

# **PUBLIC DISCLOSURE**

September 13, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Leighton State Bank  
Certificate Number: 10118

900 Washington Street  
Pella, Iowa 50219

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.

## TABLE OF CONTENTS

INSTITUTION RATING.....	1
DESCRIPTION OF INSTITUTION.....	2
DESCRIPTION OF ASSESSMENT AREAS .....	3
SCOPE OF EVALUATION .....	3
CONCLUSIONS ON PERFORMANCE CRITERIA .....	4
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	6
NONMETROPOLITAN ASSESSMENT AREA – Full-Scope Review .....	7
MONROE ASSESSMENT AREA – Full-Scope Review .....	14
APPENDICES.....	19
SMALL BANK PERFORMANCE CRITERIA .....	19
GLOSSARY .....	20

## 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 areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following points summarize the bank's Community Reinvestment Act (CRA) performance under the Lending Test.

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

## DESCRIPTION OF INSTITUTION

Leighton State Bank is a full-service commercial bank headquartered in Pella, Iowa. Leighton Investment Company, Pella, Iowa wholly owns Leighton State Bank. The bank has no lending affiliates. A “Satisfactory” rating was assigned at the October 14, 2015, FDIC Performance Evaluation, using the Federal Financial Institutions Examination Council’s (FFIEC) Interagency Small Bank Examination Procedures.

In addition to the main office in Pella, Iowa, Leighton State Bank operates two full-service locations in Leighton and Monroe, Iowa. No changes to the branching structure have occurred since the previous evaluation. The bank also operates a deposit-taking ATM at the drive-up location in Pella and one cash-dispensing ATM at the Monroe location.

Leighton State Bank offers loan products that tie to its business focus of agricultural, commercial, and residential real estate lending. Additionally, the bank offers the loans through the following programs: Small Business Administration (SBA) 7a loans, SBA 504 loans, and SBA Paycheck Protection Program loans; USDA Rural Development loans; Farm Service Agency guaranteed loans and agricultural real estate participation loans; Iowa Agricultural Development Authority beginning farmer loans; Home start grants for first time home buyers through the Federal Home Loan Bank; and U.S. Department of Veterans Affairs loans in collaboration with Iowa Bankers Mortgage Corporation.

The institution provides a variety of deposit products, including checking, savings, and certificates of deposit. Alternative banking services include online and mobile banking, mobile deposit, online bill pay, and ATMs.

The institution’s June 30, 2021, Reports of Condition and Income (Call Report) showed total assets of \$213.3 million, total loans of \$154.4 million, and total deposits of \$178.0 million. The table below details the loan portfolio.

<b>Loan Portfolio Distribution as of 06/30/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	4,374	2.8
Secured by Farmland	37,758	24.5
Secured by 1-4 Family Residential Properties	37,571	24.3
Secured by Multi-family (5 or more) Residential Properties	754	0.5
Secured by Non-farm Non-Residential Properties	24,138	15.6
<b>Total Real Estate Loans</b>	<b>104,595</b>	<b>67.7</b>
Commercial and Industrial Loans	25,490	16.5
Agricultural Production and Other Loans to Farmers	21,634	14.0
Consumer Loans	2,120	1.4
Obligations of States and Political Subdivisions in the United States	525	0.3
Other Loans	74	0.1
Less: Unearned Income	(0)	(0.0)
<b>Total Loans</b>	<b>154,438</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments affecting the bank’s ability to meet the assessment areas’ credit needs.

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. Management has designated two assessment areas, both in southern Iowa. Although the geographical area of the assessment areas have not changed since the previous evaluation, the number of assessment areas has increased from one to two as a result of Jasper County being included within the Des Moines-West Des Moines, Iowa Metropolitan Statistical Area (MSA) as of 2019. The two assessment areas are delineated as follows:

- **Nonmetropolitan Assessment Area** – Includes the entirety of Mahaska County (seven census tracts) and census tracts 301, 302, 303, 304.01, 304.02, 305, and 307 in Marion County.
- **Monroe Assessment Area** – Includes census tracts 407, 408, and 409 in Jasper County.

Please refer to the comments under each separately analyzed assessment area for additional information.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the previous evaluation dated October 14, 2015, to the current evaluation dated September 13, 2021. Examiners used the Interagency Small Institution Examination Procedures to evaluate Leighton State Bank’s CRA performance. Please refer to the Small Bank Performance Criteria section in the Appendices from a summary of the Lending Test.

Both assessment areas are subject to full-scope reviews during this evaluation. More weight was given to the performances in the Nonmetropolitan Assessment Area as the majority of loans, deposits, and branches reside within this assessment area. Detailed information regarding the dispersion of loans, deposits, and branches by assessment area is included in the following table.

<b>Assessment Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Nonmetropolitan	125,540	83.4	139,691	80.1	2	66.7
Monroe	24,962	16.6	34,649	19.9	1	33.3
<b>Total</b>	<b>150,502</b>	<b>100.0</b>	<b>174,340</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>
<small>Source: Bank Records as of 08/13/2021 Due to rounding, totals may not equal 100.0%</small>						

### **Activities Reviewed**

Based on the June 30, 2021, Call Report, the bank’s primary loan products by dollar volume are agricultural, commercial, and residential real estate loans, which represented 38.5, 32.1, and 24.8 percent of the loan portfolio, respectively. As a result, examiners reviewed small farm, small business, and home mortgage loans to evaluate the bank’s CRA performance. Although these loan products are equally emphasized in the bank’s business strategy, small farm and small business

lending performance contributed more weight to the overall conclusion as the number of originations in 2020 largely exceed the number of home mortgage originations. Construction and land development and consumer lending do not constitute a significant portion of the overall lending efforts, so these loan products were not reviewed.

Examiners reviewed small farm and small business loans originated or renewed from January 1, 2020, to December 31, 2020. Management indicated that a review of lending activity from this period should be representative of the bank's lending performance since the previous evaluation. For the Assessment Area Concentration analysis, examiners reviewed all 2020 small farm and small business loan originations and renewals consisting of 231 small farm loans totaling \$23,545,000 and 268 small business loans totaling \$20,024,000. For the Geographic Distribution analysis, examiners reviewed all 2020 small farm and small business loan originations and renewals within the bank's assessment areas consisting of 190 small farm loans totaling \$17,513,000 and 229 small business loans totaling \$14,684,000. For the Borrower Profile analysis, examiners reviewed a sample of 55 small farm loans totaling \$6,048,000 and 51 small business loans totaling \$3,688,000 from the Geographic Distribution loan universes discussed above. D&B data for 2020 provided a standard of comparison for evaluating small farm and small business lending performance.

In addition, examiners reviewed and analyzed home mortgage loan data collected under the Home Mortgage Disclosure Act (HMDA) for 2019 and 2020 to evaluate residential real estate lending efforts. Specifically, examiners reviewed 82 loans totaling \$7,707,000 in 2019 and 118 loans totaling \$14,124,000 in 2020. However, since the bank's lending performance in 2019 and 2020 was consistent, only 2020 HMDA data is presented in this evaluation. Under the Geographic Distribution and Borrower Profile analyses, home mortgage lending performance in 2020 was compared to 2020 HMDA aggregate lending data and 2015 American Community Survey (ACS) Census data. Examiners primarily focused on comparisons to aggregate lending data since this data is a better indicator of market conditions and loan demand.

Examiners analyzed lending performance by both the number and dollar volume of loans. However, the performance by number of loans is emphasized in the Geographic Distribution and Borrower Profile analyses, as it is generally a better indicator of the efforts to serve small farms, small businesses, and lower-income individuals throughout the assessment areas.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Overall, Leighton State Bank demonstrated satisfactory performance under the Lending Test. Overall, the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance supports this conclusion.

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

Overall, the loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment areas' credit needs. The bank's net loan-to-deposit ratio, calculated from Call Report data, averaged 89.4 percent over the past 23 calendar quarters from December 31, 2015, to June 30, 2021.

The ratio ranged from a high of 95.6 percent on March 31, 2020, to a low of 79.1 percent on March 31, 2021.

When available and relevant, the performance of similarly-situated lenders serves as an additional method of assessing the adequacy of an institution’s average loan-to-deposit ratio. Similarly-situated lenders are defined as financial institutions located in or near the bank’s assessment area(s) and are comparable to the subject institution based on asset size, branching structure, markets served, product offerings, and/or loan portfolio composition. As shown in the following table, Leighton State Bank’s average net loan-to-deposit ratio compares reasonably to the four identified similarly-situated institutions. Considering all these factors, the bank’s average loan-to-deposit ratio is reasonable.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 06/30/2021 (\$000s)</b>	<b>Average Net Loan-to- Deposit Ratio (%)</b>
<b>Leighton State Bank, Pella, Iowa</b>	<b>213,258</b>	<b>89.4</b>
County Bank, Sigourney, Iowa	208,450	91.4
First Iowa State Bank, Albia, Iowa	184,579	69.4
First State Bank, Lynnville, Iowa	273,468	91.5
FNNB Bank, Newton, Iowa	104,089	64.4

*Source: Reports of Condition and Income 12/31/2015 through 06/30/2021*

### **Assessment Area Concentration**

As shown in the following table, Leighton State Bank extended a majority of loans, by both number of loans and dollar amount, within its assessment areas.

<b>Lending Inside and Outside of the Assessment Areas</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Farm	190	82.3	41	17.7	231	17,513	74.4	6,032	25.6	23,545
Small Business	229	85.4	39	14.6	268	14,684	73.3	5,340	26.7	20,024
Home Mortgage										
2019	65	79.3	17	20.7	82	5,648	73.3	2,059	26.7	7,707
2020	95	80.5	23	19.5	118	11,472	81.2	2,652	18.8	14,124
<b>Subtotal</b>	<b>160</b>	<b>80.0</b>	<b>40</b>	<b>20.0</b>	<b>200</b>	<b>17,120</b>	<b>78.4</b>	<b>4,711</b>	<b>21.6</b>	<b>21,831</b>

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

### **Geographic Distribution**

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Regulatory personnel performed further review of the small farm, small business, and home mortgage loans extended within each of the assessment areas to perform this analysis;

however, since the Monroe Assessment Area does not include any low- and moderate-income geographies, the overall conclusion was based on the bank's reasonable performance in the Nonmetropolitan Assessment Area. Consideration was given to local competition and other relevant factors, and particular focus was given to the dispersion of these loans in relation to the moderate-income census tract in the Nonmetropolitan Assessment Area. Please refer to comments under each separately analyzed assessment area for more specific details.

**Borrower Profile**

Overall, the distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. Regulatory personnel performed further review of the small farm, small business, and home mortgage loans extended within each of the assessment areas to perform this analysis. The overall conclusion was based on the bank's reasonable performance in both assessment areas. Particular focus was given to the dispersion of small farm and small business loans to farms and businesses with gross annual revenues of \$1 million or less, and on the dispersion of home mortgage loans to low- and moderate-income borrowers. Please refer to comments under each separately analyzed assessment area for more specific details.

**Response to Complaints**

Leighton State Bank has not received any CRA-related complaints since the previous CRA evaluation on October 14, 2015; therefore, this criterion did not affect the rating.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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



## NONMETROPOLITAN ASSESSMENT AREA – Full-Scope Review

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

Please refer to the comments in the previous sections under *Description of Assessment Areas* and *Scope of Evaluation* for further details.

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

The Nonmetropolitan Assessment Area consists of census tracts 9501, 9502, 9503, 9504, 9505, 9506, and 9507 in Mahaska County and census tracts 301, 302, 303, 304.01, 304.02, 305, and 307 in Marion County. Based on 2015 ACS Census data, this assessment area consists of one moderate-income census tract, ten middle-income census tracts, and three upper-income census tracts. The following table illustrates select demographic characteristics of the Nonmetropolitan Assessment Area.

<b>Demographic Information of the Nonmetropolitan Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	14	0.0	7.1	71.4	21.4	0.0
Population by Geography	53,041	0.0	3.6	69.8	26.6	0.0
Housing Units by Geography	22,509	0.0	4.3	69.0	26.7	0.0
Owner-Occupied Units by Geography	15,054	0.0	2.8	67.6	29.6	0.0
Occupied Rental Units by Geography	5,841	0.0	7.1	74.8	18.1	0.0
Vacant Units by Geography	1,614	0.0	7.4	61.3	31.2	0.0
Businesses by Geography	4,573	0.0	5.3	67.8	26.9	0.0
Farms by Geography	535	0.0	1.5	71.0	27.5	0.0
Family Distribution by Income Level	13,982	17.2	16.2	24.2	42.4	0.0
Household Distribution by Income Level	20,895	21.4	15.0	19.5	44.1	0.0
Median Family Income – Nonmetropolitan Iowa		\$61,681	Median Housing Value			\$127,116
			Median Gross Rent			\$643
			Families Below Poverty Level			8.3%
<small>Source: 2015 ACS and 2020 D&amp;B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%</small>						

Services industries represents the largest portion of farms and businesses in the Nonmetropolitan Assessment Area at 34.2 percent; followed by non-classifiable establishments at 15.7 percent; retail trade at 11.3 percent; and agriculture, forestry, and fishing at 10.5 percent. In addition, 67.2 percent of area businesses have four or fewer employees and 89.9 percent operate from a single location. According to the Pella Area Community & Economic Alliance, the largest employers in the assessment area are Pella Corporation, Vermeer Corporation, Precision, Inc., Pella Regional Health Center, Central College, and Pella Community Schools.

Examiners used the 2020 FFIEC-estimated median family income levels for nonmetropolitan Iowa to analyze home mortgage loans under the Borrower Profile criterion. The following table reflects this figure along with the low-, moderate-, middle-, and upper-median family income ranges.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2020 (\$69,200)	<\$34,600	\$34,600 to <\$55,360	\$55,360 to <\$83,040	≥\$83,040
<i>Source: FFIEC</i>				

According to the U.S. Bureau of Labor Statistics, the unemployment rate for Iowa, as of June 2021, was 4.0 percent. Further, the unemployment rates for Mahaska County and Marion County were 4.0 percent and 3.5 percent, respectively.

### **Competition**

The Nonmetropolitan Assessment Area is a relatively competitive market for financial institutions. According to the FDIC Deposit Market Share data, as of June 30, 2020, there were ten financial institutions operating 23 offices within Mahaska and Marion counties. Of these institutions, Leighton State Bank ranked 3<sup>rd</sup> with 8.8 percent of the deposit market share.

Leighton State Bank is not required to collect and report information regarding its small farm and small business loans and it has not elected to do so. However, this data provides an indicator of loan demand and is considered in the bank’s performance context. The 2019 small business aggregate lending data shows 16 institutions reported 402 small farm loans in the Nonmetropolitan Assessment Area, which indicates moderate demand for this product. Additionally, 38 institutions reported 832 small business loans in the Nonmetropolitan Assessment Area, which indicates moderate demand for this product.

Since the previous evaluation, Leighton State Bank is required to collect and report its home mortgage loan data. The aggregate home mortgage lending data reflects a moderate level of demand for this loan type, which is considered in the performance context. The 2020 home mortgage aggregate lending data shows 157 institutions reported 2,259 home mortgage loans in the Nonmetropolitan Assessment Area. Leighton State Bank ranked 11<sup>th</sup> out of this group of lenders with a market share of 3.0 percent.

Management indicated the bank’s primary competitors within the Nonmetropolitan Assessment Area are Marion County Bank, Bank Iowa, Midwest One Bank, Community First Credit Union, and Farm Credit Services. In addition, internet-based companies such as Quicken Loans, Rocket Mortgage, and Green State Credit Union add to the competition of physical competitors in the area.

### **Community Contact(s)**

Community contact interviews are used to obtain a profile of the local communities, identify community development opportunities and general credit needs, and assess opportunities for participation by local financial institutions. Examiners identified a community contact conducted with an individual from an organization that specializes in economic development in Marion

County. Examiners considered the information provided by this contact, which is summarized below, in analyzing the institution's CRA performance.

The contact was positive regarding the economy in Marion County. Businesses and farms in the area have been doing well in recent years. The COVID-19 pandemic has not majorly affected the local businesses and farms. Manufacturing continues to be the biggest industry in the area and employs over 7,000 workers. Tourism is the second biggest industry, with many of the hotels and restaurants being large nation-wide chains. The contact did note the majority of retail businesses are small local shops. Commercial loans are the biggest credit need in the area; however, it was noted that smaller, less established businesses have a harder time getting approved for credit. Many of the agricultural businesses are tied to the manufacturing industry. The area includes a mix of hobby farmers and larger scale agricultural operations. The agriculture industry has been affected by the recent global trade talks, lower commodity prices, and ageing farmers; however, it does not appear these factors limited farmers from receiving credit. The housing market is doing well, but there is limited supply of low- and moderate-income housing. The contact indicated this is due to many of the residents in the area earning a high income. This is supported by the relatively high median family income figures and low poverty rate in the area. The owner-occupied housing unit level is also high (approximately 71.2 percent) and many of the homes in the area are owned without mortgages. New housing communities are being developed; however, these developments are higher value homes. The contact indicated all local financial institutions are responsive to the community credit needs. Additionally, Leighton State Bank was specifically mentioned as being active in the community.

### **Credit Needs**

According to management, the overall economic conditions in the Nonmetropolitan Assessment Area are strong despite the recent COVID-19 pandemic. Many of the business sectors have rebounded and are stable; however, restaurants are experiencing limited labor supply. Bank management indicated there are many employment opportunities across industries, but limited amount of available workforce to fill these jobs. Small businesses are struggling to find workers as they are competing with larger employers. Additionally, supply chain disruptions caused by the pandemic have also limited area businesses. Management indicated the primary credit needs in the Nonmetropolitan Assessment Area include residential real estate, commercial, and agricultural loans; however, overall loan demand is stable to weak. The government stimulus money provided businesses and farms with ample liquidity to retain employees and continue business; however, loans for expansion and growth have been limited during this time. Many of the businesses and farms in the area are considered "hobby" businesses/farms. Management indicated these type of businesses/farms are less likely to apply for facility financing, specialize equipment financing, and working capital financing, which are some of the most common types of credit offered by the bank. Additionally, the agriculture sector is experiencing a shortage of suitable assets needed for expansion, which also contributed to a decrease in agricultural loan demand. Home mortgage loan demand has been strong; however, most of the housing stock is higher dollar homes while there is a lack of available housing stock for low- and moderate-income individuals. Home values are generally higher in Pella than the other areas within the Nonmetropolitan Assessment Area and is driven by a strong employment base and school system. Lastly, the low interest rate environment has increased the level of competition for all types of lending.

Considering economic and demographic data, along with information from bank management and the community contact, examiners determined that the primary credit needs in the Nonmetropolitan Assessment Area include residential real estate, commercial, and agricultural lending.

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

### **LENDING TEST**

Leighton State Bank demonstrated satisfactory performance under the Lending Test. Reasonable Geographic Distribution and Borrower Profile performance in this assessment area supports this conclusion.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Nonmetropolitan Assessment Area. The reasonable small farm, small business, and home mortgage performance supports this conclusion. Examiners focused on the dispersion of these loans in the one moderate-income census tract in the assessment area.

### ***Small Farm Loans***

The geographic distribution of small farm lending reflects reasonable dispersion throughout the Nonmetropolitan Assessment Area. The following table shows that none of the bank’s small farm loans were originated within the moderate-income census tract; however, this moderate-income census tract is located within the city limits of Knoxville and is a very small geographical area. Furthermore, there is considerable competition from institutions located in Knoxville and Pella (the nearest city with a Leighton State Bank branch location). Lastly, farmers from the moderate-income census tract have to drive a considerable distance around Lake Red Rock to apply for a loan. Therefore, considering these factors, the level of small farm lending reflects reasonable performance.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Nonmetropolitan Assessment Area</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	1.5	0	0.0	0	0.0
Middle	71.0	106	69.7	8,245	64.0
Upper	27.5	46	30.3	4,638	36.0
<b>Totals</b>	<b>100.0</b>	<b>152</b>	<b>100.0</b>	<b>12,883</b>	<b>100.0</b>
<small>Source: 2020 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</small>					

### ***Small Business Loans***

The geographic distribution of small business lending reflects reasonable dispersion throughout the Nonmetropolitan Assessment Area. The following table shows one small business loans was originated within the moderate-income census tract; however, the same factors considered in the

*Small Farm* performance for this assessment area were also considered in the bank’s *Small Business* performance. Therefore, the level of small business lending reflects reasonable performance.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Nonmetropolitan Assessment Area</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	5.3	1	0.5	60	0.5
Middle	67.8	136	72.0	7,933	64.3
Upper	26.9	52	27.5	4,339	35.2
<b>Totals</b>	<b>100.0</b>	<b>189</b>	<b>100.0</b>	<b>12,332</b>	<b>100.0</b>

*Source: 2020 D&B Data; Bank Data  
Due to rounding, totals may not equal 100.0%*

### ***Home Mortgage Loans***

The geographic distribution of home mortgage lending reflects reasonable dispersion throughout the Nonmetropolitan Assessment Area. The bank’s lending performance in the moderate-income census tract, based on the number of loans, is above aggregate and demographic data. The following table reflects the geographic distribution of the home mortgage loans reviewed by tract income level.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Nonmetropolitan Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	2.8	2.9	3	4.1	295	3.2
Middle	67.6	62.5	49	67.1	6,256	68.6
Upper	29.6	34.7	21	28.8	2,565	28.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>	<b>9,116</b>	<b>100.0</b>

*Source: 2015 ACS Data; Bank Data; 2020 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0%*

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels in the Nonmetropolitan Assessment Area. Reasonable small farm, small business, and home mortgage performance supports this conclusion.

### ***Small Farm Loans***

The distribution of small farm loans reflects reasonable penetration among farms of different revenue sizes. In drawing this conclusion, examiners considered that the bank’s lending performance to farms with gross annual revenues of \$1 million or less, based on the number of loans, is 19.6 percentage points below demographic data. According to the 2017 U.S. Department of Agriculture Census data, 56.7 and 61.7 percent of operations in Mahaska and Marion counties, respectively, do not borrow. Further, 55.2 and 62.7 percent of producers in Mahaska and Marion

counties, respectively, reported their primary occupation as other than farming. These farms are likely “hobby farms” with little or no borrowing needs. When looking at the specific loans extended to borrowers with gross annual revenues greater than \$1 million, three loans totaling \$696,000 were extended to one borrower who has a longstanding relationship with the bank. Examiners also considered community contact comments indicating many agricultural businesses are tied to manufacturing operations and management’s comments regarding the limited demand for small farm loans. Lastly, the bank offers USDA Rural Development loans, Farm Service Agency guaranteed loans and agricultural real estate participation loans, and Iowa Agricultural Development Authority beginning farmer loans. Considering these factors, the bank’s performance is considered reasonable. The following table reflects the distribution of the small farm loans reviewed based on the gross annual revenue level of the farm.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Nonmetropolitan Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	98.7	34	79.1	3,270	68.0
>\$1,000,000	0.7	5	11.6	1,041	21.7
Revenue Not Available	0.6	4	9.3	497	10.3
<b>Total</b>	<b>100.0</b>	<b>43</b>	<b>100.0</b>	<b>4,808</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

***Small Business Loans***

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. In drawing this conclusion, examiners considered that the bank’s lending performance to businesses with gross annual revenues of \$1 million or less, based on the number of loans, is 19.2 percentage points below demographic data. Examiners considered the number of loans bank management has originated through the SBA’s Payroll Protection Program, which provided direct benefit to small businesses. Within the sample below, 15 loans totaling \$487,000 were Payroll Protection Program loans. Specifically, three loans totaling \$239,000 were to businesses with gross annual revenues greater than \$1 million and four loans totaling \$118,000 were to businesses where revenue information was not available. Examiners also considered community contact comments indicating smaller, less established businesses have had a harder time being approved for loans and management’s comments regarding the limited demand for small business loans. Considering these factors, the bank’s performance is considered reasonable. The following table reflects the distribution of the small business loans reviewed based on the gross annual revenue level of the business.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Nonmetropolitan Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	85.0	25	65.8	1,232	43.2
>\$1,000,000	4.3	7	18.4	1,442	50.6
Revenue Not Available	10.6	6	15.8	178	6.2
<b>Total</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>	<b>2,852</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects reasonable penetration to individuals of different income levels, including low- and moderate-income individuals. Leighton State Bank's lending percentage to low-income individuals exceeds aggregate performance data. Further, the lending percentage to moderate-income individuals is generally consistent with aggregate and demographic data. The following table reflects the distribution of the home mortgage loans reviewed by borrower income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Nonmetropolitan Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	17.2	4.7	7	9.6	325	3.6
Moderate	16.2	17.0	12	16.4	1,070	11.7
Middle	24.2	23.2	18	24.7	2,092	23.0
Upper	42.4	40.2	21	28.8	4,244	46.6
Not Available	0.0	14.8	15	20.5	1,385	15.2
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>	<b>9,116</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data; 2020 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

## MONROE ASSESSMENT AREA – Full-Scope Review

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

Please refer to the comments in the previous sections under *Description of Assessment Areas* and *Scope of Evaluation* for further details.

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

The Monroe Assessment Area consists of census tracts 407, 408, and 409 in Jasper County. Based on 2015 ACS Census data, this assessment area consists of three middle-income census tracts. The following table illustrates select demographic characteristics of the Monroe Assessment Area.

<b>Demographic Information of the Monroe Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	13,707	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,272	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,939	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	983	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	350	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	982	0.0	0.0	100.0	0.0	0.0
Farms by Geography	202	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,622	12.3	14.4	22.4	50.8	0.0
Household Distribution by Income Level	4,922	14.7	14.6	17.4	53.3	0.0
Median Family Income MSA - Des Moines-West Des Moines, Iowa MSA		\$75,653	Median Housing Value			\$141,078
			Median Gross Rent			\$647
			Families Below Poverty Level			4.0%
<small>Source: 2015 ACS and 2020 D&amp;B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%</small>						

Services industries represents the largest portion of farms and businesses in the Monroe Assessment Area at 28.9 percent; followed by agriculture, forestry, and fishing at 17.1 percent; non-classifiable establishments at 16.7 percent; and retail trade at 10.0 percent. In addition, 69.5 percent of area businesses have four or fewer employees and 93.3 percent operate from a single location. Management indicated the largest employers in the assessment area are Prairie City Monroe Community School District and TPI Composites Inc., along with various other corporate employers in the greater Des Moines area.

Examiners used the 2020 FFIEC-estimated median family income levels for the Des Moines-West Des Moines, Iowa MSA to analyze home mortgage loans under the Borrower Profile criterion. The



following table reflects this figure along with the low-, moderate-, middle-, and upper-median family income ranges.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2020 (\$84,800)	<\$42,400	\$42,400 to <\$67,840	\$67,840 to <\$101,760	≥\$101,760
<i>Source: FFIEC</i>				

According to the U.S. Bureau of Labor Statistics, the unemployment rate for Jasper County, as of June 2021, was 4.7 percent.

**Competition**

The Monroe Assessment Area is a relatively competitive market for financial institutions. According to the FDIC Deposit Market Share data, as of June 30, 2020, there were nine financial institutions operating 13 offices within Jasper County. Of these institutions, Leighton State Bank ranked 8<sup>th</sup> with 4.7 percent of the deposit market share.

The 2019 small business aggregate lending data shows 11 institutions reported 202 small farm loans in the Monroe Assessment Area, which indicates moderate demand for this product. Additionally, 34 institutions reported 425 small business loans in the Monroe Assessment Area, which indicates moderate demand for this product. The aggregate home mortgage lending data reflects a moderate level of demand for this loan type, which is considered in the performance context. The 2020 home mortgage aggregate lending data shows 103 institutions reported 689 home mortgage loans in the Monroe Assessment Area. Leighton State Bank ranked eighth out of this group of lenders with a market share of 3.2 percent.

Management indicated the bank’s primary competitors within the Monroe Assessment Area are the same as competitors in the Nonmetropolitan Assessment Area, along with Great Western Bank and Farm Credit Services.

**Credit Needs**

According to management, the overall economic conditions in the Monroe Assessment Area are strong despite the recent COVID-19 pandemic. Management indicated the comments under the *Credit Needs* section for the Nonmetropolitan Assessment Area are consistent with the Monroe Assessment Area. Bank management stated the core of the Des Moines metro area is slightly west of the Monroe Assessment Area; however, Des Moines has a slight negative impact on the local retail, which has been experienced by local businesses for years. As this assessment area is closer to Des Moines, it is easier for many of the individuals commute for work. There is more demand for housing in this assessment area, including lower cost homes, and the median housing price is slightly lower. Competition continues to be high in this area, but the presence of a well-established Farm Credit Services location in Newton allows this lender to be dominant in agricultural lending for this assessment area.

Considering economic and demographic data, along with information from bank management and the community contact, the primary credit needs in the Monroe Assessment Area include residential real estate, commercial, and agricultural lending.

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

### **LENDING TEST**

Leighton State Bank demonstrated satisfactory performance under the Lending Test. Reasonable Borrower Profile performance in this assessment area supports this conclusion.

### **Geographic Distribution**

The assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels in the Monroe Assessment Area. The reasonable small farm, small business, and home mortgage performance supports this conclusion.

### ***Small Farm Loans***

The distribution of small farm loans reflects reasonable penetration among farms of different revenue sizes. In drawing this conclusion, examiners considered the bank's lending performance to farms with gross annual revenues of \$1 million or less, based on the number of loans, is 47.5 percentage points below demographic data. According to the 2017 U.S. Department of Agriculture Census data, 51.3 percent of operations in Jasper County do not borrow. Further, 52.4 percent of producers in Jasper County reported their primary occupation as other than farming. These farms are likely "hobby farms" with little or no borrowing needs. When looking at the specific loans extended to borrowers with gross annual revenues greater than \$1 million, three loans totaling \$330,000 were extended to one borrower who has a longstanding relationship with the bank. Examiners also considered community contact comments indicating many agricultural businesses are tied to manufacturing operations and management's comments regarding the limited demand for small farm loans. Lastly, the bank offers USDA Rural Development loans, Farm Service Agency guaranteed loans and agricultural real estate participation loans, and Iowa Agricultural Development Authority beginning farmer loans. Considering these factors, the bank's performance is considered reasonable. The following table reflects the distribution of the small farm loans reviewed based on the gross annual revenue level of the farm.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Monroe Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	97.5	6	50.0	550	44.4
>\$1,000,000	2.0	4	33.3	430	34.7
Revenue Not Available	0.5	2	16.7	260	21.0
<b>Total</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>1,240</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### ***Small Business Loans***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. Leighton State Bank's lending percentage to business with gross annual revenues of \$1 million or less, based on the number of loans, is greater than demographic data. The following table reflects the distribution of the small business loans reviewed based on the gross annual revenue level of the business.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Monroe Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	87.7	12	92.3	824	98.6
>\$1,000,000	4.0	1	7.7	12	1.4
Revenue Not Available	8.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>836</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects reasonable penetration to individuals of different income levels, including low- and moderate-income individuals. Although, Leighton State Bank's lending percentage to moderate-income individuals is below aggregate and demographic data, the lending percentage to low-income individuals substantially exceeds aggregate and demographic data. The following table reflects the distribution of the home mortgage loans reviewed by borrower income level.

**Distribution of Home Mortgage Loans by Borrower Income Level**

**Monroe Assessment Area**

<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	12.3	8.9	4	18.2	191	8.1
Moderate	14.4	23.2	2	9.1	210	8.9
Middle	22.4	22.8	7	31.8	865	36.7
Upper	50.8	26.4	4	18.2	587	24.9
Not Available	0.0	18.7	5	22.7	503	21.3
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>	<b>2,356</b>	<b>100.0</b>

*Source: 2015 ACS Data; Bank Data; 2020 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0%*

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The institution's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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

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

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

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

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.



**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.