

PUBLIC DISCLOSURE

July 6, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grinnell State Bank
Certificate Number: 11347

814 Fourth Avenue
Grinnell, Iowa 50112

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.

Grinnell State Bank's (GSB) satisfactory Community Reinvestment Act (CRA) performance under both the Lending Test and Community Development Test support 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 areas.
- The bank made a majority of its small business and small farm loans in its assessment areas.
- The geographic distribution of loans reflects poor dispersion throughout the assessment areas.
- The distribution of borrowers reflects a reasonable penetration of loans among businesses and farms of different revenue sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution's 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

GSB, headquartered in Grinnell, Iowa, is wholly owned by Grinnell Bancshares, Inc., Grinnell, Iowa, a one-bank holding company. In addition to its main office in Grinnell, the bank operates three full-service branch offices in Johnston, Marengo, and Polk City, Iowa. GSB did not open or close any offices during the evaluation period. GSB received a Satisfactory rating at its previous Federal Deposit Insurance Corporation Performance Evaluation, dated June 8, 2020, based on Interagency Small Institution Examination Procedures. GSB does not currently have any lending subsidiaries or affiliates.

The bank offers traditional loan products, including commercial, agricultural, residential real estate, and consumer loans. While offering all loan types, management's primary business focus remains commercial lending. During the evaluation period, GSB also made specialized financing alternatives available through the following channels: U.S. Department of Agriculture, Iowa Finance Authority, Veterans Administration, and Small Business Administration. The bank offers first-time homebuyer loan products through referrals to the secondary market. These loan programs are generally designed to assist small businesses, small farms, and individuals who may not qualify for loans through conventional financing methods. The bank continues to specialize in hotel/motel lending. Finally, in response to the COVID-19 pandemic, GSB originated loans via the Small Business Administration's Paycheck Protection Program (PPP) to assist business and agricultural entities.

GSB provides a variety of deposit products that include checking, savings, money market, and certificate of deposit accounts. Alternative banking products or services include internet, mobile, and telephone banking. Further, GSB operates a deposit-taking ATM at each office. GSB also offers investment and insurance products.

Assets totaled approximately \$461.6 million as of March 31, 2023, representing an increase of 37.5 percent since the March 31, 2020, Consolidated Reports of Condition and Income (Call Report). Total deposits equaled approximately \$361.8 million, representing a 40.2 percent increase, and total loans were approximately \$332.1 million, representing a 30.0 percent increase during the same timeframe. Loan portfolio concentrations remained somewhat consistent over the period; however, commercial real estate and multifamily housing lending volume increased and farm loan volume decreased. Management attributes loan and deposit increases to government stimulus payments, economic rebound from the pandemic and customary organic growth. While PPP loan activity affected the portfolio in 2020 and 2021, the vast majority of PPP loans are no longer outstanding. Fluctuations in the loan portfolio are attributed to market demand and the bank's expertise in commercial real estate and hotel/motel lending. Management indicated that the hotel/motel business rebounded rapidly, increasing loan demand. The following table illustrates the composition of the loan portfolio as of March 31, 2023.

Loan Portfolio Distribution as of 3/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	2,989	0.9
Secured by Farmland	24,424	7.4
Secured by 1-4 Family Residential Properties	20,728	6.2
Secured by Multifamily (5 or more) Residential Properties	22,653	6.8
Secured by Nonfarm Nonresidential Properties	223,565	67.3
Total Real Estate Loans	294,359	88.6
Commercial and Industrial Loans	12,108	3.6
Agricultural Production and Other Loans to Farmers	18,934	5.7
Consumer Loans	718	0.2
Obligations of State and Political Subdivisions in the U.S.	4,880	1.5
Other Loans	315	0.1
Lease Financing Receivable (net of unearned income)	830	0.3
Less: Unearned Income	0	0.0
Total Loans	332,144	100.0
<i>Source: Call Report (3/31/2023)</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 areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. GSB has defined two assessment areas within the State of Iowa, which will be referred to as the Grinnell Assessment Area and the Polk County Assessment Area. Refer to the discussion regarding each individual assessment area for detailed information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated June 8, 2020, to the current evaluation dated July 6, 2023. Examiners used Intermediate Small Institution Examination Procedures to evaluate GSB’s CRA performance. GSB transitioned from a Small Institution to an Intermediate Small Institution for CRA purposes as of January 1, 2022. Intermediate small institutions are evaluated under the Lending Test and Community Development Test, which are described in the Appendices.

Examiners conducted full-scope reviews of GSB’s two assessment areas to evaluate performance, after considering factors such as branching structure, loan activity and volume, deposit volume, and market share. As shown in the following table, the dollar volume of outstanding loans and number of branch offices in each assessment area are similar. However, the number of loans and dollar volume of deposits are substantially higher in the Grinnell Assessment Area. Therefore, GSB’s performance in the Grinnell Assessment Area received the most weight in the overall evaluation.

The following table reflects the distribution of loans, deposits, and office locations by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches								
Assessment Area	Loans				Deposits		Branches	
	#	%	\$(000s)	%	\$(000s)	%	#	%
Grinnell Assessment Area	693	78.0	167,951	50.5	237,262	62.4	2	50.0
Polk County Assessment Area	195	22.0	164,266	49.5	143,099	37.6	2	50.0
Total	888	100.0	332,217	100.0	380,361	100.0	4	100.0
<i>Source: Bank Data; FDIC Summary of Deposits (6/30/2022)</i>								

Activities Reviewed

The institution’s major product lines are commercial and agricultural loans. Examiners based this conclusion on GSB’s business strategy, loan portfolio distribution, and records regarding the number and dollar volume of loans originated or renewed during the evaluation period. Examiners did not review home mortgage lending activity because it is not a business focus and represents a small portion of the total loan portfolio. Therefore, examiners reviewed small business and small farm lending at the current evaluation. In consideration of the aforementioned factors, examiners gave the greatest weight to small business lending.

The universe of loans reviewed included all small business and small farm loans on the bank’s loan download originated or renewed from January 1, 2022, through December 31, 2022. Management agreed that the loan activity reviewed is representative of the institution’s performance throughout the evaluation period. For the Assessment Area Concentration performance criterion, examiners reviewed the entire universe of small business and small farm loans. For the Geographic Distribution performance criterion, examiners analyzed all small business and small farm loans originated or renewed inside the assessment areas. For the Borrower Profile performance criterion, examiners analyzed a sample of small business loans and reviewed all small farm loans originated or renewed in the Grinnell Assessment Area. Examiners reviewed all small business loans originated or renewed in the Polk County Assessment Area. There were no small farm loans in the Polk County Assessment Area during the review period. Therefore, small farm lending was not reviewed in the Polk County Assessment Area. The following table provides information on the universe of loans reviewed.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Business	75	13,378	32	4,684
Small Farm	33	2,354	29	2,150
<i>Source: Bank Data</i>				

For small business and small farm conclusions, D&B data provided a standard of comparison. Examiners obtained the data necessary for this evaluation from the institution’s loan data and other records, individual customer loan files, interviews with bank management, and information gathered as part of the examination process.

Examiners analyzed lending performance by both number and dollar volume of loans; however, the performance by number of loans is emphasized, as it is generally a better indicator of the number of small businesses and small farms served.

For the Community Development Test, examiners reviewed data presented by management on community development loans, qualified investments, and community development services provided since the prior CRA evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

GSB demonstrated reasonable performance under the Lending Test. The bank's performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria supports this conclusion. While Geographic Distribution was poor, this performance did not adversely affect the overall conclusions. The following sections describe each performance criterion and how they support the overall rating.

Loan-to-Deposit Ratio

GSB's net loan-to-deposit is reasonable given the institution's size, financial condition, and the credit needs of the assessment areas. The bank's net loan-to-deposit ratio, calculated from Call Report data, averaged 83.5 percent over the 12 calendar quarters from June 30, 2020, to March 31, 2023. The net loan-to-deposit ratio ranged from a low of 74.5 percent on December 31, 2021, to a high of 97.5 percent on June 30, 2020. The most recent loan-to-deposit ratio reported as of March 31, 2023, was 90.8 percent.

Although there has been fluctuation, net loans increased over the evaluation period. Deposit growth outpaced loan growth for most of the period. Management attributes this imbalance to the influx of deposits from pandemic stimulus funds and PPP loan funds. The loan-to-deposit ratio declined from the beginning of the period until the second quarter of 2022, when loan growth began to outpace deposits, resulting in a rising loan-to-deposit ratio.

Examiners compared the bank's average net loan-to-deposit ratio to four similarly situated institutions to help evaluate GSB's performance. Comparable institutions were selected based on their size, geographic location, markets served, and lending focus. With the exception of Central State Bank, comparable financial institutions experienced similar deposit growth and fluctuations in loan volume during the pandemic. Central State Bank's loan growth outpaced deposit growth throughout the period. As reflected in the following table, GSB's average net loan-to-deposit ratio compares reasonably with the similarly situated banks.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2023 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Grinnell State Bank, Grinnell, Iowa	461,641	83.5
Peoples Bank, Clive, Iowa	447,971	74.9
First State Bank, Lynnville, Iowa	311,940	78.8
Central State Bank, State Center, Iowa	466,731	88.9
Earlham Savings Bank, West Des Moines, Iowa	365,686	48.9

Source: Call Reports 6/30/2020 - 3/31/2023

Assessment Area Concentration

Overall, GSB made a majority of small business and small farm loans within the assessment areas. However, as demonstrated in the following table, a majority of small business lending by dollar volume was located outside the assessment areas. Management stated that the bank has relationships with commercial real estate borrowers who purchase or operate properties inside the assessment areas, and management is willing to work with these established borrowers to finance properties outside the assessment areas. These larger dollar loans outside the assessment areas affect the percentage of loans by dollar volume. GSB does not actively seek loans outside its assessment areas. The overall concentration of loans within the assessment areas demonstrates the bank's willingness to meet local credit needs.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	46	61.3	29	38.7	75	6,267	46.8	7,111	53.2	13,378
Small Farm	29	87.9	4	12.1	33	2,150	91.3	204	8.7	2,354

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

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the assessment areas. The bank's overall poor lending performance in the Grinnell Assessment Area supports this conclusion. The geographic distribution of loans in the Polk County Assessment Area reflects reasonable dispersion. This review focused on the bank's record of lending in moderate-income census tracts within the assessment areas.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes. The institution's reasonable lending performance in the Grinnell Assessment Area primarily supports this conclusion. The distribution of borrowers in the Polk County Assessment Area reflects excellent penetration. This review focused on the percentage of loans, by number of loans, to businesses and farms with gross annual revenues of \$1.0 million or less.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

GSB 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 institution's capacity and the need and availability of such opportunities to evaluate performance under this test. Because the bank was responsive to the community development needs of its assessment areas, community development activities benefitting the broader statewide or regional area were included in the analysis.

Information from performance evaluations of three intermediate small institutions conducted during the evaluation period was used for comparative purposes under the Community Development Test. The institutions were chosen due to similarities in asset size or types of areas served. Overall, GSB's performance compared reasonably to these institutions when considering available community development opportunities in the assessment areas.

Community Development Loans

GSB originated 491 community development loans totaling approximately \$40.2 million during the evaluation period. Of the bank's total, 483 loans totaling \$28.0 million were originated as part of the Small Business Administration's PPP. These loans helped to promote economic development by financing small businesses and farms as they struggled with the impact of the COVID-19 pandemic. As the bank was responsive to assessment area community development needs, the overall total also includes community development loans totaling over \$19.2 million benefitting the broader statewide or regional area that includes the bank's assessment areas. Although most of these loans were PPP loans, two notable broader statewide loans totaling \$8.6 million supported the construction of affordable housing and an effort to revitalize a moderate-income census tract by attracting a new business. Both loans were in areas directly adjacent to the bank's Grinnell Assessment Area. GSB extended loans to entities to support affordable housing and community services; promote economic development by supporting permanent job creation, retention, and/or improvement for low- and moderate-income persons; and aid revitalization or stabilization efforts.

GSB's total community development loans represent 8.7 percent of total assets and 12.2 percent of net loans, as of March 31, 2023. The comparable institutions had community development loans to total assets ratios ranging from 5.4 percent to 8.2 percent, and community development loans to net loans ratios ranging from 11.7 percent to 13.0 percent. GSB's ratios compare reasonably to these institutions. All three comparable institutions' community development lending activity also included significant PPP loan activity. The following tables reflect the number and dollar volume of community development lending in each category by assessment area and activity year.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Grinnell	0	0	1	28	238	15,662	6	158	245	15,848
Polk County	0	0	0	0	63	4,303	7	800	70	5,103
Statewide Activities	1	8,000	0	0	79	3,617	24	2,544	104	14,161
Regional Activities	0	0	0	0	48	3,776	24	1,302	72	5,078
Total	1	8,000	1	28	428	27,358	61	4,804	491	40,190
<i>Source: Bank Data</i>										

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial Year)	0	0	0	0	189	13,915	35	2,713	224	16,628
2021	0	0	0	0	237	10,393	24	1,421	261	11,814
2022	1	8,000	1	28	1	250	2	670	5	8,948
2023 (Year-to-Date)	0	0	0	0	1	2,800	0	0	1	2,800
Total	1	8,000	1	28	428	27,358	61	4,804	491	40,190
<i>Source: Bank Data</i>										

Examples of community development lending where the bank has been most responsive to community development needs are discussed in the individual assessment area sections of this evaluation, as applicable.

Qualified Investments

During the evaluation period, GSB recorded two qualified investments, consisting exclusively of donations, totaling \$4,000. Due to the nominal amount, qualified investments represented 0.0 percent of both the bank’s total assets and total securities, as of March 31, 2023. Comparable institutions reported qualified investments to total assets and qualified investments to total securities ratios ranging from 0.01 percent to 2.6 percent and from 0.04 percent to 5.8 percent, respectively. GSB’s performance falls below these institutions. The bank’s donations, which were granted in 2020 and 2021, supported community services needs to low- and moderate-income individuals in the Polk County Assessment Area.

Community Development Services

The bank received consideration for a total of 26 community development services that consisted of providing support to affordable housing-, community services- and economic development-related organizations. GSB personnel provided technical or financial expertise to these organizations in many ways, all related to their employment with the institution. Employees dedicated their time and resources to eight different organizations over the evaluation period. Most notably, in the majority of these entities, bank employees served in a board member or officer capacity.

Comparable institutions provided between 4 and 77 services; GSB compares reasonably to these institutions. The following tables illustrate the bank’s community development services in each category by assessment area and activity year. All community development services were provided inside the assessment areas.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Grinnell	4	8	12	0	24
Polk County	0	1	1	0	2
Total	4	9	13	0	26
<i>Source: Bank Data</i>					

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial Year)	1	2	3	0	6
2021	1	2	4	0	7
2022	1	3	3	0	7
2023 (Year-to-Date)	1	2	3	0	6
Total	4	9	13	0	26
<i>Source: Bank Data</i>					

GSB offers retail services that increase access to financial services in the assessment areas, which include the alternative services described under this document’s Description of Institution. These services are generally free of charge to bank customers, which benefits low- and moderate-income individuals. A lower-cost consumer checking account is also offered. GSB’s Grinnell branch and ATM was located in a moderate-income census tract during the evaluation period; however, this tract changed to middle-income in 2022 with the 2020 Census.

As mentioned previously, GSB participates in various lending programs that aid small businesses, small farms, and potential homeowners. Specialized lending program involvement for homeowners included originating five loans totaling nearly \$469,000.

Considering the impact of COVID-19 on the bank’s customers and communities, GSB was responsive by providing consumer customers, small business, and agriculture loan customers impacted by the pandemic with loan extensions and modifications to assist with limitations in cash flows. Such loan modification provisions also included waiving of late fees to affected borrowers. GSB also made provisions to assist commercial real estate customers who were lacking adequate funds to pay their property taxes, with loan modifications to increase a line of credit limit to cover the payment. Such efforts are considered highly responsive to the needs of low- and moderate-income individuals, small businesses, and small farms affected by the pandemic.

Retail banking services and loan programs are consistent among GSB's assessment areas. Qualitative examples of community development services where the bank was highly responsive are mentioned in the individual assessment area sections of this evaluation, as applicable.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.

GRINNELL ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN GRINNELL ASSESSMENT AREA

GSB's Grinnell Assessment Area consists of Iowa and Poweshiek counties in their entireties, as well as Benton County census tracts 9606 and 9607; Jasper County census tracts 401, 403-406, and 409; and Marshall County census tract 9504. Iowa, Marshall, and Poweshiek counties are located in the non-metropolitan areas of Iowa. Benton County is part of the Cedar Rapids, Iowa Metropolitan Statistical Area and Jasper County is part of the Des Moines-West Des Moines, Iowa Metropolitan Statistical Area. GSB operates two offices in this assessment area. The main office in Grinnell and branch office in Marengo are located in middle-income non-metropolitan geographies. Assessment area boundaries remain unchanged since the prior evaluation.

Economic and Demographic Data

According to 2020 U.S. Census data, the Grinnell Assessment Area consists of 18 census tracts with 5 moderate-, 11 middle-, and 2 upper-income designations. Comparison of the 2020 Census data and the 2015 American Community Survey evidences changes in the income classifications of six census tracts; however, the overall number of moderate-, middle-, and upper-income geographies did not change. Two geographies transitioned from moderate to middle income (Jasper County census tract 401 and Poweshiek County census tract 3704); two geographies transitioned from middle to moderate income (Jasper County census tracts 404 and 406); one geography transitioned from middle to upper income (Iowa County census tract 9601); and one geography transitioned from upper to middle income (Iowa County census tract 9604). At the prior evaluation, GSB's main office in Grinnell was located in a moderate-income census tract. However, 2020 Census data indicates that moderate-income geographies in the assessment area are now concentrated in central Jasper and southwest Benton counties. As such, GSB's Grinnell office is no longer located in a moderate-income geography. These income designation changes began affecting CRA activities in 2022. 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)	18	0.0	27.8	61.1	11.1	0.0
Population by Geography	66,374	0.0	28.3	57.9	13.8	0.0
Housing Units by Geography	31,072	0.0	28.9	59.3	11.7	0.0
Owner-Occupied Units by Geography	20,150	0.0	26.7	59.1	14.2	0.0
Occupied Rental Units by Geography	7,269	0.0	33.9	59.5	6.6	0.0
Vacant Units by Geography	3,653	0.0	31.3	60.3	8.3	0.0
Businesses by Geography	7,174	0.0	22.5	64.3	13.2	0.0
Farms by Geography	1,125	0.0	7.3	83.5	9.2	0.0
Family Distribution by Income Level	17,706	21.0	21.7	22.5	34.8	0.0
Household Distribution by Income Level	27,419	25.1	17.5	20.1	37.4	0.0
Median Family Income - Cedar Rapids, Iowa Metropolitan Statistical Area		\$85,854	Median Housing Value			\$140,276
Median Family Income - Des Moines-West Des Moines, Iowa Metropolitan Statistical Area		\$89,538	Median Gross Rent			\$719
Median Family Income - Non-Metropolitan Iowa		\$71,763	Families Below Poverty Level			7.4%
<i>Source: 2020 U.S. Census and 2022 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 2022 D&B data, service industries represent the largest portion of commercial and agricultural operations at 29.7 percent by number; followed by non-classifiable establishments at 18.9 percent; agriculture, forestry, and fishing at 13.6 percent; and retail trade at 10.6 percent. Additionally, 67.4 percent of businesses and farms in the assessment area have four or fewer employees, and 91.5 percent operate from a single location.

Competition

The assessment area is moderately competitive with regard to financial services. Call Report data reflects 22 institutions operating from 35 locations within the assessment area. These institutions range in size from small community banks to larger financial institutions with branch locations in the assessment area. GSB ranks first amongst these institutions with 11.4 percent of deposit market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to help identify credit needs. This information helps determine whether local financial institutions are responsive to community credit needs and provides context regarding available opportunities for area financial institutions. In conjunction with this evaluation, examiners reviewed a community contact interview with an individual possessing specific knowledge of the economic conditions of the assessment area.

The contact stated that many businesses in the assessment area are tied directly to agriculture, and the agricultural economy of the area is strong. The combination of rising commodity prices and government assistance through the PPP and other support programs have significantly improved farmers' cash flows, thus reducing the need for credit to a low level. The contact stated that many farmers have been paying down their current liabilities and funding current needs with cash. Access to ready cash has caused inflation with regard to crop inputs and machinery. Supply chain issues have caused new equipment shortages, and used machinery has become very expensive. The contact stated that, at the current time, there is very little demand for short- and mid-term lending, and that most long-term lending is for land. Lenders in the area are very responsive to community credit needs. Specialty agricultural lenders have indicated that they would like to lend more, but current demand is low.

Credit and Community Development Needs and Opportunities

Considering information from the referenced community contact, bank management, and demographic and economic data, examiners determined that small business, small farm, and home mortgage loans are primary credit needs of the assessment area. Call Reports filed by area financial institutions also support this assertion. Further, opportunities for community development exist in the area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN GRINNELL ASSESSMENT AREA

LENDING TEST

GSB demonstrated reasonable performance under the Lending Test in the Grinnell Assessment Area, as supported by Borrower Profile performance. While Geographic Distribution was poor, this performance did not adversely affect overall conclusions.

Geographic Distribution

GSB's geographic distribution of loans reflects poor dispersion throughout the assessment area. The bank's poor performance in small business lending primarily supports this conclusion.

Small Business Loans

The geographic distribution of small business lending reflects poor dispersion. The bank's performance in moderate-income census tracts is significantly less than demographic data. As stated previously, moderate-income geographies are concentrated in central Jasper County and southwestern Benton County. The 2022 D&B data indicates that 1,342 businesses operate in the four moderate-income geographies in Jasper County, which encompass the city of Newton. The 2022 D&B data indicates that 269 businesses operate in Benton County moderate-income census tract 9607, which encompasses the city of Belle Plaine. The number of businesses indicates a need for commercial credit in both areas. Management indicated that it is difficult to compete with the local financial institutions in Newton and Belle Plaine, as GSB does not operate branch offices in either town. Newton and Belle Plaine are a distance from GSB offices and are served by seven and two other financial institutions, respectively. See the following table.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	22.5	1	2.7	243	5.8
Middle	64.3	29	78.4	3,264	78.4
Upper	13.2	7	18.9	655	15.7
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	37	100.0	4,162	100.0
<i>Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

Small Farm Loans

The geographic distribution of small farm lending reflects reasonable dispersion. GSB’s level of small farm lending in moderate-income census tracts is lower than D&B data but is considered reasonable. Moderate-income census tracts in this assessment area are a distance from GSB offices located in and around the cities of Newton and Belle Plaine. These municipalities provide limited opportunities for agricultural lending. As such, the bank’s lending dispersion corresponds to the loan product and related opportunities, and reflects reasonable performance. See the following table.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	7.3	0	0.0	0	0.0
Middle	83.5	29	100.0	2,150	100.0
Upper	9.2	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	29	100.0	2,150	100.0
<i>Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

GSB’s distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes. The bank’s reasonable performance in both small business and small farm lending supports this conclusion.

Small Business Loans

The penetration of small business loans among operations of differing revenue sizes is reasonable. GSB’s level of lending to businesses generating gross annual revenues of \$1 million or less mirrors comparable D&B data. Refer to the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	87.0	20	87.0	1,891	73.3
>\$1,000,000	3.3	3	13.0	688	26.7
Revenue Not Available	9.7	0	0.0	0	0.0
Total	100.0	23	100.0	2,579	100.0
<i>Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

Small Farm Loans

The penetration of small farm loans among agricultural operations of different sizes is reasonable, considering performance context information. The following table shows that the institution’s level of lending to farms with gross annual revenues of \$1 million or less is slightly below that of benchmark data. Review of 2017 Census of Agriculture data reveals that 53.4 percent of agricultural producers in Benton, Iowa, Jasper, Marshall, and Poweshiek counties are “hobby farms,” which list their principal occupation as “other than farming.” The same data shows that 53.0 percent of farm operations in those same five counties had no interest expense, indicating that a significant portion of farms in the area have no borrowing need. This context regarding hobby farms and limited borrowing need helps support an overall reasonable conclusion.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.7	26	89.7	1,500	69.8
>\$1,000,000	0.7	3	10.3	650	30.2
Revenue Not Available	0.6	0	0.0	0	0.0
Total	100.0	29	100.0	2,150	100.0
<i>Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

GSB’s community development performance demonstrates adequate responsiveness to community development needs in the Grinnell Assessment Area, considering the institution’s capacity, as well as the need and availability of such community development opportunities.

Community Development Loans

The bank originated 245 community development loans totaling approximately \$15.9 million in this assessment area that received consideration during the evaluation. Excluding the PPP loans, the bank originated six community development loans totaling \$3.6 million. One loan supported economic development efforts by financing permanent job retention for an area farm operation. The community contact identified agricultural credit as a primary need.

Qualified Investments

GSB had no qualified investments reported in this assessment area.

Community Development Services

The bank received consideration for 24 community development services, totaling 53 hours, which consisted of bank employees providing financial expertise to organizations promoting affordable housing, community services, and economic development efforts within assessment area. A notable example of a responsive service is serving as a board member for an organization that focuses on providing affordable housing opportunities in the community.

POLK COUNTY ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN POLK COUNTY ASSESSMENT AREA

GSB’s Polk County Assessment Area consists of Polk County census tracts 7.02, 7.04, 8.01, 102.05, 102.07-102.09, 102.11-102.16, 104.04, 104.06-104.11, 105, 110.01, 110.21, 110.25-110.28, 111.11-111.14, 112.01, 112.03, 112.05, 112.06, 113.01-113.05, 114.05, 114.06, 115, and 117.02-117.04. Polk County is part of the Des Moines-West Des Moines, Iowa Metropolitan Statistical Area. GSB operates two offices in this assessment area. The Johnston branch office is located in a middle-income geography and the Polk City branch office is located in an upper-income geography. Assessment area boundaries remain unchanged since the prior evaluation.

Economic and Demographic Data

According to 2020 U.S. Census data, the Polk County Assessment Area consists of 46 census tracts with 3 moderate-, 27 middle-, and 15 upper-income designations, as well as one census tract with no income designation. While the boundaries of this assessment area have not changed, the number of census tracts in Polk County increased due to population growth. U.S. Census data from 2020 revealed that the assessment area population increased 11.1 percent since the 2010 U.S. Census. As a result, 5 census tracts were divided into 15, and the number of census tracts in the Polk County Assessment Area increased from 36 to 46. Comparison of 2020 U.S. Census data and the 2015 American Community Survey evidences changes in the income classifications of several census tracts. While 4 of the 5 divided census tracts were previously upper-income geographies, the majority of superseding census tracts were designated as middle income. There were also changes in the income designations of certain geographies that were not divided. Overall, the number of moderate-income census tracts increased by one, the number of middle-income census tracts increased by 8, and the income designation of one geography changed from middle income to NA. The number of upper-income geographies did not change. 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)	46	0.0	6.5	58.7	32.6	2.2
Population by Geography	231,184	0.0	6.5	59.2	32.5	1.8
Housing Units by Geography	94,972	0.0	7.6	60.0	29.8	2.6
Owner-Occupied Units by Geography	64,457	0.0	6.4	58.4	34.2	0.9
Occupied Rental Units by Geography	25,719	0.0	9.7	64.2	19.8	6.2
Vacant Units by Geography	4,796	0.0	12.4	58.7	23.6	5.3
Businesses by Geography	36,107	0.0	8.7	51.3	33.7	6.3
Farms by Geography	1,039	0.0	7.2	50.9	40.0	1.8
Family Distribution by Income Level	58,057	14.7	15.6	22.1	47.7	0.0
Household Distribution by Income Level	90,176	16.6	15.9	19.1	48.5	0.0
Median Family Income - Des Moines-West Des Moines, IA Metropolitan Statistical Area		\$89,538	Median Housing Value			\$231,867
			Median Gross Rent			\$1,013
			Families Below Poverty Level			4.0%
<i>Source: 2020 U.S. Census and 2022 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 2022 D&B data, service industries represent the largest portion of commercial and agricultural operations at 33.7 percent by number; followed by non-classifiable establishments at 27.1 percent; finance, insurance, and real estate at 13.2 percent; and retail trade at 8.5 percent. Additionally, 59.8 percent of businesses and farms in the assessment area have four or fewer employees, and 92.7 percent operate from a single location.

Competition

The assessment area is highly competitive with regard to financial services. Call Report data reflects 39 institutions operating from 79 locations within the assessment area. These institutions range in size from small community banks to larger financial institutions with branch locations in the assessment area. GSB ranks 18th amongst these institutions with 1.3 percent of deposit market share.

Community Contact

Examiners referenced two recent community contacts with representatives from economic development organizations that serve the assessment area. The first representative stated that the economy is stable but higher interest rates are increasing costs for businesses and slowing demand. Many businesses are struggling to find qualified workers, which has slowed business expansion. While relief funds were available through PPP loans, the contact indicated that there continues to be demand for capital to open new or grow existing businesses. The contact indicated that the housing market remains tight and homes sell very quickly, even in the face of rising interest rates. While the contact reported that community development and credit needs are being met, opportunities exist

for more institutions to provide small business education and to offer Small Business Administration loans. The second contact stated that the major employers in the area are in Insurance and Finance, Agricultural Biotech, Government, and Warehouse and Distribution. Even with some recent downsizing in the financial and advertising sectors, the area is still seeing growth in the employment sector. Some of this is offset by emerging needs like technology and telehealth. The stock of affordable housing is low. Developers are aware of the need and are building smaller homes, duplexes, and rental properties. However, due to demand and rising interest rates, the price points are higher than what would be considered affordable housing and rental rates are currently above fair market value for the area. The area has limited small business lending opportunities. The second contact echoed that banks are meeting credit needs and that businesses are looking for Small Business Administration loans.

Credit and Community Development Needs and Opportunities

Considering information from the referenced community contacts, bank management, and demographic and economic data, examiners determined that small business and home mortgage loans are primary credit needs in the Polk County Assessment Area. There are opportunities for community development activities that include affordable housing, community services, economic development, and revitalization and stabilization efforts.

CONCLUSIONS ON PERFORMANCE CRITERIA IN POLK COUNTY ASSESSMENT AREA

LENDING TEST

GSB demonstrated reasonable performance under the Lending Test in the Polk County Assessment Area. The bank's reasonable Geographic Distribution and excellent Borrower Profile performance supports this conclusion. As previously stated, there were no small farm loans originated or renewed in this assessment area during the 2022 calendar year; therefore, the review was limited to small business lending.

Geographic Distribution

The institution's geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area.

Small Business Loans

The geographic distribution of small business lending reflects reasonable dispersion. As shown in the following table, GSB's percentage of small business lending in the moderate-income geographies in the assessment area slightly exceeds benchmark data.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	8.7	1	11.1	684	32.5
Middle	51.3	2	22.2	106	5.0
Upper	33.7	6	66.7	1,315	62.5
Not Available	6.3	0	0.0	0	0.0
Totals	100.0	9	100.0	2,105	100.0

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

Borrower Profile

The distribution of borrowers reflects excellent penetration among businesses of different sizes.

Small Business Loans

The distribution of small business loans among businesses of different sizes reflects excellent penetration. As demonstrated in the following table, all nine small business loans were extended to operations generating gross annual revenues of \$1 million or less. GSB's small business lending in the Polk County Metro Assessment Area exceeds D&B data by 10.6 percent, which reflects excellent performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	89.4	9	100.0	2,105	100.0
>\$1,000,000	3.4	0	0.0	0	0.0
Revenue Not Available	7.2	0	0.0	0	0.0
Total	100.0	9	100.0	2,105	100.0

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

COMMUNITY DEVELOPMENT TEST

GSB's community development performance demonstrates adequate responsiveness to community development needs in the Polk County Assessment Area, considering the institution's capacity, as well as the need and availability of such community development opportunities.

Community Development Loans

The bank originated 70 community development loans totaling approximately \$5.1 million in this assessment area that received consideration during the evaluation. These totals consisted solely of PPP loans.

Qualified Investments

Qualified investments were comprised of two donations totaling \$4,000.

Community Development Services

The bank received consideration for two community development services, totaling 19 hours, which consisted of bank employees providing financial expertise to organizations promoting community services and economic development efforts within the assessment area. One example of a responsive service is serving as a board member for an organization that supports job creation, retention, and improvement, including low- and moderate-income jobs, by promoting commerce and economic growth and development.

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.