

PUBLIC DISCLOSURE

June 25, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Shell Lake State Bank
Certificate Number: 14911

102 5th Avenue
Shell Lake, Wisconsin 54871

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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: Shell Lake State Bank 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.

Shell Lake State Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is poor given the institution's size, financial condition, and the assessment area credit needs.
- The bank extended a majority of its home mortgage and small business loans in its assessment area.
- The geographic distribution of loans reflects poor dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated July 30, 2012, to the current evaluation dated June 25, 2018. Examiners used the Interagency CRA Small Institution Examination Procedures to evaluate Shell Lake State Bank's CRA performance. The Lending Test considered the institution's performance according to the following criteria: loan-to-deposit ratio, assessment area concentration, geographic distribution, borrower profile, and response to CRA-related complaints.

Loan Products Reviewed

Examiners determined the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy, loan portfolio composition, as well as the number and volume of loans extended during the evaluation period. Bank records

indicated that the lending focus and product mix were consistent throughout the evaluation period.

Home mortgage loans are given more weight in the analysis because they represent a significantly higher percentage of the bank's portfolio and a larger loan volume when compared to small business loans during the most recent calendar year. No other loan types, such as agricultural and consumer loans, represent a major product line. As a result, they provided no material support for conclusions or ratings and are not presented in this evaluation.

This evaluation was based on samples of residential real estate and small business loans originated by the bank in 2017. The bank's performance during 2017 is representative of the entire evaluation period. The standard of comparison used for residential real estate was the 2015 American Community Survey (ACS) data. D&B data for June 2017, the most recent business data available, provided a standard of comparison for the small business loans. The following table shows the universe and sample sizes for the two products reviewed.

Product Type	Universe #	Universe \$	Sample #	Sample \$
Home Mortgage Loans	172	\$16,593,075	37	\$3,072,754
Small Business Loans	51	\$2,390,246	31	\$1,251,905

Source: Bank Records

For the Lending Test, examiners sampled the number and dollar volume of loans. Although data for the number and dollar value of the sampled loans is presented, examiners emphasized the performance by number of loans because it is a better indicator of the number of individuals and businesses served.

DESCRIPTION OF INSTITUTION

Background

Shell Lake State Bank is headquartered in Shell Lake, Wisconsin, located in Washburn County. In addition to the main office in Shell Lake, the bank has three full-service branches located in the Wisconsin communities of Spooner, Minong, and Stone Lake. The bank opened a loan production office in May 2018 in Hayward, Wisconsin. All of the offices are located in middle-income geographies. Since the previous evaluation, the bank opened the Minong and Stone Lake offices in Washburn County, the loan production office in Sawyer County, and closed its Sarona office in Washburn County. The bank is owned by Shell Lake Bancorp, Inc., a one-bank holding company in Shell Lake. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation dated July 30, 2012, based on Interagency CRA Small Institution Examination Procedures.

Operations

The bank offers loan products including home mortgage (including home mortgages originated for the secondary market), commercial, agricultural, local government, and consumer loans. Home mortgage loans are the bank's primary business focus. It also provides a variety of deposit services including checking, savings, money market, and certificates of deposit. Some alternative services offered include internet and mobile banking, and automated teller machines.

Ability and Capacity

Assets totaled approximately \$203 million as of March 31, 2018, and included total loans of \$87 million. The following table shows the bank's loan portfolio distribution as of March 31, 2018.

Loan Portfolio Distribution as of 3/31/2018		
Loan Category	\$(000s)	%
Construction and Land Development	4,629	5.3
Secured by Farmland	1,866	2.1
1-4 Family Residential	46,519	53.2
Commercial Real Estate	12,142	13.9
Total Real Estate Loans	65,156	74.5
Commercial and Industrial	10,265	11.8
Agricultural	1,616	1.9
Consumer	5,692	6.5
States and Political Subdivisions	3,373	3.9
Other	1,266	1.4
Total Loans	87,368	100.0

Source: Call Report 3/31/2018

There are no financial, legal, or other impediments that affect the bank's ability to meet its assessment area's credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Shell Lake State Bank has designated a single assessment area of 12 census tracts (CTs) in four Wisconsin counties; 10 are middle-income geographies and two are moderate-income geographies. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The bank's assessment area includes all of the CTs in Washburn County, two CTs in Burnett County, four CTs in Sawyer County, and one CT in Douglas County. The lone CT in Douglas County is part of the Duluth MN-WI Metropolitan Statistical Area (MSA #20260). The bank does not have any offices in the MSA, which is comprised of Douglas County in its entirety plus the two Minnesota counties of St. Louis and Carlton. The middle-income CT located in Douglas County is a rural and agricultural area of similar composition as the non-MSA parts of the bank's assessment area. Although geographically large, this tract is not considered to substantially encroach into the MSA when considering population and other demographic information. The bank has included this CT due to its proximity to the bank's main and Minong offices. The bank's assessment area conforms to the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income geographies. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information for the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	12	-	16.7	83.3	-	-
Population by Geography	39,998	-	17.9	82.1	-	-
Housing Units by Geography	38,094	-	22.7	77.3	-	-
Owner-Occupied Units by Geography	14,259	-	17.0	83.0	-	-
Occupied Rental Units by Geography	3,974	-	23.1	76.9	-	-
Vacant Units by Geography	19,861	-	26.7	73.3	-	-
Businesses by Geography	2,719	-	14.1	85.9	-	-
Farms by Geography	158	-	11.4	88.6	-	-
Family Distribution by Income Level	11,955	22.5	22.2	22.2	33.1	-
Household Distribution by Income Level	18,233	25.8	18.4	19.4	36.4	-
2017 Median Family Income Duluth, MN-WI MSA		\$67,200	Median Housing Value			\$162,647
2017 Median Family Income Non-MSA - WI		\$62,600	Median Gross Rent			\$621
			Families Below Poverty Level			8.9%

Sources: 2015 ACS Census, 2017 FFIEC, and 2017 D&B
 (*)The NA category consists of geographies that have not been assigned an income classification.

There are no low- or upper-income geographies in the bank's assessment area. However, CTs for all of Washburn County and the three middle-income tracts in Sawyer County were classified by the Federal Financial Institutions Examination Council (FFIEC) as "Underserved Middle-income Nonmetropolitan Tracts" for the evaluation period.

D&B Data for 2017 shows that there are 2,719 businesses in the assessment area, with Gross Annual Revenues (GARs) as follows.

- 81.4 percent have \$1 million or less.
- 5.2 percent have more than \$1 million.
- 13.4 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to D&B data, the top industries in the assessment area include services (39.3 percent); agriculture, forestry, and fishing (5.49%); retail trade (15.9 percent); finance, insurance, and real estate (5.63%); construction (12.7 percent); and public administration (5.14 percent). A review of the Wisconsin WORKNet website revealed that the major employers were Ferrellgas (1,000+ employees), LCO Casino Lodge and Convention, and Lac Courte Oreilles Tribal (both 250-499 employees, located on tribal land) in Sawyer County. Washburn County's major employer is Link Snacks, Inc. (250-499 employees). Per D&B data, about 86 percent of the businesses in the assessment area have less than ten employees.

The FFIEC-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. These categories are based on the 2017 FFIEC Non-MSA updated median family income of \$62,600.

Median Family Income Ranges				
Median Family Income	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2017: \$62,600	<\$31,300	\$31,300 to <\$50,080	\$50,080 to <\$75,120	≥\$75,120
<i>Source: FFIEC</i>				

There are 38,094 housing units in the bank's assessment area. Of these, 37.5 percent are owner-occupied, 10.4 percent are occupied rental units, and 52.1 percent are vacant. The high vacancy percentage is primarily due to the large number of vacation homes in the assessment area. Geographic distribution compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U. S. Bureau of Labor Statistics and Wisconsin's WORKnet websites indicate that the year-end 2017 unemployment rate was 3.3 percent statewide. However, the rate varied for the two counties of the assessment area where the bank maintains an office, as shown in the table that follows. The unemployment rate steadily improved throughout the evaluation period in each of the counties in the assessment area. It also improved statewide as well as nationally. A community contact familiar with the two counties indicated local businesses were having great difficulties finding eligible applicants to employ.

Unemployment Rates						
Area	2012	2013	2014	2015	2016	2017
	%	%	%	%	%	%
Washburn County	7.9	7.4	6.2	5.4	5.0	3.9
Sawyer County	10.8	10.9	8.9	7.9	6.2	4.7
Wisconsin	7.0	6.7	5.4	4.5	4.0	3.3
National Average	8.1	7.4	6.2	5.3	4.9	4.4
<i>Sources: Bureau of Labor Statistics and Wisconsin's WORKnet</i>						

Competition

The assessment area is moderately competitive for financial services. The June 30, 2016 FDIC Market Share Report indicates there are 13 financial institutions that operate 26 full-service branches within the bank's assessment area. Of these institutions, Shell Lake State Bank ranked first with a 16.5 percent deposit market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the community's credit needs. This information helps determine whether local financial institutions are responsive to those needs.

Examiners contacted a community development organization that has programs available throughout the assessment area. The contact stated there is a need for small business start-up credit throughout the assessment area. The contact also said that local financial institutions help to meet this need by using loan programs offered by state and local government agencies to qualify applicants that otherwise would not meet conventional lending qualifications. The

contact indicated that it is difficult to find qualified employees for local businesses. Finally, the contact indicated that financial institutions have been responsive to credit needs in the area.

Credit Needs and Opportunities

Considering information from the community contact, bank management, and demographics and economic data, examiners determined that home mortgage loans and small business loans represent the primary credit needs of the assessment area. Small business loans, especially for start-up businesses, are in demand. Opportunity exists for originating such loans in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Shell Lake State Bank demonstrated reasonable performance under the Lending Test. Assessment Area Concentration and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit (LTD) Ratio

The LTD ratio is poor given the institution's size, financial condition, and the assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 54.6 percent over the 23 calendar quarters from September 30, 2012, to March 31, 2018. The ratio fluctuated between 50.71 percent (on 03/31/2018) and 63.2 percent (on 9/30/2012) during the 23 quarters, and was at 50.71 percent for the quarter ending March 31, 2018. The LTD ratio has been on a generally decreasing trend since the last examination.

Shell Lake State Bank maintained a low average lending level when compared to those of comparable lending institutions; it is considered poor. All seven banks selected for comparison have a higher level of lending during the same period of time, as shown in the table that follows. Examiners selected similarly-situated banks based on asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2018 \$(000s)	Average Net LTD Ratio (%)
Shell Lake State	203,039	54.57
Similar Bank 1	65,644	80.54
Similar Bank 2	133,966	59.96
Similar Bank 3	247,015	64.28
Similar Bank 4	115,935	84.97
Similar Bank 5	357,863	87.82
Similar Bank 6	236,282	74.66
Similar Bank 7	391,236	87.22

Source: Call Reports 9/30/2012 through 3/31/2018

Assessment Area Concentration

The bank originated a majority of its home mortgage and small business loans in its assessment area, as illustrated in the following table. The table details the percentages by number and dollar for the loan products reviewed. By number, 81.1 percent of home mortgage loans and 74.2 percent of small business loans were originated in the assessment area. This is reasonable performance.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	30	81.1	7	18.9	37	2,424	78.9	649	21.1	3,073
Small Business	23	74.2	8	25.8	31	792	63.3	460	36.7	1,252

Source: Bank Records

Geographic Distribution

The geographic distribution of loans reflects a poor dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in moderate-income census tracts, as there are no low-income census tracts in the assessment area.

Although the bank's performance is considered poor, management stated that typical traffic patterns from the two moderate-income CTs tend to move people and business owners toward Webster (Burnett County) and Hayward (Sawyer County) for their shopping, working, and banking needs, rather than toward the bank's offices.

Home Mortgage Loans

The geographic distribution of sampled home mortgage loans, compared to the percent of owner-occupied housing units in the AA, reflects poor dispersion. The bank generated one loan in the moderate-income tracts of the assessment area. The information in the following table supports this conclusion.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	-	-	-	-
Moderate	17.0	1	3.3	39	1.6
Middle	83.0	29	96.7	2,385	98.4
Upper	0.0	-	-	-	-
NA	0.0	-	-	-	-
Total	100.0	30	100.0	2,424	100.0

Sources: 2015 ACS Census, Bank Records

Small Business Loans

The geographic distribution of sampled small business loans, compared to the percent of businesses in the AA, also reflects poor dispersion. The bank generated no small business loans in the moderate-income tracts of the assessment area. The information in the following table supports this conclusion.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	-	-	-	-
Moderate	14.1	-	-	-	-
Middle	85.9	23	100.0	792	100.0
Upper	0.0	-	-	-	-
NA	0.0	-	-	-	-
Total	100.0	23	100.0	792	100.0

Sources: 2017 D&B data, Bank Records

Borrower Profile

The distribution of loans to borrowers reflects reasonable penetration between individuals of different income levels and businesses of different sizes in the assessment area. Home mortgage lending, which is the bank's primary lending focus, supports this overall borrower profile rating. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and on the percentage by number of small business loans to entities with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable overall. This conclusion is based on the bank's 2017 lending performance to low- and moderate-income families, as shown in the table below, when compared to the demographic data of the assessment area.

Home mortgage lending to low-income borrowers, at 20.0 percent, when compared to the low-income families' demographic data of 22.5 percent, is excellent. This is especially true considering that 8.9 percent of low-income families in the assessment area have income levels below the poverty level. Due to their limited financial resources, families with incomes below the poverty level generally do not have the capacity to support a home mortgage, thereby limiting the demand and opportunity for lending to low-income borrowers. Considering this, as well as the assessment area median housing value of \$162,647, the bank's home mortgage lending to low-income borrowers is excellent.

Lending to moderate-income borrowers, at 13.3 percent of the sampled loans, is poor when considering 22.2 percent of the AA population consists of moderate-income families. The following table details the distribution of home mortgage loans by borrower income levels.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	22.5	6	20.0	368	15.2
Moderate	22.2	4	13.3	283	11.7
Middle	22.2	7	23.3	452	18.6
Upper	33.1	12	40.0	1,261	52.0
NA	0.0	1	3.4	60	2.5
Total	100.0	30	100.0	2,424	100.0

Sources: 2015 ACS Census, Bank Records

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses with GARs of \$1 million or less. As reflected in the following table, 91.3 percent of the sampled small business loans were extended to business entities with GAR of \$1 million or less. This is significantly more than the demographic percentage of 81.4 percent of businesses in the AA reporting GAR at or under \$1 million.

Distribution of Small Business Loans by Gross Annual Revenue					
Gross Annual Revenues	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000	81.4	21	91.3	667	84.2
>\$1,000,000	5.2	2	8.7	125	15.8
Revenues Not Reported	13.4	-	-	-	-
Total	100.0	23	100.0	792	100.0

Sources: 2017 D&B Data, Bank Records

Response to Complaints

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

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES
REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

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.

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

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

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

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

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, , or 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).

Family Income: Includes the income of all members of a family that are age 15 and older.

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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 farm 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 Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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 (for example, 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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: 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.

Loan: A loan included in "loans to s" 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.

Loan: A loan included in "loans to s" 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.