

# **PUBLIC DISCLOSURE**

February 18, 2025

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Citizens Bank  
Certificate Number: 13055

301 N Rochester St  
Mukwonago, Wisconsin 53149

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

300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606

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

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** 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 (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and the credit needs of the AA.
- The bank made a majority of its small business and home mortgage loans, by number and dollar amount, in the AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects reasonable penetration of loans among businesses of different sizes and individuals of different income levels.
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

**The Community Development Test is rated Satisfactory.**

- The institution demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments and donations, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the AA.

## DESCRIPTION OF INSTITUTION

Citizens Bank is a full-service community bank operating in Mukwonago, Wisconsin. Citizens Bank Holding, Inc., a one-bank holding company also located in Mukwonago, wholly owns Citizens Bank. Citizens Bank has one subsidiary, Citizens Investments, Inc., an investment entity based in Las Vegas, Nevada. The institution received a Satisfactory rating at its previous, May 16, 2022 FDIC Performance Evaluation using Interagency Intermediate Small Institution Examination Procedures.

In addition to its main office in Mukwonago, Citizens Bank operates eight branches located in Waukesha County and two branches in Walworth County. In July 2022, Citizens Bank closed three limited-service branches, two in the City of Muskego and one in the Village of Mukwonago. All three limited-service branches were located within senior living or nursing home facilities within middle- or upper-income census tracts. Both Mukwonago and Muskego have full-service branches available in lieu of closing these limited-service branches. In December 2024, Citizens Bank closed a full-service retail branch in Mukwonago, located in a middle-income tract. Citizens Bank still has three remaining branches in Mukwonago, including the Town of Genesee branch. In February 2025, the bank closed their office in a grocery store in Muskego, and reopened a stand-alone branch a quarter mile down the road.

Citizens Bank offers a variety of loan and deposit products, with a focus on commercial and residential lending activities. Loan products include small business, home mortgage, and consumer loans. Citizens Bank offers several government loan programs including 504 and 7(a) loans from the Small Business Administration (SBA) and Wisconsin Housing and Economic Development Authority loans. Additionally, they offer a variety of other home-mortgage loan programs such as Federal Home Loan Mortgage Corporation (Freddie Mac) Home Possible and Home One Mortgages.

The institution also offers various deposit services, including savings, checking, money market deposit accounts, individual retirement, health savings accounts, and certificates of deposit. Customers can access products and services through online, telephone, and mobile banking platforms, as well as drive-up facilities at all office locations except for locations within Hansen's Market and Pick 'n Save. Automated teller machines are available at each office location. Additionally, Citizens Bank participates in the ATM Access Network, providing customers with surcharge-free cash withdrawals at over 650 ATM Access locations across Wisconsin and Minnesota.

As of December 31, 2024, Citizens Bank maintained total assets of \$1.1 billion, total loans of \$714.9 million and total deposits of \$931.9 million. The following table shows the distribution for each loan category by dollar volume.

<b>Loan Portfolio Distribution as of 12/31/2024</b>		
<b>Loan Category</b>	<b>\$ (000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	101,007	14.1
Secured by Farmland	1,553	0.2
Secured by 1-4 Family Residential Properties	94,446	13.2
Secured by Multifamily (5 or more) Residential Properties	82,090	11.5
Secured by Nonfarm Nonresidential Properties	375,954	52.6
<b>Total Real Estate Loans</b>	<b>655,050</b>	<b>91.6</b>
Commercial and Industrial Loans	49,902	7.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	611	0.1
Obligations of State and Political Subdivisions in the U.S.	7,665	1.1
Other Loans	1,666	0.2
<b>Total Loans</b>	<b>714,894</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Since the previous evaluation, the loan portfolio composition has changed slightly. Differences include commercial loans decreasing by 5.8 percentage points and multi-family loans decreasing by 5.1 percentage points. Construction and development loans increased by 7.9 percentage points.

No financial, legal, or other impediments limit Citizens Bank’s ability to meet the credit needs of its AA.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. Citizens Bank has designated a single AA in the Milwaukee-Racine-Waukesha Combined Statistical Area (CSA). Citizens Bank’s AA consists of 98 census tracts (CTs) in Waukesha County, 5 CTs in Racine County, and 5 CTs in Walworth County. The Waukesha County CTs are located in the Milwaukee-Waukesha Metropolitan Statistical Area (MSA), the Racine County CTs are located in the Racine MSA, and the Walworth County CTs are located in the non-MSA portion of Wisconsin. The Milwaukee-Racine-Waukesha CSA includes Waukesha, Racine, and Walworth Counties. The AA remains unchanged since the previous examination, and all of the CTs within the AA are contiguous. The bank’s AA does not arbitrarily exclude any low- or moderate-income CTs, does not reflect illegal discrimination, and otherwise meets the requirements of the CRA regulation.

### **Economic and Demographic Data**

The AA consists of 108 CTs comprised of 4 moderate-income CTs, 31 middle-income CTs, and 73 upper-income CTs. The AA does not have any low-income CTs. All four moderate-income CTs are located in downtown Waukesha, Wisconsin. See the following table for more demographic information on the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	108	0.0	3.7	28.7	67.6	0.0
Population by Geography	446,623	0.0	2.9	24.8	72.3	0.0
Housing Units by Geography	183,605	0.0	3.9	26.8	69.4	0.0
Owner-Occupied Units by Geography	134,781	0.0	1.9	22.2	76.0	0.0
Occupied Rental Units by Geography	40,699	0.0	10.5	42.9	46.6	0.0
Vacant Units by Geography	8,125	0.0	3.8	22.0	74.2	0.0
Businesses by Geography	49,261	0.0	2.5	25.5	72.0	0.0
Farms by Geography	1,449	0.0	1.9	19.6	78.5	0.0
Family Distribution by Income Level	122,557	11.4	13.2	19.7	55.7	0.0
Household Distribution by Income Level	175,480	14.9	12.0	15.7	57.5	0.0
Median Family Income MSA - 33340 Milwaukee-Waukesha, WI		\$84,829	Median Housing Value			\$293,625
Median Family Income MSA - 39540 Racine-Mount Pleasant, WI		\$77,503	Median Gross Rent			\$1,102
Median Family Income Non-MSAs - WI		\$71,403	Families Below Poverty Level			3.2%
<i>Source: 2020 U.S. Census and 2024 D&amp;B Data. Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR) levels. According to 2024 D&B data, there were 49,261 reporting businesses in the AA. GARs for these businesses are below.

- 86.7 percent have \$1 million or less
- 5.3 percent have more than \$1 million
- 8.0 percent have unknown revenues

Service industries represent the largest portion of AA businesses at 32.8 percent; followed by non-classifiable establishments at 26.4 percent; and finance, insurance, and real estate at 11.4 percent. In addition, based on D&B data, 91.8 percent of businesses operate from a single location and 56.5 percent of area businesses have four or fewer employees.

According to the Wisconsin Department of Workforce Development, major employers in the AA include Kohl's Corporation, Milwaukee Electric Tool Corporation, and Prohealth Waukesha Memorial Hospital, all located within Waukesha County. Within the two partial counties of Racine and Walworth, Aurora Lakes Medical Center, community elementary schools, and high schools are significant employers.

Based on 2020 U.S. Census data, the current AA population has grown since the 2015 American Community Survey, with a 4.6 percent increase in population. Of the 183,605 housing units in the AA, 73.4 percent are owner-occupied, 22.2 percent are occupied rental units, and 4.4 percent are vacant. This data gives some insight into the AA's housing credit opportunities.

Information from the Wisconsin Realtors Association (WRA) indicates that housing sales prices have steadily increased in the AA since the previous evaluation. In Waukesha and Walworth Counties, median sale prices exceed the statewide median housing costs. In Racine County, median sales prices fall below statewide median housing costs. The median housing costs provide insight into the potential affordability of housing for low- and moderate-income people. The following table details median housing costs.

<b>Median Home Sales Price</b>			
<b>Area</b>	<b>2022 (\$)</b>	<b>2023 (\$)</b>	<b>2024 (\$)</b>
Waukesha County	405,000	431,000	456,000
Racine County	230,000	240,262	275,000
Walworth County	316,500	338,000	370,000
State of Wisconsin	265,000	285,000	310,000
<i>Source: Wisconsin Realtor's Association</i>			

Housing sales volume gives insight into the home mortgage lending needs and opportunities within the AA. Housing sales data is detailed below.

<b>Housing Sales</b>			
<b>Area</b>	<b>2022 (#)</b>	<b>2023 (#)</b>	<b>2024 (#)</b>
Waukesha County	5,444	4,572	4,731
Racine County	2,958	2,292	2,341
Walworth County	1,779	1,452	1,475
State of Wisconsin	78,003	64,518	67,544
<i>Source: Wisconsin Realtor's Association</i>			

The following table provides the 2022 and 2023 median family incomes and corresponding income levels used to analyze home mortgage lending activities in the AA under the Borrower Profile criterion.

<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>
<b>Milwaukee-Waukesha, WI MSA Median Family Income (33340)</b>				
2022 (\$96,100)	<\$48,050	\$48,050 to <\$76,880	\$76,880 to <\$115,320	≥\$115,320
2023 (\$100,600)	<\$50,300	\$50,300 to <\$80,480	\$80,480 to <\$120,720	≥\$120,720
<b>Racine, WI MSA Median Family Income (39540)</b>				
2022 (\$89,500)	<\$44,750	\$44,750 to <\$71,600	\$71,600 to <\$107,400	≥\$107,400
2023 (\$92,900)	<\$46,450	\$46,450 to <\$74,320	\$74,320 to <\$111,480	≥\$111,480
<b>WI NA Median Family Income (99999)</b>				
2022 (\$81,500)	<\$40,750	\$40,750 to <\$65,200	\$65,200 to <\$97,800	≥\$97,800
2023 (\$86,000)	<\$43,000	\$43,000 to <\$68,800	\$68,800 to <\$103,200	≥\$103,200
<i>Source: FFIEC</i>				

## **Competition**

The AA has a highly competitive market for financial services. According to the FDIC Deposit Market Share data, as of June 30, 2023, 41 financial institutions operated 159 full-service branches in the AA. Of these institutions, Citizens Bank ranked 9<sup>th</sup> with 3.8 percent of the deposit market share.

Citizens Bank is not required to collect or report small business data and has not elected to do so. Therefore, the analysis of loans under the Lending Test does not include direct comparisons against aggregate data. However, the aggregate data provides insight into the level of demand and competition for business lending. The 2023 aggregate data for small business lending shows 102 lenders reported 15,179 small business loans in Waukesha, Racine, and Walworth Counties. The aggregate data indicates a high degree of competition in small business lending. Like Citizens Bank, many institutions are not required to report small business lending data; therefore, competition for this loan type is greater than the aggregate data reflects.

The 2023 aggregate home mortgage lending data reported by financial institutions required to comply with the Home Mortgage Disclosure Act (HMDA) reflects 396 lenders reported 17,000 home mortgage loans in the AA. Of these lenders, Citizens Bank ranked 35<sup>th</sup> with 0.6 percent of the market share. This volume indicates a high degree of credit opportunities and competition for home mortgage lending. Many institutions are not required to report lending data; therefore, competition and opportunities for this loan type would be greater than the aggregate data indicates.

## **Community Contact**

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. Examiners reviewed contact information from an officer of a local economic development corporation that serves Waukesha County to discuss the credit needs and economy of the AA.

According to the contact, the AA's population is growing, largely attributed to new job opportunities in the area. Waukesha County has the second lowest tax rate in the state of Wisconsin, attracting many businesses. As such, there is a need for workforce housing for new employees in the area, although the contact noted high interest rates make housing construction difficult to afford. Additionally, many residents in the region are currently seeking affordable single-family homes in a competitive market with high interest rates. As a result, the contact felt affordable single-family housing and investment in workforce-specific housing are credit needs in the area.

Waukesha County is home to the corporate headquarters of Milwaukee Tool, Kohl's, Generac, and Quad Graphics. However, Waukesha County also offers various resources for both small businesses looking to enter the market and existing small businesses. For example, financial institutions can assist by sponsoring talent development programs in low- and moderate-income areas and participating on non-profit boards that assist small businesses. As such, lending

opportunities exist to assist new small business start-ups and maintain existing small businesses in the area.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, demographic and economic data, and comments from management, examiners determined that there is a significant community development need for affordable housing in the AA, including both single-family and multifamily housing. Additionally, there is the opportunity to assist and maintain small businesses, given the significant percentage of businesses with GARs of \$1 million or less and the percentage of businesses with four or fewer employees in the AA.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated May 16, 2022, to the current evaluation date of February 18, 2025. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. The procedures consist of the Lending Test and the Community Development Test. The Community Development Test will consider activities from May 16, 2022, through December 31, 2024. Examiners performed a full-scope review of the bank's AA. The Appendix details the performance criteria for these tests, while the Glossary provides pertinent definitions.

### **Activities Reviewed**

Examiners determined that the bank's major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy, Call Report data, and the number of loans originated during the evaluation period. The Call Report showed multi-family loans were 11.5 percent of the bank's total loans, but examiners determined the low number of multi-family loan originations in 2022 and 2023 did not require a separate analysis. Similarly, examiners determined that the number of non-owner-occupied originations within the AA in 2022 and 2023 was nominal and did not require separate analysis. Bank records and discussions with management indicate that the lending focus and product mix remained consistent throughout the evaluation period as the bank continues to focus on small business lending. No other loan types, such as agriculture or consumer loans, represent a major product line. Therefore, these products provided no material support for conclusions or ratings and were not included in the analysis.

Under the Lending Test, examiners reviewed the full universe of small business loans originated in 2023. Citizens Bank originated 259 small business loans totaling \$50.8 million in 2023. Citizens Bank had GAR information readily available for small business loans originated or renewed in 2023, allowing Examiners to use the full universe for the borrower profile criterion. These numbers are adjusted to exclude loans included in the Community Development Test to not double count loans.

Examiners also reviewed the universe of home mortgage loans recorded on the 2022 and 2023 HMDA Loan Application Registers. Citizens Bank originated 135 home mortgage loans totaling \$73.7 million in 2022 and 119 home mortgage loans totaling \$28.5 million in 2023.

For the Community Development Test, examiners reviewed and analyzed community development loans, investments, and services utilizing bank-generated reports and compiled data. Examiners considered community development activities from May 16, 2022 to December 31, 2024 and presented data and conclusions under the Community Development Test section of this report.

Examiners considered the loan portfolio composition, the bank's business strategy, and the number of originations to give heavier consideration to the small business lending performance when arriving at overall conclusions. D&B data from 2023 provided a standard of comparison for the bank's small business lending activity while 2020 U.S. Census and 2022-2023 aggregate HMDA data provided a standard of comparison for the bank's home mortgage lending activity.

The CRA performance was analyzed in relation to the bank's performance context, including, but not limited to, bank size and structure, financial condition, loan mix, resources, AA demographics, economic factors, competition, loan demand, and available opportunities. Examiners relied on records provided by the bank, 2020 Census data, 2022-2023 D&B data, U.S. Bureau of Labor Statistics, Wisconsin Department of Workforce Development, WRA, community contacts, loan information reported under the HMDA, and other readily available public information, when making conclusions about bank performance.

While this evaluation includes the number and dollar volume of loans, examiners emphasized performance by number of loans extended, as this is generally a better indicator of the number of small businesses and individuals served. Additionally, given that the AA contains only four moderate-income tracts, the geographic distribution test carries less weight when determining overall conclusions

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Citizens Bank demonstrated reasonable performance under the Lending Test. The institution's LTD ratio, AA Concentration, Borrower Profile, and Geographic Distribution performance support this conclusion.

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

Citizens Bank's average net LTD ratio reflects reasonable performance, given the institution's size and financial condition, as well as the credit needs within the AA. Citizens Bank's LTD ratio averaged 76.2 percent over the previous 11 quarters, with a low of 71.0 percent and a high of 78.4 percent. This ratio is comparable to that of similarly situated financial institutions whose average LTD ratio ranged from 57.7 to 89.0 percent over the same period. Examiners selected the comparable financial institutions based on geographic location, loan portfolio composition, and

asset size. While Citizens Bank’s ratio resides in the lower range of the performance of the largest comparative banks, its performance is within an acceptable range. Further, Citizens Bank’s level of secondary market lending also helps mitigate the more modest LTD ratio. Citizens Bank sold 67 loans totaling \$14.2 million in 2022, 27 loans totaling \$5.9 million in 2023, and 39 loans totaling \$11.6 million in 2024.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2024 (\$ 000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Citizens Bank</b>	<b>1,068,636</b>	<b>76.2</b>
Similarly Situated Bank #1	1,595,798	86.8
Similarly Situated Bank #2	1,481,206	81.4
Similarly Situated Bank #3	909,862	66.7
Similarly Situated Bank #4	823,858	87.2
Similarly Situated Bank #5	803,414	89.0
Similarly Situated Bank #6	606,433	57.7
Similarly Situated Bank #7	561,268	70.3

*Source: Reports of Condition and Income*

**Assessment Area Concentration**

Citizens Bank originated a majority of small business and home mortgage loans, by number and dollar volume, within its AA. The following table reflects lending activity inside and outside of the AA.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans</b>				<b>Total \$</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 Business										
2023	193	74.5	66	25.5	259	34,745,000	68.3	16,098,000	31.7	50,843,000
<b>Subtotal</b>	<b>193</b>	<b>74.5</b>	<b>66</b>	<b>25.5</b>	<b>259</b>	<b>34,745,000</b>	<b>68.3</b>	<b>16,098,000</b>	<b>31.7</b>	<b>50,843,000</b>
Home Mortgage										
2022	89	65.9	46	34.1	135	40,711,443	55.2	33,032,362	44.8	73,743,805
2023	87	73.1	32	26.9	119	21,190,662	74.4	7,297,080	25.6	28,487,742
<b>Subtotal</b>	<b>176</b>	<b>69.3</b>	<b>78</b>	<b>30.7</b>	<b>254</b>	<b>61,902,104</b>	<b>60.6</b>	<b>40,329,442</b>	<b>39.4</b>	<b>102,231,547</b>
<b>Total</b>	<b>369</b>	<b>71.9</b>	<b>144</b>	<b>28.1</b>	<b>513</b>	<b>96,647,104</b>	<b>63.1</b>	<b>56,427,442</b>	<b>36.9</b>	<b>153,074,547</b>

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

**Geographic Distribution**

The overall geographic distribution of small business and home mortgage loans reflects reasonable dispersion among the moderate-income CTs. Examiners focused on the percentage of loans by number in moderate-income CTs as the AA contains no low-income CTs.

***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. Citizens Bank’s level of lending to businesses in the four moderate-income CTs trails the demographic data for several reasons. First, there is limited opportunity to originate small business loans within these CTs with only 2.6 percent of businesses within the AA. Additionally, although not a direct comparator, 2023 aggregate data available shows that reporting lenders originated 2.0 percent of small business loans in the moderate-income CTs. This data supports that competition is high and demand is being met. Lastly, the moderate-income tracts primarily surround downtown Waukesha. Citizens Bank’s nearest branch is approximately five miles away and small, holding only 4.4 percent of total Citizens Bank deposits based on June 30, 2024, Call Report data. Given these factors and that the bank’s mapped loans did not reveal any conspicuous gaps, the dispersion of loans within the moderate-income tracts is reasonable.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate					
2023	2.6	1	0.5	86	0.2
Middle					
2023	25.6	63	32.6	12,493	36.0
Upper					
2023	71.8	129	66.8	22,166	63.8
<b>Totals</b>					
<b>2023</b>	<b>100.0</b>	<b>193</b>	<b>100.0</b>	<b>34,745</b>	<b>100.0</b>

*Source: 2023 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.*

***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. Lending in the moderate-income tracts slightly trailed both the demographic and aggregate data in 2022 and 2023; however, the bank’s performance is still comparable. The moderate-income CTs only have 1.9 percent of owner-occupied housing units within the AA, indicating limited opportunity for home mortgage lending. Additionally, as noted above, Citizens Bank does not have any branches located within the moderate-income CTs. Further, competition for home loans is high within the AA, Citizens Bank ranked 35<sup>th</sup> with only 0.6 percent of the market share for home mortgage loans. Specifically, there are three National Banks and one State Bank with branches located within or much closer to the moderate-income CTs than Citizens Bank. Considering

competition in the area, locations of the branch offices, and the relatively low owner-occupancy levels in these tracts, the level of lending reflects reasonable performance.

<b>Geographic Distribution of Home Mortgage Loans</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						
2022	1.9	2.0	1	1.1	136	0.3
2023	1.9	2.1	1	1.1	305	1.4
Middle						
2022	22.2	21.3	13	14.6	8,807	21.6
2023	22.2	22.1	17	19.5	3,377	15.9
Upper						
2022	76.0	76.7	75	84.3	31,768	78.0
2023	76.0	75.8	69	79.3	17,510	82.6
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>89</b>	<b>100.0</b>	<b>40,712</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>87</b>	<b>100.0</b>	<b>21,191</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%*

## **Borrower Profile**

The overall distribution of small business and home mortgage loans reflects reasonable penetration among businesses of different sizes, as well as individuals of different income levels.

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

The distribution of small business loans reflects reasonable penetration among businesses with GARs of \$1 million or less.

Citizens Bank’s distribution of small business loans to businesses with GARs of \$1 million or less trails demographic data. The demographic data itself represents the percentage of businesses of different sizes operating within the AA and does not necessarily represent those businesses that are seeking or may even qualify for bank financing. Smaller business owners often finance their business needs through credit cards, personal home equity lines of credit, or even consumer loans originated in their own name, with these types of loans not captured in this analysis. Therefore, aggregate data and performance of similarly situated financial institutions helps examiners understand actual lending opportunities. Although the bank is not a small business data reporter, the reported data provides some idea of loan demand and performance by reporting institutions. The aggregate performance for lending to businesses with revenues of \$1 million or less was 54.4 percent for 2023. This information gives a clearer picture of the demand for small business loans within the AA. Citizens Bank’s performance only slightly trailed the aggregate data. Examiners

also compared the bank’s lending performance to three similarly situated financial institutions with operations within Waukesha County, which is the largest portion of the Citizens Bank’s lending footprint. The similarly situated financial institutions’ performances ranged from 53.0 to 56.5 percent, which is comparable to Citizens Bank’s performance. Considering the relevant performance context, aggregate data, and performance of similarly situated financial institutions, the borrower profile criterion for small business loans is considered reasonable.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2023	86.5	97	50.3	12,299	35.4
>\$1,000,000					
2023	5.5	91	47.2	22,057	63.5
Revenue Not Available					
2023	8.1	5	2.6	389	1.1
<b>Totals</b>					
<b>2023</b>	<b>100.0</b>	<b>193</b>	<b>100.0</b>	<b>34,745</b>	<b>100.0</b>
<i>Source: 2023 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 among individuals of different income levels.

In 2022, Citizens Bank’s distribution of home mortgage loans among low-income borrowers significantly trails demographic data yet exceeds aggregate data. In 2023, Citizens Bank’s performance trailed both the demographic and aggregate data, with only one loan extended to a low-income borrower. According to U.S. Census Bureau information, approximately 3.2 percent of AA families maintain incomes below the poverty level. The limited financial resources of individuals earning an income below the poverty level, combined with increasing housing values in the AA, restricts the demand and opportunity for home mortgage loans to low-income borrowers. With consideration of this performance context, Citizens Bank’s level of lending to low-income individuals is reasonable.

Citizens Bank’s distribution of home mortgage loans among moderate-income borrowers exceeds demographic and aggregate data in 2022. In 2023, Citizens Bank’s performance exceeded demographic data and was comparable to aggregate data. The bank offers loans through various special loan programs, which benefit low- and moderate-income borrowers as well as first time home buyers. Further details on these loans and origination volumes follow the below table. The dispersion of lending to low- and moderate-income individuals is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	11.4	4.7	6	6.7	652	1.6
2023	11.4	3.6	1	1.1	275	1.3
Moderate						
2022	13.2	14.8	19	21.3	2,645	6.5
2023	13.2	14.0	12	13.8	1,745	8.2
Middle						
2022	19.7	23.2	17	19.1	3,703	9.1
2023	19.7	21.9	16	18.4	3,241	15.3
Upper						
2022	55.7	48.5	34	38.2	11,217	27.6
2023	55.7	50.8	46	52.9	12,127	57.2
Not Available						
2022	0.0	8.8	13	14.6	22,494	55.3
2023	0.0	9.6	12	13.8	3,804	17.9
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>89</b>	<b>100.0</b>	<b>40,711</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>87</b>	<b>100.0</b>	<b>21,191</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%*

The bank’s participation in the following loan programs further supports the bank’s reasonable performance.

*Freddie Mac Home Possible Mortgages and Home One Mortgages*

Citizens Bank also offers Freddie Mac Home Possible mortgages. These loans allow for more flexible credit terms and lower down payments than conventional loans, which help low- and moderate-income individuals attain home ownership. During the evaluation period, the bank originated seven Home Possible loans totaling \$1.1 million. Further, the Freddie Mac Home One program offers loans with as low as three percent down with no income caps and higher percent combined loan- to-value limits. Citizens Bank originated one Home One loan during the evaluation period totaling \$143 thousand. The HMDA data above includes loans originated through these two programs.

**Response to Complaints**

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

## COMMUNITY DEVELOPMENT TEST

Citizens Bank’s engagement in community development activities reflects an adequate responsiveness to the needs of the AA. Examiners considered the institution’s capacity, as well as the need for and availability of community development opportunities in the AA. The bank’s community development performance is generally consistent with the performance of similarly situated financial institutions evaluated by the FDIC using Intermediate Small Institution Examination Procedures.

### Community Development Loans

Citizens Bank originated 29 community development loans totaling \$51.4 million during the evaluation period, including 12 community development loans totaling \$32.7 million originated outside the AA but within the broader statewide and regional area (BSRA). Examiners considered the number and dollar amount of community development loans in the BSRA since the bank is meeting the community development needs within its AA. Based on the September 30, 2024 Call report data, the level of community development loans represents approximately 7.3 percent of net loans and 4.8 percent of total assets. Overall, this level of lending activity is comparable to five similarly situated financial institutions in Wisconsin whose community development lending activity ranged from 5.6 to 10.4 percent of net loans and 3.4 to 6.5 percent of total assets and received Satisfactory Community Development ratings. The table below details Citizens Bank’s community development lending activity since the previous evaluation.

Community Development Lending								
Activity Year	Affordable Housing		Economic Development		Community Services		TOTAL	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2022 (partial)	5	8,310	7	9,414	-	-	12	17,724
2023	2	2,448	6	4,973	4	20,101	12	27,522
2024	1	1,216	4	4,969	-	-	5	6,185
<b>TOTAL</b>	<b>8</b>	<b>11,974</b>	<b>17</b>	<b>19,356</b>	<b>4</b>	<b>20,101</b>	<b>29</b>	<b>51,431</b>

*Source: Bank Data*

Notable examples of Citizens Bank’s qualified lending activities include:

- 17 SBA 504 loans totaling \$19.4 million to support economic growth and development of small businesses throughout the AA and BSRA.
- 3 loans totaling \$20.0 million to purchase community based residential facilities throughout the State of Wisconsin that specialize in public pay care and offer services for Medicaid recipients.
- 1 loan for \$1.7 million to purchase a real estate development company that specializes in affordable housing and low-income housing tax credit developments.

### Qualified Investments

In addition to 15 qualified prior period investments, Citizens Bank made 37 new qualified equity investments and 111 qualified donations totaling approximately \$18.2 million to organizations with a community development purpose during the evaluation period. Nine of the qualified investments

occurred directly within the AA, with 26 investments benefitting the BSRA. Citizens Bank also invested in 17 credit unions with low-income designations throughout the United States. Since Citizens Bank has demonstrated responsiveness to community development needs within its AA through other activities such as lending and services, examiners considered these BSRA investments. All but 16 qualified donations directly benefitted the AA. Community development investments represent 8.2 percent of total securities and 1.7 percent of total assets. This level of qualified investment activity is comparable to five similarly situated financial institutions in Wisconsin with Satisfactory ratings whose investment activities varied from 0.3 to 11.0 percent of total securities and 0.1 to 1.8 percent of total assets.

The following table illustrates the bank’s equity investments and donations throughout the evaluation period.

Qualified Investments								
Activity	Affordable Housing		Economic Development		Community Services		Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Prior Period	7	3,777	0	-	8	1,205	15	4,982
2022 (partial)	1	714	2	498	0	-	3	1,212
2023	6	1,677	15	3,699	3	862	24	6,238
2024	10	5,649	0	-	0	-	10	5,649
<b>Subtotal</b>	<b>24</b>	<b>11,817</b>	<b>17</b>	<b>4,197</b>	<b>11</b>	<b>2,067</b>	<b>52</b>	<b>18,081</b>
Qualified Grants & Donations	6	6	0	-	105	84	111	90
<b>Total</b>	<b>30</b>	<b>11,823</b>	<b>17</b>	<b>4,197</b>	<b>116</b>	<b>2,151</b>	<b>163</b>	<b>18,171</b>

*Source: Bank Data*

Notable examples of the bank’s qualified investment and donation activities include:

- 24 mortgage-backed securities totaling \$11.8 million with majority of loans benefitting low- and moderate-income borrowers in the bank’s AA and BSRA.
- 11 school bonds totaling \$2.1 million benefitting low- and moderate-income school districts in the BSRA, evidence by majority of students receiving free and reduced lunches.
- As mentioned above, 17 Certificate of Deposits totaling \$4.2 million held at Credit Unions with low-income designations throughout the United States.

### **Community Development Services**

During the evaluation period, employees provided 57 instances of financial expertise to 26 community development organizations. Of the 57 instances provided, only nine services were to an organization outside of Citizens Bank’s AA, but within the State of Wisconsin. Examiners considered these services throughout Wisconsin, as Citizens Bank has been responsive to the community development needs of its AA during the evaluation period. Citizens Bank’s performance is comparable to five similarly situated financial institutions with Satisfactory ratings

that provided between 10 and 67 qualified services. The following table illustrates the bank’s community development services throughout the evaluation period.

<b>Community Development Services</b>				
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Economic Development</b>	<b>Community Services</b>	<b>Total</b>
2022 (partial)	0	5	18	<b>23</b>
2023	1	3	17	<b>21</b>
2024	0	2	11	<b>13</b>
<b>Total</b>	<b>1</b>	<b>10</b>	<b>46</b>	<b>57</b>
<i>Source: Bank Data</i>				

Notable examples of the bank’s qualified service activities include:

- Multiple employees serving as various Board and Committee positions for the ERA Senior Network of Waukesha, a community assistance program that provides various social services for low- and moderate-income senior individuals in the Waukesha area.
- Multiple employees serve as Board Members and Advisory Board Members for LaCasa de Esperanza, Inc., an organization providing social services to low-and moderate-income individuals within the Latino Community, such as early childhood education, employment assistance, and affordable housing.
- One employee serves as a Board Member for Community Smiles Dental, an organization that provides affordable dental care to low- and moderate- income individuals in the Waukesha area.

In addition to the community development services above, the bank continues to offer the following products and services, which further enhances Citizens Bank’s commitment to community services in the AA.

*Interest on Lawyers’ Trust Accounts (IOLTAs)*

Citizens Bank participates in the State of Wisconsin’s IOLTA program administered by the Wisconsin Trust Account Foundation, Inc. IOLTAs are interest bearing and are comprised of pooled deposits from law firm clients. Wisconsin Trust Account Foundation, Inc. obtains the interest earned from IOLTAs and disburses it to organizations with the purpose of providing civil legal aid to low- income individuals and supporting improvements to the justice system. During the evaluation period, Citizens Bank maintained 10 IOLTAs.

*Interest Bearing Real Estate Trust Accounts (IBRETAs)*

Citizens Bank participates in the State of Wisconsin’s IBRETA program administered by the Department of Administration. IBRETAs are interest bearing and are comprised of down payments, earnest money, and other trust funds received by real estate brokers and other real estate sales personnel. The Department of Administration obtains the interest earned from IBRETAs and disburses it to fund grants to organizations that provide shelter or services to homeless individuals and families. During the evaluation period, Citizens Bank maintained 17 IBRETAs.

Credit Builder Loans

Citizens Bank offers a loan product targeted to consumers with poor or no credit history. The Credit Builder is a low-rate, deposit-secured loan intended to strengthen or build an individual's credit. The bank's goal is to enhance the consumers' creditworthiness to assist them in meeting the requirements needed to qualify for a traditional consumer loan. During the evaluation period, the bank originated 15 Credit Builder loans totaling \$42,420.

Training Center

Citizens Bank offers a training center in Waukesha for non-profit organizations and small businesses to use free of charge. The training center has audio equipment, internet access, and video conferencing capabilities.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners reviewed the bank's compliance with the laws relating to discriminatory and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any evidence of discriminatory or other illegal credit practices. Therefore, this consideration did not affect the institution's overall CRA rating.

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

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

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

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## GLOSSARY

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

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

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

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

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

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

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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

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

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

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

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

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

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

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

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

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

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

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

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

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

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

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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