and stabilize distressed and underserved areas.

### **Qualified Investments**

The bank made 11 qualified investments totaling \$355,000 in the Beardsley Assessment Area, including 8 donations totaling \$1,570. This activity included 6 investments totaling \$1,000 were to organizations that provide community services to low- and moderate-income individuals, and 5 investments totaling \$350,000 were to revitalize and stabilize distressed and underserved areas.

### **Community Development Services**

Bank representatives provided two instances of financial expertise or technical assistance to community development organizations in the Beardsley Assessment Area. Both services were to organizations that helped revitalize and stabilize distressed and underserved areas.

## **APPENDICES**

### **INTERMEDIATE 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).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## 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.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI

facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

**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.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography 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 percent or more; or

- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent 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 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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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.

**Qualified Investment:** A 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 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 Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**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.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating 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 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.