

PUBLIC DISCLOSURE

May 17, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Iowa State Bank
Certificate Number: 15808

627 East Locust Street
Des Moines, Iowa 50309

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 **Outstanding**.

An institution in this group has an outstanding 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.

Iowa State Bank's Satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Outstanding performance under the Community Development Test supports the overall rating. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Outstanding.

- The institution demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities in the assessment area.

DESCRIPTION OF INSTITUTION

Iowa State Bank is headquartered in Des Moines, Iowa, and is wholly owned by Iowa State Bank Holding Company, Des Moines, Iowa. The bank operates in central Iowa from its main office in Des Moines. Iowa State Bank also has four branch offices in Iowa, including two additional branches located in Des Moines, a branch office in Urbandale, and a branch office in West Des Moines. Iowa State Bank received an Outstanding rating at its previous FDIC CRA Performance

Evaluation, dated May 14, 2018, based on Interagency Intermediate Small Institution Examination Procedures.

The bank offers traditional loan products, including commercial, home mortgage, agricultural, and consumer loans. The bank’s primary business focus is home mortgage and small business lending. Iowa State Bank uses special financing alternatives offered through the Small Business Administration, Federal Housing Authority, United States Department of Agriculture, Department of Veterans Affairs, and Iowa Finance Authority. The bank participated in the Small Business Administration’s Paycheck Protection Program (PPP) during the review period. This program provided financial aid to businesses adversely impacted by the COVID-19 pandemic.

Iowa State Bank provides a variety of deposit products, including checking, savings, money market deposit accounts, and certificates of deposit. The bank also offers insurance and investment products. Alternative banking services include internet, telephone, and mobile banking. There are cash-only automated teller machines located at four of Iowa State Bank’s offices.

According to the March 31, 2021 Reports of Condition and Income (Call Report), Iowa State Bank reported total assets of \$460,753,000; total loans of \$222,370,000; and total deposits of \$374,141,000. The bank experienced steady growth in assets, loans, and deposits since the prior evaluation. Management attributed these changes to natural growth, the volume of Small Business Administration PPP loan requests, and increased deposits due to the COVID-19 pandemic. The following table shows the distribution for each loan category by dollar volume.

| Loan Portfolio Distribution as of 3/31/2021 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 30,823 | 13.8 |
| Secured by Farmland | 1,799 | 0.8 |
| Secured by 1-4 Family Residential Properties | 55,495 | 25.0 |
| Secured by Multifamily (5 or more) Residential Properties | 8,603 | 3.9 |
| Secured by Nonfarm Nonresidential Properties | 89,784 | 40.4 |
| Total Real Estate Loans | 186,504 | 83.9 |
| Commercial and Industrial Loans | 34,473 | 15.5 |
| Agricultural Production and Other Loans to Farmers | 421 | 0.2 |
| Consumer Loans | 886 | 0.4 |
| Obligations of State and Political Subdivisions in the U.S. | 73 | <0.1 |
| Other Loans | 13 | <0.1 |
| Lease Financing Receivable (net of unearned income) | 0 | 0.0 |
| Less: Unearned Income | (0) | (0.0) |
| Total Loans | 222,370 | 100.0 |
| <i>Source: Call Reports</i> | | |

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

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. Iowa State Bank delineated portions of Dallas, Polk, and Warren counties as its assessment area. All of the counties included in the assessment area are within the Des Moines-West Des Moines, Iowa Metropolitan Statistical Area (MSA). Only portions of these counties were taken to reflect the metropolitan areas where the primary credit needs are home mortgage and small business loans, as farm loans are not a significant lending focus. The assessment area is unchanged from the prior evaluation. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area is comprised of eastern Dallas County, southern Polk County, and northwestern Warren County. According to the 2015 American Community Survey (2015 ACS), the assessment area consists of 102 census tracts, including 9 designated as low-, 27 designated as moderate-, 39 designated as middle-, and 26 designated as upper-income. The assessment area also includes one census tract without an income designation. The following table illustrates select demographic characteristics of the assessment area.

| Demographic Information of the Assessment Area | | | | | | |
|---|----------|------------------------------|----------------------------|--------------------------|-------------------------|-----------------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 102 | 8.8 | 26.5 | 38.2 | 25.5 | 1.0 |
| Population by Geography | 459,834 | 6.6 | 23.0 | 39.9 | 30.6 | 0.0 |
| Housing Units by Geography | 191,820 | 5.8 | 23.1 | 41.8 | 29.4 | 0.0 |
| Owner-Occupied Units by Geography | 122,170 | 3.2 | 20.2 | 41.9 | 34.7 | 0.0 |
| Occupied Rental Units by Geography | 57,332 | 10.2 | 27.9 | 41.1 | 20.8 | 0.0 |
| Vacant Units by Geography | 12,318 | 10.9 | 28.6 | 44.3 | 16.2 | 0.0 |
| Businesses by Geography | 48,412 | 4.2 | 14.1 | 46.4 | 35.2 | 0.1 |
| Farms by Geography | 1,420 | 1.5 | 11.3 | 44.0 | 43.2 | 0.0 |
| Family Distribution by Income Level | 116,391 | 21.8 | 17.4 | 21.3 | 39.5 | 0.0 |
| Household Distribution by Income Level | 179,502 | 24.0 | 16.6 | 19.5 | 40.0 | 0.0 |
| Median Family Income MSA - 19780 Des Moines- West Des Moines, Iowa MSA | \$75,653 | Median Housing Value | | | | \$163,333 |
| | | Median Gross Rent | | | | \$822 |
| | | Families Below Poverty Level | | | | 9.0% |
| <i>Source: 2015 ACS and 2020 D&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> | | | | | | |

According to 2020 D&B data, service industries represent the largest portion of business and farm operations at 37.5 percent; followed by non-classifiable establishments at 21.1 percent; finance, insurance, and real estate at 11.9 percent; and retail trade at 10.0 percent. In addition, 61.1 percent of assessment area businesses and farms have fewer than five employees and 89.8 percent operate from one location.

According to Iowa Workforce Development, the unemployment rate in March 2021 averaged 3.9 percent in the counties that make up the assessment area compared to one year prior when the unemployment rate averaged 3.0 percent. The Bureau of Labor Statistics reflects that the average unemployment rates spiked in the second and third quarters of 2020 to a high of 10.4 percent because of the COVID-19 pandemic. Unemployment rates have gradually returned to pre-pandemic levels.

The FFIEC-estimated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion and to analyze applicable community development activities. The low-, moderate-, middle-, and upper-income categories for the Des Moines-West Des Moines, Iowa MSA are presented in the following table.

| Median Family Income Ranges | | | | |
|------------------------------------|------------------------|------------------------------------|-----------------------------------|------------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| 2018 (\$79,600) | <\$39,800 | \$39,800 to <\$63,680 | \$63,680 to <\$95,520 | ≥\$95,520 |
| 2019 (\$82,000) | <\$41,000 | \$41,000 to <\$65,600 | \$65,600 to <\$98,400 | ≥\$98,400 |
| 2020 (\$84,800) | <\$42,400 | \$42,400 to <\$67,840 | \$67,840 to <\$101,760 | ≥\$101,760 |
| <i>Source: FFIEC</i> | | | | |

Competition

The assessment area is highly competitive in the market of financial services. The FDIC’s Deposit Market Share Report as of June 2020 reflects 43 insured institutions operating from 193 locations within the counties that make up the assessment area. These institutions range from small community banks to larger financial institutions operating branch offices in the area. Iowa State Bank ranked 12th with 1.6 percent of the deposit market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to help identify credit and community development needs. This information assists examiners in determining whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available. In conjunction with this evaluation, examiners referenced a prior community contact with a representative from a local economic development organization familiar with Dallas and Polk counties.

The contact described the area as metropolitan and diverse, with a wide range of ages and income levels. The primary employers are financial service companies, but due to the size of the city, small businesses still play a very important role. There were many commuters into downtown Des Moines, but many businesses have moved campuses to suburbs like West Des Moines. Commercial property rates have increased throughout the metropolitan area due to growth and expansion, though the COVID-19 pandemic has caused them to drop recently. Demand has also gone up in addition to price escalation. New properties are becoming available as more expansion is occurring, which is also leveling out prices. Businesses have been struggling due to the pandemic, particularly in the restaurant and hospitality industries. The representative added that small businesses always need

access to funding, and there is a need for short-term working capital. One industry that has continued doing well is home construction because customers are comfortable with longer wait times. New housing complexes are being constructed and the metropolitan area has exploded with growth the last few years. Homebuyers often make offers at or above asking price the day homes go on the market.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage and small business loans are the primary credit needs of the assessment area. Further, some opportunities for community development exist, primarily in economic development and affordable housing programs.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 14, 2018, to the current evaluation dated May 17, 2021. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Iowa State Bank's CRA performance. These procedures include the Lending Test and Community Development Test, which are described in detail in the Appendices.

Activities Reviewed

Examiners determined that Iowa State Bank's major product lines are home mortgage and commercial loans. This conclusion was based on the bank's business strategy, the number and dollar volume of loans originated during the evaluation period, and a review of the Call Report. Home mortgage and small business lending received equal weighting when deriving overall conclusions. This is consistent with loan portfolio composition, management's stated lending focus, and volume of loans originated. Examiners did not review small farm lending activity because it is not a business focus and represents a small portion of the total loan portfolio.

For the Assessment Area Concentration criterion, examiners reviewed the entire universe of home mortgage loans originated between January 1, 2018, and December 31, 2020 and small business loans originated between January 1, 2019, and December 31, 2020. This amounts to 256 home mortgage loans totaling nearly \$53.8 million and 187 small business loans totaling approximately \$35.5 million. For the Geographic Distribution criterion, examiners reviewed all home mortgage and all small business loans originated within the assessment area during the same review period. This amounts to 216 home mortgage loans totaling nearly \$45.2 million and 164 small business loans totaling approximately \$31.9 million. For the Borrower Profile criterion, only loans located inside the assessment area were considered. Examiners reviewed all 65 home mortgage loans in 2018 totaling approximately \$8.8 million, all 64 home mortgage loans in 2019 totaling approximately \$14.0 million, and a sample of 41 home mortgage loans in 2020 totaling nearly \$12.4 million. Examiners reviewed a sample of 30 small business loans in 2019 totaling \$5.3 million and a sample of 47 small business loans in 2020 totaling approximately \$11.0 million.

Home mortgage lending for 2020 was reviewed to ensure that lending performance was consistent with 2018 and 2019, the most recent years for which Home Mortgage Disclosure Act (HMDA) aggregate lending data is available. Examiners did not identify any trends between the years that materially affected conclusions; therefore, 2020 lending is not presented under Borrower Profile and Geographic Distribution. In addition, Management indicated that because of the COVID-19 pandemic and volume of Small Business Administration PPP loans originated, 2020 lending performance was not representative of the bank's lending performance during the review period. Management indicated that small business lending performance in 2019 is more representative of the entire review period; therefore, examiners focused primarily on 2019 in drawing conclusions.

The standard of comparison for home mortgage loans was HMDA aggregate lending data for 2018 and 2019, and 2015 ACS data for 2020. For small business loans, the standard of comparison was the corresponding year of D&B data. Examiners reviewed the number and dollar volume of home mortgage and small business loans. While the number and dollar volume of loans are presented, examiners emphasized performance by the number of loans, which is a better indicator of the number of individuals and businesses served.

For the Community Development Test, management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated May 14, 2018. Examiners referenced four intermediate small banks with a recent CRA evaluation and with similar operations and assessment area characteristics as comparable data. Two of the comparable banks selected received an "Outstanding" community development rating and two were rated "Satisfactory" for community development. Further, only one of the four comparable banks originated Small Business Administration PPP loans.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Iowa State Bank demonstrated reasonable performance under the Lending Test. The bank's performance in the loan-to-deposit ratio, assessment area concentration, and borrower profile criteria primarily supports this conclusion. Although the bank's geographic distribution of loans reflects excellent dispersion, the performance did not elevate the overall conclusion.

Loan-to-Deposit Ratio

Iowa State Bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's ratio, calculated from Call Report data, averaged 60.0 percent over the past 12 calendar quarters from June 30, 2018, to March 31, 2021. The ratio ranged from a low of 55.6 percent as of March 31, 2019, to a high of 65.5 percent as of June 30, 2020. The bank's ratio remained stable since the previous evaluation. Examiners compared the bank's average net loan-to-deposit ratio to similarly situated financial institutions to help evaluate performance. Comparable institutions were selected based on their size, geographic location, and lending focus. As shown in the following table, Iowa State Bank's ratio is in line with the comparable institutions.

| Loan-to-Deposit Ratio Comparison | | |
|---|---|---|
| Bank | Total Assets as of 3/31/2021 (\$000s) | Average Net Loan-to-Deposit Ratio (%) |
| Iowa State Bank, Des Moines, Iowa | 460,753 | 60.0 |
| Peoples Savings Bank, Indianola, Iowa | 447,108 | 62.8 |
| TruBank, Indianola, Iowa | 382,774 | 78.1 |
| Raccoon Valley Bank, Perry, Iowa | 357,359 | 77.0 |
| Earlham Savings Bank, West Des Moines, Iowa | 370,452 | 59.2 |

Source: Call Reports 6/30/2018 – 3/31/2021

Assessment Area Concentration

The bank made a majority of its home mortgage and small business loans, by number and dollar amount, within its assessment area. These results reflect management’s commitment to lend within the local communities. See the following table.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|-------------|-----------|-------------|------------|---------------------------------|-------------|--------------|-------------|---------------|
| Loan Category | Number of Loans | | | | Total | Dollar Amount of Loans \$(000s) | | | | |
| | Inside | | Outside | | | Inside | | Outside | | Total |
| | # | % | # | % | # | \$ | % | \$ | % | |
| Home Mortgage | | | | | | | | | | |
| 2018 | 65 | 80.2 | 16 | 19.8 | 81 | 8,841 | 79.2 | 2,324 | 20.8 | 11,165 |
| 2019 | 64 | 84.2 | 12 | 15.8 | 76 | 14,017 | 88.3 | 1,864 | 11.7 | 15,881 |
| 2020 | 87 | 87.9 | 12 | 12.1 | 99 | 22,315 | 83.5 | 4,394 | 16.5 | 26,709 |
| Subtotal | 216 | 84.4 | 40 | 15.6 | 256 | 45,173 | 84.0 | 8,582 | 16.0 | 53,755 |
| Small Business | | | | | | | | | | |
| 2019 | 46 | 86.8 | 7 | 13.2 | 53 | 8,637 | 92.4 | 706 | 7.6 | 9,343 |
| 2020 | 118 | 88.1 | 16 | 11.9 | 134 | 23,248 | 88.7 | 2,950 | 11.3 | 26,198 |
| Subtotal | 164 | 87.7 | 23 | 12.3 | 187 | 31,885 | 89.7 | 3,656 | 10.3 | 35,541 |

*Source: 2018 and 2019 HMDA Reported Data; Bank Data
Due to rounding, totals may not equal 100.0%*

Geographic Distribution

Iowa State Bank’s geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank’s excellent performance in both product categories supports this conclusion. Examiners focused on the percentage of loans, by number, in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As the following table indicates, Iowa State Bank’s level of home mortgage lending in low-income census tracts significantly exceeds HMDA aggregate lending data in 2018 and compares reasonably in 2019. Iowa State Bank’s level of home mortgage lending in moderate-

income geographies significantly exceeds HMDA aggregate lending data in 2018 and 2019. Iowa State Bank offers loan programs and grants targeted to low- and moderate-income areas.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|--|--|-------------------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2018 | 4.1 | 3.2 | 6 | 9.2 | 617 | 7.0 |
| 2019 | 3.2 | 2.0 | 1 | 1.6 | 97 | 0.7 |
| Moderate | | | | | | |
| 2018 | 20.0 | 17.4 | 26 | 40.0 | 2,095 | 23.7 |
| 2019 | 20.2 | 15.0 | 14 | 21.9 | 5,535 | 39.5 |
| Middle | | | | | | |
| 2018 | 42.1 | 40.4 | 21 | 32.3 | 2,712 | 30.7 |
| 2019 | 41.9 | 40.2 | 26 | 40.6 | 4,349 | 31.0 |
| Upper | | | | | | |
| 2018 | 33.8 | 39.0 | 12 | 18.5 | 3,417 | 38.7 |
| 2019 | 34.7 | 42.8 | 23 | 35.9 | 4,036 | 28.8 |
| Totals | | | | | | |
| 2018 | 100.0 | 100.0 | 65 | 100.0 | 8,841 | 100.0 |
| 2019 | 100.0 | 100.0 | 64 | 100.0 | 14,017 | 100.0 |
| <i>Source: 2015 ACS; 2018 and 2019 HMDA Reported Data; 2018 and 2019 HMDA Aggregate Data</i> | | | | | | |
| <i>Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion. The following table reflects Iowa State Bank’s record of lending in low-income census tracts, which exceeds D&B data in 2019 and 2020. Lending in moderate-income census tracts is lower than D&B data in 2019, but exceeds D&B data in 2020. The bank offers commercial loan programs targeted to low- and moderate-income geographies to help meet the credit needs of businesses operating in these areas.

| Geographic Distribution of Small Business Loans | | | | | |
|---|------------------------|------------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | | | | | |
| 2019 | 4.1 | 5 | 10.9 | 721 | 8.3 |
| 2020 | 4.2 | 8 | 6.8 | 1,152 | 5.0 |
| Moderate | | | | | |
| 2019 | 14.2 | 4 | 8.7 | 960 | 11.1 |
| 2020 | 14.1 | 22 | 18.6 | 2,620 | 11.3 |
| Middle | | | | | |
| 2019 | 46.6 | 20 | 43.5 | 4,346 | 50.3 |
| 2020 | 46.4 | 41 | 34.7 | 10,722 | 46.1 |
| Upper | | | | | |
| 2019 | 35.0 | 17 | 37.0 | 2,610 | 30.2 |
| 2020 | 35.2 | 47 | 39.8 | 8,754 | 37.7 |
| Not Available | | | | | |
| 2019 | 0.1 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.1 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2019 | 100.0 | 46 | 100.0 | 8,637 | 100.0 |
| 2020 | 100.0 | 118 | 100.0 | 23,248 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

Borrower Profile

The distribution of borrowers reflects a reasonable penetration of loans among individuals of different income levels and businesses of different revenue sizes in the assessment area. The bank's reasonable performance in home mortgage lending primarily supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and small business loans to entities with gross annual revenues of \$1 million or less.

Home Mortgage Loans

Iowa State Bank's record of extending home mortgage loans to borrowers of different income levels is reasonable. As shown in the following table, Iowa State Bank's level of home mortgage lending to low-income borrowers significantly exceeds HMDA aggregate lending data in 2018 and compares reasonably in 2019. Iowa State Bank's level of lending to moderate-income borrowers is well below HMDA aggregate lending data in 2018 and 2019. While the bank's level of home mortgage lending to moderate-income borrowers is below benchmark, performance is reasonable when considering the following factors. First, Iowa State Bank has a high percentage of borrowers

that did not report income. This is due to the high number of loans secured by investment properties. Bank records reflect that nearly half of the home mortgage loans reported in 2018 and 2019 were for rental properties to borrowers with incomes reported as “not-applicable.” HMDA aggregate lending data indicates that 16.0 percent of home mortgage borrowers did not report income in 2018 and 16.5 percent did not report income in 2019. Next, Iowa State Bank offers secondary market loans, which are not included in the data. The bank does not report home mortgage loans it originates and sells on the secondary market on its HMDA Loan Application Register. These loans are not included in the data in the table below. According to bank records, 60.0 percent of secondary market loans originated in 2019 and 52.0 percent of secondary market loans originated in 2020 were to low- or moderate-income borrowers.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2018 | 21.8 | 8.9 | 10 | 15.4 | 575 | 6.5 |
| 2019 | 21.8 | 7.7 | 4 | 6.3 | 321 | 2.3 |
| Moderate | | | | | | |
| 2018 | 17.4 | 20.7 | 4 | 6.2 | 244 | 2.8 |
| 2019 | 17.4 | 19.6 | 4 | 6.3 | 164 | 1.2 |
| Middle | | | | | | |
| 2018 | 21.3 | 21.8 | 8 | 12.3 | 784 | 8.9 |
| 2019 | 21.3 | 21.1 | 6 | 9.4 | 634 | 4.5 |
| Upper | | | | | | |
| 2018 | 39.5 | 32.6 | 15 | 23.1 | 2,615 | 29.6 |
| 2019 | 39.5 | 35.0 | 17 | 26.6 | 3,469 | 24.7 |
| Not Available | | | | | | |
| 2018 | 0.0 | 16.0 | 28 | 43.1 | 4,623 | 52.3 |
| 2019 | 0.0 | 16.5 | 33 | 51.6 | 9,429 | 67.3 |
| Totals | | | | | | |
| 2018 | 100.0 | 100.0 | 65 | 100.0 | 8,841 | 100.0 |
| 2019 | 100.0 | 100.0 | 64 | 100.0 | 14,017 | 100.0 |

*Source: 2015 ACS; 2018 and 2019 HMDA Reported Data; 2018 and 2019 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The distribution of small business loans among commercial operations generating gross annual revenues of \$1 million or less is poor. As shown in the following table, over half of the small business loans originated in 2019 and 2020 were to businesses with gross annual revenues over \$1 million, which is significantly greater than D&B data. The bank offers several loan programs through the Small Business Administration to help meet the credit needs of small businesses.

However, the bank’s level of lending to businesses generating gross annual revenues of \$1 million or less is significantly below D&B data and represents poor performance.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|---|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | | | | | |
| 2019 | 83.7 | 14 | 46.7 | 3,503 | 66.1 |
| 2020 | 85.7 | 21 | 44.7 | 3,917 | 35.5 |
| >\$1,000,000 | | | | | |
| 2019 | 5.6 | 16 | 53.3 | 1,800 | 33.9 |
| 2020 | 4.8 | 26 | 55.3 | 7,114 | 64.5 |
| Revenue Not Available | | | | | |
| 2019 | 10.7 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 9.5 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2019 | 100.0 | 30 | 100.0 | 5,303 | 100.0 |
| 2020 | 100.0 | 47 | 100.0 | 11,031 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Iowa State Bank demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity and the need and availability of such opportunities in the assessment area. Since the bank was responsive to the community development needs in its assessment area, community development activities benefitting regional and statewide areas that included the bank’s assessment area were considered in the analysis.

Community Development Loans

Iowa State Bank originated 274 community development loans totaling nearly \$53.3 million during the evaluation period. The bank extended community development loans to entities in an effort to provide affordable housing; support organizations providing community services to low- and moderate-income individuals; and promote economic development by supporting permanent job creation, retention, and/or improvement for low- and moderate-income persons. The bank participated as a designated lender for the Small Business Administration’s PPP during the review period and reported 257 community development loans totaling \$30.9 million. Loans in this program provided economic development by creating, retaining, and improving jobs for low- and

moderate-income individuals. The following tables illustrate community development lending by activity area and by year.

| Community Development Lending by Assessment Area | | | | | | | | | | |
|---|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Assessment Area | 5 | 5,126 | 9 | 4,707 | 247 | 42,518 | 0 | 0 | 261 | 52,351 |
| Statewide | 0 | 0 | 0 | 0 | 11 | 894 | 0 | 0 | 11 | 894 |
| Regional | 0 | 0 | 0 | 0 | 2 | 21 | 0 | 0 | 2 | 21 |
| Total | 5 | 5,126 | 9 | 4,707 | 260 | 43,433 | 0 | 0 | 274 | 53,266 |

Source: Bank Data

| Community Development Lending by Year | | | | | | | | | | |
|--|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| May-December 2018 | 0 | 0 | 1 | 105 | 0 | 0 | 0 | 0 | 1 | 105 |
| 2019 | 1 | 250 | 4 | 2,203 | 1 | 1,000 | 0 | 0 | 6 | 3,453 |
| 2020 | 4 | 4,876 | 4 | 2,399 | 173 | 26,579 | 0 | 0 | 181 | 33,854 |
| Year-to-Date 2021 | 0 | 0 | 0 | 0 | 86 | 15,854 | 0 | 0 | 86 | 15,854 |
| Total | 5 | 5,126 | 9 | 4,707 | 260 | 43,433 | 0 | 0 | 274 | 53,266 |

Source: Bank Data

Community development loans represented 24.2 percent of net loans and 11.6 percent of Iowa State Bank’s total assets, as of March 31, 2021. The bank’s performance exceeds that of comparable institutions. As a percentage of total assets, comparable institutions had ratios that ranged from 2.8 percent to 6.3 percent. As a percentage of net loans, comparable institutions had ratios that ranged from 3.2 percent to 12.3 percent. Only one of the comparable banks also included Small Business Administration PPP loans due to the timing of the data collected. When PPP loans are excluded from the analysis, the Iowa State Bank’s community development ratios are similar to or exceed the ratios of comparable institutions. The bank’s community development lending reflects an increase in number and dollar volume since the prior evaluation.

Notable examples of community development loans made by the bank include a \$2 million loan to renovate a homeless shelter located in a low-income census tract and a \$245 thousand loan for an office building purchase by an organization that provides health care services to primarily low- and moderate income individuals with disabilities.

Qualified Investments

Iowa State Bank’s qualified investments totaled \$20.5 million, which included \$189,000 in donations. Qualified investments and donations funded since the previous evaluation were considered under this component, as well as qualifying investments purchased prior to the evaluation that remain outstanding. Through its investments and donations, Iowa State Bank supported community development needs through affordable housing, community services to low-

and moderate-income individuals, economic development, and revitalization or stabilization efforts. The following tables illustrate qualified investments by activity area and by year.

| Qualified Investments by Assessment Area | | | | | | | | | | |
|---|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Assessment Area | 5 | 298 | 86 | 2,756 | 5 | 2,254 | 9 | 18 | 105 | 5,326 |
| Statewide | 2 | 1,012 | 9 | 5,498 | 4 | 3,288 | 3 | 1,499 | 18 | 11,297 |
| Regional | 0 | 0 | 0 | 0 | 5 | 3,289 | 2 | 579 | 7 | 3,868 |
| Total | 7 | 1,310 | 95 | 8,254 | 14 | 8,831 | 14 | 2,096 | 130 | 20,491 |

Source: Bank Data

| Qualified Investments by Year | | | | | | | | | | |
|--------------------------------------|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Prior Period | 3 | 1,302 | 7 | 2,644 | 7 | 5,531 | 4 | 1,728 | 21 | 11,205 |
| May-December 2018 | 0 | 0 | 1 | 1,058 | 0 | 0 | 0 | 0 | 1 | 1,058 |
| 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2020 | 0 | 0 | 2 | 2,854 | 5 | 3,289 | 0 | 0 | 7 | 6,143 |
| Year-to-Date 2021 | 0 | 0 | 1 | 1,546 | 0 | 0 | 1 | 350 | 2 | 1,896 |
| Subtotal | 3 | 1,302 | 11 | 8,102 | 12 | 8,820 | 5 | 2,078 | 31 | 20,302 |
| Qualified Grants & Donations | 4 | 8 | 84 | 152 | 2 | 11 | 9 | 18 | 99 | 189 |
| Total | 7 | 1,310 | 95 | 8,254 | 14 | 8,831 | 14 | 2,096 | 130 | 20,491 |

Source: Bank Data

Iowa State Bank’s qualified investment and donation activities represent 4.5 percent of total assets and 15.4 percent of total securities as of March 31, 2021. The bank’s performance exceeds that of comparable institutions. As a percentage of total assets, comparable institutions had ratios that ranged from 0.9 percent to 2.0 percent. As a percent of total securities, comparable institutions had ratios that ranged from 2.2 percent to 16.4 percent. Iowa State Bank’s volume of qualified investments reflects an increase in both number and dollar volume since the prior evaluation.

Notable examples of community development investments include a \$2 million bond for a school district serving several moderate-income census tracts where a majority of students qualify for free or reduced-price lunch and a \$15 thousand donation to a local organization that provides homes to low-income individuals.

Community Development Services

Iowa State Bank employees provided 83 instances of financial expertise or technical assistance to 31 different community development-related organizations, totaling 1,708 hours during the evaluation period. The number of community development-related organizations that were served since the previous evaluation increased, but the instances of services provided decreased. Bank

employees dedicated their time to assist organizations located in the assessment area in providing affordable housing and community services to primarily low- and moderate-income individuals; promoting economic development; and in revitalizing and stabilizing efforts. The following table illustrates community development services by year.

| Community Development Services | | | | | |
|---------------------------------------|---------------------------|---------------------------|-----------------------------|--------------------------------|---------------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| May-December 2018 | 2 | 10 | 5 | 3 | 20 |
| 2019 | 3 | 11 | 5 | 3 | 22 |
| 2020 | 2 | 11 | 7 | 3 | 23 |
| Year-to-Date 2021 | 1 | 10 | 6 | 1 | 18 |
| Total | 8 | 42 | 23 | 10 | 83 |
| <i>Source: Bank Data</i> | | | | | |

Iowa State Bank’s community development services are in line with the comparable banks, which reported providing technical or financial services between 17 and 91 times during recent evaluations.

Notable examples of community development services include bank staff serving as a coordinator for a local organization working to improve the level of financial education and improve banking services for unbanked and underbanked members of the community and serving on the Board of a local organization providing education, safety, and financial resources to low- and moderate-income women in the community.

Iowa State Bank offers alternative banking services that are readily accessible throughout the assessment area, including to low- and moderate-income individuals. These include services such as online, mobile, and telephone banking; mobile deposit; bill pay; electronic statements; and check cashing services. The bank operates one branch in a low-income census tract and one branch in a moderate-income census tract. The location of offices and automated teller machines provide ease of access to all customers, including low- and moderate-income individuals. The bank also offers a free checking account for consumers. Lastly, the bank implemented a loan payment extension program to accommodate customers affected by the COVID-19 pandemic.

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.

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 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;
- 4) The geographic distribution of the bank's loans; 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 the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

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.

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.