

# **PUBLIC DISCLOSURE**

March 21, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Badger Bank  
Certificate Number: 2469

220 Grant Street  
Fort Atkinson, Wisconsin 53538

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

300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

INSTITUTION RATING.....	1
DESCRIPTION OF INSTITUTION.....	1
DESCRIPTION OF ASSESSMENT AREAS .....	3
SCOPE OF EVALUATION .....	4
CONCLUSIONS ON PERFORMANCE CRITERIA .....	5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....	7
JEFFERSON COUNTY ASSESSMENT AREA – FULL-SCOPE REVIEW .....	8
DANE COUNTY ASSESSMENT AREA – FULL SCOPE REVIEW.....	17
APPENDICES.....	22
SMALL BANK PERFORMANCE CRITERIA .....	22
GLOSSARY .....	23

## 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.

Badger Bank's Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's Lending Test performance.

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

## DESCRIPTION OF INSTITUTION

Badger Bank is a full-service community bank with its main office in Fort Atkinson, Wisconsin. Citizens Financial Corporation, a one-bank holding company also located in Fort Atkinson, owns the bank. Badger Bank's affiliates, Family Wealth Advisors and Badger Insurance, LLC, offer alternative financial services. As these affiliates do not offer credit products, their activities are not included in this evaluation. Badger Bank received a "Satisfactory" rating at its previous FDIC Performance Evaluation, dated March 21, 2016, based on the Interagency Small Institution Examination Procedures.

In addition to the main office, Badger Bank operates three full-service branches in the following Wisconsin cities: Cambridge, in Dane County; and Jefferson and Johnson Creek, both in Jefferson County. No branches have opened or closed, and there have been no acquisition or merger activities since the previous evaluation.

Badger Bank offers various loan products including home mortgage, commercial, agricultural, and consumer loans. The bank offers various deposit products, including checking, savings, and money market accounts, and certificates of deposit. Badger Bank also offers alternative banking services, such as: online and mobile banking, including bill pay services; mobile deposit (new in October

2017); business bill pay (new in January 2019); and four non-proprietary, automated teller machines, one available at each office.

According to the December 31, 2021, Call Report, Badger Bank had total assets of approximately \$182.5 million, total loans of \$102.9 million, total securities of \$54.2 million, and total deposits of \$155.4 million. The bank experienced asset growth of approximately 38.1 percent since the last evaluation, with loan growth of 29.8 percent. However, average annual asset and loan growth was modest at 5.75 percent and 4.5 percent, respectively.

Since the prior evaluation, some significant loan product changes occurred as a percent of individual loan categories, but the overall composition of the portfolio remained stable. For instance, although farmland loans increased a substantial 1,285.3 percent, it remains a nominal portion of the overall portfolio at only 2.2 percent. Additionally, significant changes in loan activity occurred as follows (as a percent of loan category): multi-family increased 379.2 percent; commercial and industrial increased 369.3 percent; construction decreased 67.3 percent; consumer decreased 53.3 percent; and residential real estate increased 23.1 percent. The following table details the bank's loan composition as of the December 31, 2021, Call Report.

<b>Loan Portfolio Distribution as of 12/31/2021</b>		
<b>Loan Category</b>	<b>\$ (000s)</b>	<b>%</b>
Construction and Land Development	1,640	1.6
Secured by Farmland	2,228	2.2
Secured by 1-4 Family Residential Properties	52,107	50.6
Secured by Multifamily (5 or more) Residential Properties	6,642	6.5
Secured by Nonfarm Nonresidential Properties	21,043	20.4
<b>Total Real Estate Loans</b>	<b>83,660</b>	<b>81.3</b>
Commercial and Industrial Loans	14,609	14.2
Agricultural Loans	11	0.0
Consumer Loans	2,072	2.0
Other Loans	2,561	2.5
Lease Financing Receivables (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>102,913</b>	<b>100.0</b>

*Source: Reports of Condition and Income*

Based on the loan composition, the bank's primary business focus is home mortgage lending (57.5 percent of portfolio, including residential construction and multi-family), with commercial lending secondary (34.6 percent). This lending focus has not changed since the last evaluation. The bank also originates and sells mortgage loans to secondary market investors, which are not included in the portfolio figures shown in the table. Since the prior evaluation, Badger Bank originated and sold 965 loans totaling approximately \$191.4 million. Loan sales ranged from a low of 40 in 2018 to a high of 499 in 2020. The substantial increase in 2020 volume results from an influx of refinance loans due to the low rate environment at that time.

With regard to commercial lending, the bank focuses on serving small businesses. To aid small businesses impacted by the Coronavirus Disease (COVID-19) pandemic, the bank participated in the Paycheck Protection Program (PPP), which is part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Part of this program's intent was to help businesses negatively impacted by the pandemic retain workers and continue operations. The bank originated 121 PPP loans totaling approximately \$5.5 million in 2020 and 108 PPP loans totaling \$3.3 million in 2021. Refer to Scope of Evaluation section and analyses for further details on the PPP loan considerations in this evaluation.

Badger Bank also facilitates the origination of various other government guaranteed loans through referrals to another entity. These products include loans through the Federal Housing Administration, Veteran's Administration, Rural Development, and Wisconsin Housing and Economic Development Authority. Since the prior evaluation, Badger Bank facilitated the origination of nine such loans totaling approximately \$1.5 million.

Examiners did not identify any financial, legal, or other impediments that would limit Badger Bank's ability to meet the credit needs of its AAs.

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. Badger Bank designated two adjacent AAs in south central Wisconsin. One AA consists of the entirety of Jefferson County, which is not located in a metropolitan statistical area (MSA). The second AA consists of two census tracts (CTs) on the eastern edge of Dane County. Dane County is part of the Madison, Wisconsin MSA #31540. The AAs include whole CTs in which the bank operates its offices and conducts a majority of its lending activity. The AAs meet the requirements of CRA and do not arbitrarily exclude low- or moderate-income geographies.

Throughout this evaluation, examiners relied on various sources for economic and demographic data. These sources of data include: the Federal Financial Institutions Examination Council (FFIEC); the 2015 American Community Survey (ACS); 2010 U.S. Census; D&B business data; U.S. Bureau of Labor Statistics; Wisconsin Department of Workforce Development (DWD); Wisconsin Realtors' Association (WRA); the Department of Housing and Urban Development (HUD); loan information reported under the Home Mortgage Disclosure Act (HMDA); and bank reports.

Three of the bank's four offices are located in the Jefferson County AA, and the fourth is located in the Dane County AA. The bank's Jefferson Creek branch in the Jefferson County AA is located in an upper-income CT, and the other three offices are located in middle-income CTs. The separate AA sections, later in this evaluation, contain additional demographic data and other information.

## SCOPE OF EVALUATION

### **General Information**

Examiners used Interagency Small Institution Examination Procedures to evaluate Badger Bank's performance from the previous evaluation dated March 21, 2016, to the current evaluation as of March 21, 2022 (evaluation period). These procedures use one test: the CRA Small Bank Lending Test. The first Appendix contains details about the Small Bank Lending Test criteria.

Of the two AAs, examiners considered performance in the Jefferson County AA more heavily in the rating, as this AA contains most of the bank's offices and substantial majorities of the bank's lending and deposit activities in the AAs overall.

Examiners analyzed the bank's CRA performance relative to its performance context, which includes, but is not limited to, bank size and structure, financial condition, loan mix, resources, limitations, AA demographics, economic factors, competition, and lending demand and opportunities.

### **Activities Reviewed**

Examiners evaluated the bank's home mortgage and small business loans, as these categories represent its most significant lending activities. No other loan types, such as small farm or consumer loans, represent a major product line. Therefore, they provide no material support for conclusions and are not included in the evaluation.

Examiners reviewed and analyzed the complete universe of 2020 and 2021 HMDA-reported loan originations. The updated 2015 ACS demographic data and the 2020 HMDA aggregate data provided standards of comparison for the bank's home mortgage lending performance. This report presents performance for both 2020 and 2021 lending in the Geographic Distribution and Borrower Profile criteria, as they generally represent the bank's lending practices for the entire evaluation period. Examiners also reviewed the bank's 2019 HMDA activity for the AA concentration criterion, because 2020 lending activity was much higher than other years, due to the increased refinance loan activities. Examiners used the 2019 data to assess the overall trend of lending in the AAs.

The bank is not required to collect or report information on its small business loans and elected not to do so. Therefore, examiners selected and reviewed a random sample of small business loans granted in 2021. This period is considered representative of the entire evaluation period. The sampling procedures provide for a 90.0 percent confidence level and 5.0 percent precision level. Examiners relied on 2021 D&B demographic data as a standard of comparison for Badger Bank's small business lending performance.

The following table contains details of the home mortgage and small business loans reviewed in this evaluation. Based on available bank data, the universe of small business loans granted in 2021 shown in the table includes only those loans that remained in the bank's portfolio as of December 31, 2021.

Loan Products Reviewed				
Loan Category	Universe		Sample	
	#	\$(000s)	#	\$(000s)
HMDA 2020	569	121,750	569	121,750
HMDA 2021	221	43,124	221	43,124
Small Business 2021*	98	11,533	73	9,742

*Source: Bank Data; \* Does not include originated, but subsequently paid-off loans*

During 2021, Badger Bank originated 108 PPP loans totaling approximately \$3.3 million. All of the PPP loans were small business loans (in amounts of \$1 million or less). The 2021 small business universe includes PPP small business loans remaining on the books at year-end, with a representative amount captured in the corresponding random sample.

Examiners considered Call Report data, the number and dollar volume of loan originations during the evaluation period, and lending focus in determining the weighting of the products in the overall conclusions. Examiners placed more weight on the home mortgage lending performance, given the bank's business focus and considerable difference in lending volume.

Examiners analyzed the number and dollar volume of home mortgage and small business loans. While this report presents both number and dollar volume of loans, examiners emphasized performance by number of originated loans, as this is generally a better indicator of the number of individuals and small businesses served.

Of all lending criteria, examiners placed the most emphasis on the Borrower Profile analysis in the overall conclusions and it identifies how well the bank serves the traditionally underserved segments of the AA, which are typically low- and moderate-income individuals and smaller businesses.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Badger Bank demonstrated satisfactory performance under the Lending Test. The bank's performance under the following criteria support the rating.

#### Loan-to-Deposit Ratio

Badger Bank's LTD ratio is reasonable given the bank's size, financial condition, AA credit needs, and area opportunities. The bank's LTD ratio, calculated from Call Report data, averaged 71.6 percent over the past 24 calendar quarters since the previous evaluation. This represents an increase from the average LTD ratio at the prior evaluation of 63.0 percent. During this evaluation period, the bank's ratio varied, ranging from a low of 60.6 percent as of June 30, 2021, to a high of 81.2 percent as of September 30, 2019. Badger Bank's ratio was within the range of similarly situated

institutions (SSIs), as shown in the following table. Examiners selected SSIs based on their asset size, geographic location, bank structure, lending focus, and input from management.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 09/30/2021 (\$000s)	Average Net LTD Ratio (%)
<b>Badger Bank</b>	<b>182,527</b>	<b>71.6</b>
First Community Bank (Milton)	142,972	73.9
Bank of Deerfield *	182,773	99.6
Bank of Milton *	184,786	77.4
Farmers & Merchants State Bank (Waterloo) *	208,121	110.5
Bank of Lake Mills *	291,835	96.5
First Citizens Bank (White Water) *	408,006	69.4

*Source: Reports of Condition and Income 3/31/2016 – 12/31/2021*  
*\*Denotes bank-selected SSIs*

### Assessment Area Concentration

Badger Bank originated a majority of the home mortgage and sampled small business loans within the AAs. Refer to the below table for details.

Loan Category	Lending Inside and Outside of the Assessment Areas											
	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total		
	Inside		Outside			Inside		Outside				
	#	%	#	%		\$	%	\$	%			
Home Mortgage												
2019	106	75.7	34	24.3	140	15,465	68.2	7,222	31.8	22,687		
2020	287	50.4	282	49.6	569	53,318	43.8	68,432	56.2	121,750		
2021	164	74.2	57	25.8	221	32,438	75.2	10,686	24.8	43,124		
<b>Subtotal</b>	<b>557</b>	<b>59.9</b>	<b>373</b>	<b>40.1</b>	<b>930</b>	<b>101,221</b>	<b>54.0</b>	<b>86,340</b>	<b>46.0</b>	<b>187,561</b>		
Small Business												
2021	62	84.9	11	15.1	73	7,211	74.0	2,531	26.0	9,742		

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

Although Badger Bank originated a majority of the 2020 home mortgage loans in the AAs (by number), it originated a majority of the dollar volume outside the AAs. Initial analyses of the 2020 and 2021 home mortgage loans reflects a significantly lower level of loans originated in the AAs during 2020, while 2021 performance was similar to that at the prior evaluation. Given the varied results for these two years, examiners expanded the AA concentration analyses to include 2019 home mortgage lending, to identify potential trends. The 2019 AA concentration was in line with the 2021 and prior evaluation performance levels, indicating that 2020 was an anomaly, predominantly impacted by the interest rate environment of that time.

The lower percentage of lending within the AAs in 2020 results from a significant increase in secondary market applications during that year, due to the drop in interest rates. Badger Bank receives most home mortgage loan applications through Mortgagebot, an online loan application system, which accepts applications from all 72 Wisconsin counties. Given that Badger Bank's home mortgage rates during 2020 were lower than many other financial institutions in the area, the bank received a substantial increase in applications from all over the state. However, a large portion of non-AA home mortgage loans in 2020 originated from neighboring Waukesha and Dane Counties.

With regard to small business lending, many of the short-term PPP loans paid off prior to year-end 2021, and therefore, were not included in the report used to derive the random small business loan sample. Examiners conducted additional AA concentration reviews of this loan product. In 2020, of the 121 PPP loans totaling approximately \$5.5 million, the bank originated 82.6 percent of the number and 81.0 percent of the dollar volume within the AAs. In 2021, of the 108 PPP loans totaling approximately \$3.3 million, Badger Bank originated 87.0 percent of the number and 93.5 percent of the dollar volume within the AAs.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. The bank's reasonable home mortgage and small business lending performance supports this conclusion. Examiners emphasized the performance in the Jefferson County AA in the overall conclusions because it contains the one moderate-income CT. The Dane County AA contains only two CTs that are both middle-income tracts. Neither AA contains low-income CTs. Refer to the separate AA analyses for additional details.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among borrowers of different income levels and businesses of different sizes. The bank's reasonable penetration of home mortgage and small business lending supports this conclusion. For home mortgage loans, examiners focused on the performance by number of loans to low- and moderate-income borrowers, and comparisons to aggregate HMDA data. For small business loans, examiners focused on lending to businesses with gross annual revenues (GARs) of \$1 million or less, and comparisons to D&B data. Refer to the separate AA analyses for additional details.

### **Response to Complaints**

Badger Bank did not receive any CRA-related complaints since the previous evaluation; 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.

## **JEFFERSON COUNTY ASSESSMENT AREA – FULL-SCOPE REVIEW**

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

The Jefferson County AA houses three of the bank's four offices. Two of the offices are in middle-income CTs (Fort Atkinson and Jefferson), and one is located in an upper-income CT (Johnson Creek). As of June 30, 2021, approximately 76.6 percent of the bank's deposits originated in this AA.

Of the total 287 home mortgage loans originated in the bank's AAs in 2020, the bank originated 260 (90.6 percent) in the Jefferson County AA. In 2021, of the 164 originated home mortgage loans in the AAs, the bank originated 152 (92.7 percent) in this AA. Of the 62 sampled small business loans in the AAs, 50 (80.6 percent) were within this AA. Of the total 194 PPP loans in the AAs in 2020 and 2021, 157 (80.9 percent) were originated in the Jefferson County AA.

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

The Jefferson County AA encompasses the entire county, which contains 20 CTs. One CT is moderate-income, 10 CTs are middle-income, and 9 CTs are upper-income. This is a change from the prior evaluation, at which time there were no moderate-income CTs. However, there continues to be no low-income CTs, or tracts designated as distressed or underserved areas. The following table contains demographic information for the AA.

Demographic Information of the Assessment Area						
Assessment Area: Jefferson County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	20	0.0	5.0	50.0	45.0	0.0
Population by Geography	84,345	0.0	4.2	52.7	43.1	0.0
Housing Units by Geography	35,264	0.0	4.3	52.1	43.6	0.0
Owner-Occupied Units by Geography	23,140	0.0	3.0	50.3	46.6	0.0
Occupied Rental Units by Geography	9,273	0.0	6.9	54.7	38.4	0.0
Vacant Units by Geography	2,851	0.0	6.2	57.8	35.9	0.0
Businesses by Geography	4,396	0.0	6.3	49.0	44.7	0.0
Farms by Geography	328	0.0	1.5	43.9	54.6	0.0
Family Distribution by Income Level	22,005	13.8	16.4	22.7	47.2	0.0
Household Distribution by Income Level	32,413	16.5	14.7	19.4	49.3	0.0
Median Family Income Non-MSAs – WI	\$60,742	Median Housing Value			\$178,441	
			Median Gross Rent			\$776
			Families Below Poverty Level			6.4%
<p>Source: 2015 ACS and 2021 D&amp;B Data  Due to rounding, totals may not equal 100.0%  (*) The NA category consists of geographies that have not been assigned an income classification.</p>						

According to the 2015 ACS, there are 35,264 housing units in the Jefferson County AA. Of these, 65.6 percent are owner-occupied, 26.3 percent are occupied rental units, and 8.1 percent are vacant. Approximately 84.8 percent of the housing units are 1-4 family units. Examiners use owner-occupied housing data as a standard of comparison in the home mortgage geographic distribution analyses. This data also provides insight into housing availability and related lending opportunities within the AA.

Examiners used the FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table contains the income level categories for the evaluation years presented in this report.

Median Family Income Ranges WI NA Median Family Income (99999) – Jefferson County Assessment Area				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$68,000)	<\$34,000	\$34,000 to <\$54,400	\$54,400 to <\$81,600	≥\$81,600
2021 (\$69,600)	<\$34,800	\$34,800 to <\$55,680	\$55,680 to <\$83,520	≥\$83,520

Source: FFIEC

The Jefferson County AA's median housing value was \$178,441 based on the 2015 ACS data. More recent data from the WRA reflects much higher median housing values. Based on home sales in Jefferson County, the median prices were \$229,900, \$244,250, and \$270,000 in 2019, 2020, and

2021, respectively. Given the median housing value of this AA, low-income borrowers, particularly those below the poverty level (6.4 percent), face challenges to homeownership via traditional mortgage lending.

According to the most current D&B data, there were 4,396 non-farm businesses in the Jefferson County AA. Of these, 65.2 percent have four or fewer employees, 84.9 percent have fewer than 10 employees, and 86.5 percent operate from a single location. This data demonstrates that a significant portion of the Jefferson County AA businesses is smaller businesses.

Data obtained from the U.S. Bureau of Labor Statistics shows that the 2021 year-end unemployment rate was 2.8 percent for the State of Wisconsin. At that time, the unemployment rate was 1.7 percent in Jefferson County. The unemployment rates were consistent throughout most of the evaluation period, but sharply increased in the second quarter of 2020 due to the COVID-19 pandemic. The highest unemployment increase during the evaluation period occurred in April 2020, when the Wisconsin rate reached 14.9 percent. At this same time, the unemployment rate was 13.1 percent in Jefferson County. Since then, the state and county unemployment rates declined to their current levels.

### **Competition**

The Jefferson County AA is a moderately competitive financial services market. As of the June 30, 2021 FDIC Deposit Market Share data, 11 financial institutions operate 25 offices within the AA. Badger Bank ranked 7<sup>th</sup> with a deposit market share of approximately 6.7 percent.

There is a strong level of competition for home mortgage loans among the various banks, credit unions, and non-depository mortgage lenders within and near the Jefferson County AA. The 2020 aggregate HMDA data shows that 304 lenders originated 7,069 mortgage loans in this AA. Badger Bank ranked 5<sup>th</sup> by number, with a market share of approximately 3.9 percent. The bank's average loan size was \$181,000 compared to \$187,000 for all reporters combined.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analyses of small business loans do not include comparisons to aggregate data. The aggregate data, however, is an indicator of the level of demand and opportunities for small business loans in the AA. Aggregate data for 2020, the most recent year available, shows that 54 institutions reported 1,050 small business loans in the Jefferson County AA, indicating a moderate degree of competition for this product. However, examiners note that the actual level of lending is higher, because not all lenders are subject to data collection and reporting requirements, and thus are not included in the aggregate data.

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

As part of the evaluation process, examiners use information obtained from third parties active in the AAs to assist in identifying the credit and community development needs and opportunities. This information helps determine whether local financial institutions are responsive to these needs. Examiners used information from two representatives, one from an economic development group, and one from a housing agency. The economic development group serves multiple counties in

southcentral Wisconsin, including both Jefferson and Dane counties. The housing agency serves three counties, including Dane.

One contact commented that Dane County weathered the COVID-19 pandemic better than the outlying, surrounding counties and recovered faster. The contact said that supply chain issues affected most companies in the area counties. Primarily in the outlying, more rural counties, companies had to lay-off employees, who were largely more economically disadvantaged people. Although one contact noted the economy in Dane and surrounding counties has recovered, during the slowdown, businesses lost employees, with a large portion not returning to work. A contact noted that this trend has largely affected the hospitality, tourism and retail sectors.

Overall, area businesses are experiencing a labor shortage and facing difficulties finding qualified employees. The effects of the labor shortage are exacerbated by the trend (noted in the more rural areas), in which transportation and childcare options declined during COVID, and are not recovering to prior levels. The contact commented that in all area counties, there is a lack of affordable childcare, which makes lower paying jobs unrealistic, especially for working single parents. The contacts commented that there is an ongoing need for small business start-up funding, ongoing operational financing, and alternative financing programs. One contact stated that there has been an ongoing high demand for SBA 504 loans, and that area banks have done a good job of deploying the SBA PPP loans.

Both contacts commented that housing costs in area counties, particularly Dane County, are very high, making home ownership for lower income families unattainable. There is a high demand for housing in all the area counties, particularly for affordable housing. The areas' current housing stock is limited. One contact noted that new housing in Dane County is typically \$400,000 or higher, and not affordable for most people. This contact also said that new homes in the more rural counties are starting between \$200,000 and \$250,000. Both contacts also commented that primary needs for the area communities are affordable housing, with one commenting that infrastructure needs including broadband and fiber optics are also evident due to the increased demand for working remotely.

The contacts noted that area financial institutions could be more involved in providing gap and equity funding to small businesses, providing affordable housing credit programs, and offering more creative financing overall.

### **Credit Needs**

Considering information from bank management and the community contacts, as well as the AAs' demographic and economic data, examiners determined that there are credit needs for affordable housing and small businesses in the AAs, including start-up business financing and more flexible loan programs. The median housing values for the areas support the need for more affordable housing. Additionally, the significant percentages of businesses with GARs of \$1 million or less and the large number of businesses with ten or fewer employees support the need for small business lending. The COVID-19 pandemic and related impact on the area also support the need for more flexible business lending programs.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN THE JEFFERSON COUNTY ASSESSMENT AREA

### LENDING TEST

Badger Bank demonstrated satisfactory lending performance within the Jefferson County AA. The bank's performance under the following criteria support this conclusion.

#### Geographic Distribution

The geographic distribution of loans throughout the Jefferson County AA reflects reasonable dispersion among the CTs of different income levels, including the moderate-income CT. Examiners compared the home mortgage lending performance to aggregate HMDA and demographic data, and the bank's small business lending to the available D&B data. The data and analyses only include loans originated within the Jefferson County AA.

##### Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion among CTs of different income levels. Refer to the below table for details of the bank's performance.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Jefferson County						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2020	3.0	2.4	0	0.0	0	0.0
2021	3.0	--	2	1.3	162	0.5
Middle						
2020	50.3	46.8	179	68.8	29,744	62.1
2021	50.3	--	106	69.7	18,175	58.8
Upper						
2020	46.6	50.8	81	31.2	18,118	37.9
2021	46.6	--	44	28.9	12,587	40.7
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
2020	<b>100.0</b>	<b>100.0</b>	<b>260</b>	<b>100.0</b>	<b>47,862</b>	<b>100.0</b>
2021	<b>100.0</b>	--	<b>152</b>	<b>100.0</b>	<b>30,924</b>	<b>100.0</b>

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

The bank did not originate any home mortgage loans in the moderate-income CT in 2020. However, aggregate data reflects nominal performance in the moderate-income CT by all reporters, at 2.4 percent. In addition, there is a low level of owner-occupied housing in that tract. Badger Bank originated two loans in the moderate-income CT in 2021. Aggregate data is not yet available for 2021, but the bank's level (1.3 percent) is more in line with the demographics presented.

Examiners noted that the moderate-income CT is located in downtown Watertown, on the north-central border of Jefferson County. It is approximately 10 miles from the nearest Badger Bank office, in Johnson Creek. At least six other banks, three credit unions, a mortgage broker and a Cash Store/Loan Agency are located in Watertown, serving the community's credit needs. Other financial institutions throughout Jefferson County and surrounding areas also serve this area. Given the increased level of home mortgage loans in the moderate-income CT in 2021, the aggregate and demographic considerations, strong competition, and distance of the moderate-income CT from the nearest Badger Bank office, the geographic distribution of home mortgage loans is reasonable.

#### Small Business Loans

Badger Bank's geographic distribution of small business loans throughout the Jefferson County AA reflects reasonable dispersion among CTs of different income levels, including the moderate-income geography. Details and support for this conclusion follow.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2021	6.2	1	2.0	169	2.6
Middle					
2021	48.9	37	74.0	4,147	63.7
Upper					
2021	44.9	12	24.0	2,198	33.7
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>50</b>	<b>100.0</b>	<b>6,514</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%*

Based on the reviewed loans, Badger Bank originated one small business loan within the moderate-income CT, representing performance below, but reasonably in line with, the demographics. As noted under the home mortgage analysis above, the nearest Badger Bank office is 10 miles from the moderate-income CT. Additionally, many other financial institutions are located in Watertown (the location of the moderate-income CT), as well as numerous other financial institutions in Jefferson County and the surrounding areas serving this AA.

The random sample of small business loans used for the analysis includes PPP loans on the bank's books at year-end 2021. Examiners noted that the bank participated in the PPP program in both 2020 and 2021. Given the temporary, short-term nature of these loans, many PPP loans paid off prior to

year-end 2021 and were not included in the report available to generate the random sample. Examiners used a separate listing of PPP loans to further analyze of this product.

In 2020, Badger Bank originated 121 PPP loans totaling approximately \$5.5 million. Of these, the bank originated 81 (66.9 percent) totaling approximately \$3.8 million (69.1 percent) in the Jefferson County AA. Of the 108 PPP loans totaling approximately \$3.3 million originated in 2021, Badger Bank originated 76 (70.4 percent) totaling approximately \$2.6 million (78.8 percent) in the Jefferson County AA. The bank originated all AA PPP loans in middle- and upper-income CTs.

Based on the bank's lending compared to demographics, the presence of strong competition, and the distance of the moderate-income CT from the nearest Badger Bank office, the geographic distribution of small business loans is reasonable.

### **Borrower Profile**

The distribution of loans to borrowers within the Jefferson County AA reflects reasonable penetration among borrowers of different income levels and businesses of different sizes. The bank's reasonable home mortgage and small business lending performance supports this conclusion. For home mortgage loans, examiners focused on the percentage by number of loans to low- and moderate-income borrowers, and comparisons to aggregate data. For small business loans, examiners focused on the percentage by number of loans to businesses with GARs of \$1 million or less and comparisons to available D&B data.

#### *Home Mortgage Loans*

The distribution of home mortgage loans to borrowers of different income levels, including low-and moderate-income borrowers, is reasonable. Details and support for this conclusion follow.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Jefferson County						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	13.8	2.5	7	2.7	612	1.3
2021	13.8	--	8	5.3	934	3.0
Moderate						
2020	16.4	14.6	26	10.0	3,105	6.5
2021	16.4	--	25	16.4	2,893	9.4
Middle						
2020	22.7	22.2	59	22.7	9,073	19.0
2021	22.7	--	32	21.1	5,197	16.8
Upper						
2020	47.2	48.3	152	58.5	31,661	66.2
2021	47.2	--	74	48.7	16,391	53.0
Not Available						
2020	0.0	12.4	16	6.2	3,411	7.1
2021	0.0	--	13	8.6	5,509	17.8
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>260</b>	<b>100.0</b>	<b>47,862</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	--	<b>152</b>	<b>100.0</b>	<b>30,924</b>	<b>100.0</b>

Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available.

Due to rounding, totals may not equal 100.0%

In 2020, the bank's lending performance to low-income borrowers (2.7 percent by number) is slightly above, but in line with, the aggregate data. Although the level of lending to low-income borrowers only increased by one loan in 2021, the level of lending to this segment almost doubled from the prior year as a percentage of the number of loans (5.3 percent). Aggregate data for 2021 is not yet available. Although the 2021 performance to low-income borrowers is significantly less than the demographic information, examiners considered the high housing costs for the area resulting in barriers to traditional home mortgage financing for low-income borrowers, particularly those with incomes below the poverty level, as discussed previously.

In 2020, Badger Bank's lending to moderate-income borrowers (10.0 percent by number) is below, but reasonably in line with, the aggregate data. In 2021, the bank's level of lending to moderate-income borrowers matches the demographic information.

Considering both years' activities, the bank's performance is reasonable overall.

### Small Business Loans

The distribution of small business loans within the Jefferson County AA reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The distribution of small business loans by number of loans essentially matches the percentage of business with GARs of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	80.5	40	80.0	4,808	73.8
>\$1,000,000					
2021	6.7	10	20.0	1,706	26.2
Revenue Not Available					
2021	12.8	--	--	--	--
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>50</b>	<b>100.0</b>	<b>6,514</b>	<b>100.0</b>

*Source: 2021 D&B Data; Bank Data; "--" data not applicable. Due to rounding, totals may not equal 100.0%*

As noted earlier, the random sample of small business loans included some PPP loans on the bank's books as of year-end 2021. Three of the 10 loans to businesses with GARs greater than \$1 million shown in the table were PPP loans. Of the 40 loans to businesses with GARs of \$1 million or less, 18 were PPP loans. However, since many of the PPP loans paid off prior to year-end, and therefore would not have been included in the universe to derive the sample, examiners conducted additional analyses of this product. Although management provided revenues for the sampled PPP loans, revenues were not readily available for the entire PPP universe. Therefore, examiners reviewed these loans by loan amount as a proxy for business size. Of the 81 PPP loans originated in this AA in 2020, two were in amounts between \$250,000 and \$300,000, and 79 were in amounts less than \$250,000. Of the 76 PPP loans originated in Jefferson County in 2021, all were in amounts of less than \$250,000. This data indicates that Badger Bank served smaller businesses with PPP loans.

## DANE COUNTY ASSESSMENT AREA – FULL SCOPE REVIEW

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE DANE COUNTY ASSESSMENT AREA

The AA houses one of the bank's four offices, which is located in Cambridge. This office is on the far eastern edge of Dane County, with Cambridge intersected by the Dane and Jefferson County line. As of June 30, 2021, approximately 23.4 percent of the bank's deposits are from this AA.

Of the total 287 home mortgage loans originated in 2020 in the AAs, the bank originated 27 (9.4 percent) in the Dane County AA. In 2021, of the 164 originated home mortgage loans in the AAs, the bank originated 12 (7.3 percent) in this AA. Of the 62 sampled small business loans in the AAs, 12 (19.4 percent) originated within this AA. The bank originated 37 (19.1 percent) of the total AA PPP loans (2020 and 2021) in the Dane County AA.

#### Economic and Demographic Data

The Dane County AA includes two middle-income CTs on the eastern edge of Dane County. The following table contains demographic information for the AA.

Demographic Information of the Assessment Area						
Assessment Area: Dane County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.0	0.0	100.0	0.0	0.0
Population by Geography	9,432	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	4,028	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,955	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	793	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	280	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	673	0.0	0.0	100.0	0.0	0.0
Farms by Geography	88	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,620	14.4	18.3	25.9	41.5	0.0
Household Distribution by Income Level	3,748	17.2	15.1	18.9	48.9	0.0
Median Family Income MSA - 31540 Madison, WI MSA	\$81,321	Median Housing Value			\$211,656	
		Median Gross Rent			\$894	
		Families Below Poverty Level			3.8%	

*Source: 2015 ACS and 2021 D&B Data  
Due to rounding, totals may not equal 100.0%  
(\*) The NA category consists of geographies that have not been assigned an income classification.*

According to the 2015 ACS, there are 4,028 housing units in the Dane County AA, of which 73.4 percent are owner-occupied, 19.7 percent are occupied rental units, and 7.0 percent are vacant. Approximately 95.6 percent of the housing units are 1-4 family units. Examiners use owner-occupied housing data as a standard of comparison in the home mortgage geographic distribution analyses. This data also provides insight into housing availability and related lending opportunities within the Dane County AA.

As noted previously, examiners used the FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table contains the borrower income level categories for the evaluation years presented in this report.

Median Family Income Ranges				
Madison, WI MSA Median Family Income (31540) – Dane County Assessment Area				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$96,600)	<\$48,300	\$48,300 to <\$77,280	\$77,280 to <\$115,920	≥\$115,920
2021 (\$99,000)	<\$49,500	\$49,500 to <\$79,200	\$79,200 to <\$118,800	≥\$118,800

*Source: FFIEC*

The Dane County AA's median housing value was \$211,656, based on the 2015 ACS data. More recent data from the WRA reflects much higher median housing values. Based on home sales in Dane County, the median prices were \$297,500, \$315,625, and \$350,625 in 2019, 2020, and 2021, respectively. Given the median housing value of this AA, low-income borrowers, particularly those below the poverty level (3.8 percent), face challenges to homeownership via traditional mortgage lending.

According to the most current D&B data, there were 673 non-farm businesses in the Dane County AA. Of these, 72.1 percent have four or fewer employees, 91.4 percent have fewer than 10 employees, and 91.2 percent operate from a single location. This data demonstrates that a significant portion of Dane County AA businesses is smaller businesses.

Data obtained from the U.S. Bureau of Labor Statistics reflects that the 2021 year-end unemployment rate was 2.8 percent for the State of Wisconsin. At that time, the unemployment rate was 1.4 percent in Dane County. The unemployment rates were consistent throughout most of the evaluation period, but sharply increased in the second quarter of 2020 due to the COVID-19 pandemic. The highest unemployment increase during the evaluation period occurred in April 2020, when the Wisconsin rate reached 14.9 percent. At this same time, the unemployment rate was 11.2 percent in Dane County. Since then, the state and county unemployment rates declined to their current levels.

### **Competition**

There is strong competition for financial services from financial institutions located throughout the Dane County AA and surrounding areas. As of the June 30, 2021 FDIC Deposit Market Share data, 35 financial institutions operate 145 offices within Dane County. Badger Bank ranked 30<sup>th</sup> with a deposit market share of approximately 0.2 percent. However, as the bank's AA only includes 2 CTs

in Dane County, and the market share information is based on full county data, this market share information is somewhat skewed.

There is a strong level of competition for home mortgage loans among the various banks, credit unions, and non-depository mortgage lenders within and near the Dane County AA. Based on the 2020 aggregate HMDA data, 125 financial institutions originated 1,142 mortgage loans in this AA. Badger Bank ranked 5<sup>th</sup> by number, with a market share of approximately 2.5 percent. The bank's average loan size was \$206,000 compared to \$204,000 for all reporters combined.

As noted earlier, the bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analyses of small business loans do not include comparisons to aggregate data. The aggregate data, however, is an indicator of the level of demand and opportunities for small business loans in the Dane County AA. The aggregate data only includes loans originated by reporting banks, and includes activity in the entire county. Aggregate data for 2020, the most recent year available, shows that 132 institutions reported 8,229 small business loans in Dane County, indicating a strong level of competition for this product.

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

Refer to the Jefferson County AA - Community Contact section for details on community contact information pertinent to the Dane County AA.

### **Credit Needs**

The credit needs and opportunities for the Dane County AA are similar to those of the Jefferson County AA. Refer to the Jefferson County AA – Credit Needs section for details.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE DANE COUNTY ASSESSMENT AREA**

### **LENDING TEST**

Badger Bank demonstrated satisfactory lending performance within the Dane County AA. The bank's performance in the Borrower Profile criterion primarily supports this conclusion.

### **Geographic Distribution**

Badger Bank's Dane County AA is comprised of two middle-income CTs only; therefore, analysis of the geographic distribution of residential and small business loans would not produce any meaningful results. The Dane County AA has no identifiable low- or moderate-income neighborhoods, and no identified, conspicuous gaps in lending.

## **Borrower Profile**

The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable. For home mortgage loans, examiners focused on the percentage by number of loans to low- and moderate-income borrowers, and comparisons to aggregate data. For small business loans, examiners focused on the percentage by number of loans to businesses with GARs of \$1 million or less and comparisons to D&B data. The data and analyses only include reviewed loans originated within the Dane County AA.

### **Home Mortgage Loans**

The distribution of home mortgage loans to borrowers of different income levels is reasonable. The bank's 2020 and 2021 lending is shown in the following table.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Dane County</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						
2020	14.4	8.1	2	7.4	180	3.3
2021	14.4	--	2	16.7	267	17.6
Moderate						
2020	18.3	20.9	4	14.8	578	10.6
2021	18.3	--	5	41.7	535	35.3
Middle						
2020	25.9	27.9	8	29.6	1,460	26.8
2021	25.9	--	2	16.7	237	15.7
Upper						
2020	41.5	33.9	11	40.7	2,868	52.6
2021	41.5	--	2	16.7	305	20.2
Not Available						
2020	0.0	9.2	2	7.4	371	6.8
2021	0.0	--	1	8.3	170	11.2
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>5,456</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>12</b>	<b>100.0</b>	<b>1,514</b>	<b>100.0</b>

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

In 2020, the bank's lending to low-income borrowers (7.4 percent by number) is slightly below, but in line with, the aggregate data. Although the number of 2021 loans to low-income borrowers remained the same as 2020, the level of lending to this borrower segment more than doubled from

the prior year as a percentage of loans (16.7 percent). Aggregate data for 2021 is not yet available. The bank's 2021 lending was higher than, but in line with, the demographic data.

In 2020, Badger Bank's lending to moderate-income borrowers (14.8 percent by number) is significantly below the aggregate data. However, in 2021, the bank's level of lending to moderate-income borrowers (41.7 percent) more than doubled as a percent of total loans, and is substantially higher than the percentage of moderate-income families, at 18.3 percent. The substantially higher performance to moderate-income borrowers in 2021 offsets the lower performance in 2020.

Considering lending levels for both years and for both low- and moderate-income borrowers, the bank's performance is reasonable.

#### Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The bank's level of lending to these businesses exceeds the percentage of businesses, but is considered reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	85.9	11	91.7	444	63.8
>\$1,000,000					
2021	4.0	1	8.3	252	36.2
Revenue Not Available					
2021	10.1	--	--	--	--
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>696</b>	<b>100.0</b>

Source: 2021 D&B Data; Bank Data; "--" data not applicable. Due to rounding, totals may not equal 100.0%

The small business loan sample includes PPP loans reflected on the bank's books as of year-end 2021. There were six PPP loans captured in the data shown in the table, all to businesses with GARs of \$1 million or less. Since many of the PPP loans paid off prior to year-end, and therefore would not have been included in the universe used to derive the sample, examiners conducted additional analyses of this product. Although management provided revenues for the sampled PPP loans, revenues were not readily available for the entire PPP universe. Therefore, examiners reviewed these loans by loan amount as a proxy (or indicator) of business size. Of the 19 originated in the AA in 2020 and 18 in 2021, all were in amounts of less than \$150,000. This data indicates that Badger Bank served smaller businesses with PPP loans.

## **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.