

# **PUBLIC DISCLOSURE**

March 11, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Hometown Bank of Pennsylvania  
Certificate Number: 58470

638 E Pitt Street  
Bedford, Pennsylvania 15522

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

350 Fifth Avenue, Suite 1200  
New York, New York 10118

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

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment areas credit needs.
- A substantial majority of loans are in the institution's assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration 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 Lending Test rating.

## DESCRIPTION OF INSTITUTION

Hometown Bank of Pennsylvania (Hometown Bank) is a full-service bank headquartered in Bedford, Pennsylvania (PA), operating in southwestern Pennsylvania. The bank is a stock savings bank that does not operate with any affiliates or subsidiaries. The bank received a Satisfactory rating at its previous FDIC CRA Performance Evaluation, dated March 5, 2018, based on Interagency Small Institution Examination Procedures.

In addition to its main branch in Bedford, PA, the bank operates three branches in Bedford County and two branches in Blair County. Since the prior evaluation, Hometown opened one branch in Saxton, PA, in Bedford County. All branches are located in middle-income census tracts. Hometown Bank did not close any branches and no merger acquisition activities occurred since the previous evaluation.

Hometown Bank is primarily a residential and commercial lender. The institution offers a variety of deposit and loan products. Loan products include residential and commercial real estate loans, commercial loans, construction loans, farm loans and secured and unsecured consumer loans. Deposit products include personal and business checking, statement savings, money market accounts, and certificates of deposit. In addition, 24-hour automated teller machines, online banking, internet banking, and mobile banking are available.

Assets totaled \$371.6 million as of December 31, 2023, and included total loans of \$217.1 million and total securities of \$81.8 million. Deposits totaled \$343.2 million as of the same date. The following table illustrates the bank’s loan portfolio.

<b>Loan Portfolio Distribution as of 12/31/23</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	8,604	4.0
Secured by Farmland	23,367	10.8
Secured by 1-4 Family Residential Properties	94,898	43.7
Secured by Multifamily (5 or more) Residential Properties	10,845	5.0
Secured by Nonfarm Nonresidential Properties	48,833	22.5
<b>Total Real Estate Loans</b>	<b>186,547</b>	<b>86.0</b>
Commercial and Industrial Loans	22,597	10.4
Consumer Loans	2,835	1.3
Agricultural	2,700	1.2
Obligations of State and Political Subdivisions in the U.S.	2,163	1.0
Other Loans	269	0.1
<b>Total Loans</b>	<b>217,111</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Hometown Bank is primarily a real estate lender as loans secured by real estate represent 86.0 percent of the bank’s loan portfolio. Loans secured by one-to-four family residential real estate comprise 43.7 percent of the portfolio, while commercial loans, consisting of commercial real estate and commercial and industrial loans, and comprise 32.9 percent of the portfolio.

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

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Hometown Bank has two assessment areas that encompass Bedford and Blair Counties in PA. One assessment area consists all of Bedford County, which is located outside any Metropolitan Statistical Area (MSA). The second area contains Blair County, which comprises the Altoona, PA Metropolitan Statistical Area (MSA) #11020. The bank has not changed its assessment areas since the previous examination.

The two assessment areas are referred to as the combined assessment area. Additional descriptions of economic and demographic data are contained within the sections addressing each individual assessment area.

<b>Description of Assessment Areas</b>				
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of Census Tracts 2015 ACS Data</b>	<b># of Census Tracts 2020 U.S. Census</b>	<b># of Branches</b>
Non-Metropolitan MSA	Bedford	11	12	4
Altoona MSA	Blair	45	38	2
<b>Totals</b>		<b>56</b>	<b>50</b>	<b>6</b>

*Source: Bank Records, 2015 ACS Data and 2020 U.S. Census Data.*

As noted above, Hometown Bank has not changed its combined assessment area since the previous CRA evaluation. However, the United States (U.S.) Bureau's 2020 Census demographic data went into effect in 2022. The 2020 Census demographic data updated the number and income level of select census tracts within the combined assessment area. The bank's combined assessment area formerly consisted of 56 census tracts, and now consists of 50 tracts. The full-scope review sections of this evaluation provide details relating to individual assessment areas. The above chart breaks down the census tracts within each designated combined assessment area. Using the 2020 U.S. Census, the bank's combined assessment area consists of the following census tract income designations:

- 1 low-income census tracts;
- 9 moderate-income census tracts;
- 33 middle-income census tracts;
- 7 upper-income census tracts.

Examiners used the 2020 U.S. Census data to evaluate the bank's 2022 and 2023 performance.

An emergency declaration (EM-3441) and a major disaster declaration (DR-4506), both related to the COVID-19 pandemic, affected the entire assessment area as of March 2020, continuing through May 11, 2023.

**Community Contact**

As part of the evaluation process, examiners contact third-parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what types of credit and community development opportunities are available.

Examiners reviewed a recent community contact of an economic and community development agency that promotes business expansion through regional partnerships in the southern Alleghenies. This organization focuses on community, economic, and workforce development. In addition, this organization maintains the goals of enhancing the quality of life and sustainability in six counties including Blair and Bedford Counties. The contact noted that local economy is slowly recovering from the COVID pandemic and related issues, but are experiencing the same issues as other areas of the country. The agricultural sector appears to be doing better than others. Service and retail sectors are suffering from a lack of workers. The contact praised financial institutions for their involvement and responsiveness to credit and community needs.

**Credit and Community Development Needs and Opportunities**

Considering information from community contacts, bank management, and demographic and economic data, examiners determined that home mortgage loans and small business loans represent the primary credit needs for the assessment area. Affordable housing is a need throughout the assessment area, with the demand for affordable housing outweighing the current supply. Small business loans, for start-up and working capital, are in demand. Opportunities for small business lending are illustrated by the high percentage of businesses with gross annual revenues of \$1.0 million or less; operate out of a single location; and maintain a workforce of four or fewer employees.

**SCOPE OF EVALUATION**

**General Information**

This evaluation covers the period from the prior evaluation dated March 5, 2018, to the current evaluation dated March 4, 2024. Examiners used Interagency Small Institution CRA Examination Procedures to evaluate the bank’s CRA performance.

Examiners reviewed the bank’s performance in the two assessment areas. Examiners performed full-scope reviews of both assessment areas. The bank’s performance in the PA Non-MSA assessment area contributed more weight to overall conclusions, as the bank’s operations within this assessment area account for a significant majority of the institution’s loans, deposits, and branches, as detailed in the following table. The loan totals include the dollar volume of home mortgage loans and small business loans originated inside the combined assessment area from 2021 through 2023.

<b>Assessment Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
PA Non-MSA	72,044	80.8	278,527	86.2	4	66.7
Altoona, PA MSA	17,142	19.2	44,635	13.8	2	33.3
<b>Total</b>	<b>89,186</b>	<b>100.0</b>	<b>323,162</b>	<b>100.0</b>	<b>6</b>	<b>100</b>

*Source: Bank Data; FDIC Summary of Deposits (6/30/2023). Loan amounts based on home mortgage and small business loans originated during the evaluation period (2021-2023).*

**Activities Reviewed**

Examiners determined that the bank’s major product lines are home mortgage and small business loans. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period. The bank’s record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loans volume when compared to small business lending. No other loan types, such as small farm or consumer loans, represent a major product line or provide material support for conclusions or ratings; therefore, examiners did not present these products in the evaluation

This evaluation considered all home mortgage loans reported on the bank’s 2021, 2022,

and 2023 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). In 2021, the bank originated 177 HMDA loans totaling \$24.9 million; 228 HMDA loans totaling \$28.3 million in 2022; and 194 HMDA loans totaling \$17.6 million in 2023. For comparative purposes, the evaluation presents 2022 aggregate HMDA data and 2020 U.S. Census data.

Small business loans include loans with original amounts of \$1.0 million or less secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans. Hometown Bank is not required to collect or report small business data due its asset size, and it has not elected to do so. However, management provided internally generated commercial loan reports that included applicable information for 2021, 2022, and 2023. Therefore, this evaluation considered all small business loans originated in those years. In 2021, the bank originated 58 small business loans totaling \$6.6 million; 73 small business loans totaling \$14.0 million in 2022; and 87 small business loans totaling \$10.3 million in 2023. For comparative purposes, the evaluation presents 2022 and 2023 Dun & Bradstreet (D&B) business demographic data.

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period.

Although examiners analyzed and may comment on all three years of data provided, the variance of activity between 2021 and 2022 is not material to present for all portions of this evaluation; therefore, the primary presentation of activities are those home mortgage loans and small business loans from 2022 and 2023.

Data from 2022, the most recent year for which both aggregate and demographic data is available for home mortgage lending, contributed more weight to overall conclusions. Demographic data for 2023, for home mortgage and small business lending, was also considered. Examiners reviewed the number and dollar volume of home mortgage and small business loans; however, examiners emphasized performance by number of loans since it is a better indicator of the number of individuals and businesses served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Hometown Bank demonstrated reasonable performance under the Lending Test. The bank's reasonable LTD ratio, Geographic Distribution, and Borrower Profile performance primarily supports this conclusion. The performances in the Non-MSA assessment area and Altoona, PA MSA assessment area are consistent with the overall performance. Refer to the individual assessment area sections for details of the bank's Lending Test performance.

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

The LTD ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs. The LTD ratio, calculated from Call Report data, averaged 76.7 percent over the past 24 calendar quarters from March 31, 2018, to December 31, 2023. The ratio ranged from a low of 62.9 percent as of June 30, 2023, to a high of 95.5 percent as of December 31, 2018. The bank's average LTD ratio has varied since the prior evaluation.

Examiners selected the comparable institutions based on asset size as of December 31, 2023, geographic location, and lending focus, as displayed in the following table. Hometown Bank's average net LTD ratio surpasses Investment Savings and Altoona First, and falls slightly behind PennCrest Bank. Hometown Bank's LTD is reasonable when compared with similarly situated institutions.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2023 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Hometown Bank</b>	<b>371,595</b>	<b>76.7</b>
PennCrest Bank	220,331	80.1
Altoona First	305,206	75.1
Investment Savings Bank	103,091	56.6

*Source: Reports of Condition and Income 3/31/2018 through 12/31/2023*

### **Assessment Area Concentration**

Hometown Bank originated a substantial majority of its home mortgage loans and small business loans, by number and dollar volume, within its combined assessment area. See the following table.



Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	170	96.0	7	4.0	177	21,610	86.6	3,335	13.4	24,945
2022	213	93.4	15	6.6	228	25,993	91.8	2,314	8.2	28,307
2023	179	92.3	15	7.7	194	15,831	90.1	1,744	9.9	17,575
<b>Subtotal</b>	<b>562</b>	<b>95.0</b>	<b>37</b>	<b>5.0</b>	<b>599</b>	<b>63,434</b>	<b>89.6</b>	<b>7,393</b>	<b>10.4</b>	<b>70,827</b>
Small Business										
2021	54	93.1	4	6.9	58	5,944	90.2	648	9.8	6,593
2022	63	86.3	10	13.7	73	11,115	79.2	2,912	20.8	14,027
2023	78	89.7	9	10.3	87	8,691	84.7	1,570	15.3	10,262
<b>Subtotal</b>	<b>195</b>	<b>89.4</b>	<b>23</b>	<b>10.6</b>	<b>218</b>	<b>25,750</b>	<b>83.4</b>	<b>5,130</b>	<b>16.6</b>	<b>30,882</b>
<b>Total</b>	<b>757</b>	<b>92.7</b>	<b>60</b>	<b>7.3</b>	<b>817</b>	<b>89,184</b>	<b>87.7</b>	<b>12,523</b>	<b>12.3</b>	<b>101,707</b>
<i>Source: Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. The bank's performance of home mortgage and small business lending within the Non-MSA supports this conclusion. The bank's distribution of loans in the Altoona PA MSA assessment area reflects a poor performance. The bank's performance in the PA Non-MSA assessment area was weighted most heavily in reaching the conclusion that the bank's performance is reasonable. Due to the limited lending volume within the Altoona, PA MSA assessment area, this area did not provide any meaningful conclusions. Refer to the individual assessment area sections for detailed discussions of the bank's Lending Test performance.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's performance of home mortgage and small business lending within the Non-MSA and the Altoona PA MSA assessment areas support this conclusion. The bank's performance in the Non-MSA assessment area was weighted most heavily in reaching this conclusion. Refer to the individual assessment area sections for detailed discussions of the bank's Lending Test performance.

### **Response to Complaints**

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

## PA NON-METROPOLITAN STATISTICAL AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN PA NON-MSA ASSESSMENT AREA

This assessment area includes all of Bedford County, PA. The assessment area includes 12 census tracts.

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

The demographics of the census tracts in this assessment area include:

- 1 moderate-income census tract;
- 11 middle-income census tracts.

The following table illustrates select demographic characteristics of the PA Non-MSA assessment area.

<b>Demographic Information of the PA Non-MSA Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	12	0.0	8.3	91.7	0.0	0.0
Population by Geography	47,577	0.0	7.0	93.0	0.0	0.0
Housing Units by Geography	24,405	0.0	7.4	92.6	0.0	0.0
Owner-Occupied Units by Geography	15,824	0.0	6.9	93.1	0.0	0.0
Occupied Rental Units by Geography	4,106	0.0	6.3	93.7	0.0	0.0
Vacant Units by Geography	4,475	0.0	10.3	89.7	0.0	0.0
Businesses by Geography	4,281	0.0	5.3	94.7	0.0	0.0
Farms by Geography	357	0.0	3.4	96.6	0.0	0.0
Family Distribution by Income Level	13,067	18.1	20.7	22.3	38.9	0.0
Household Distribution by Income Level	19,930	24.1	16.4	18.2	41.2	0.0
Median Family Income Non-MSAs - PA		\$65,202	Median Housing Value			\$139,447
			Median Gross Rent			\$681
			Families Below Poverty Level			7.4%
<small>Source: 2020 U.S. Census and 2023 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.</small>						

There are 24,405 housing units. Of these, 64.8 percent are owner-occupied, 16.8 percent are occupied rental units, and 18.3 percent are vacant. The Geographic Distribution criterion compares

home mortgage loans to the distribution of owner-occupied housing units. As reflected in the table above, only 6.9 percent of owner-occupied housing units are located in the moderate-income census tract. This distribution reflects limited opportunities to originate home mortgage loans in the assessment area's moderate-income census tract.

Examiners used the Federal Financial Institutions Examination Council's (FFIEC)-updated median family income data to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories in the assessment area.

<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>PA NA Median Family Income (99999)</b>				
2022 (\$72,900)	<\$36,450	\$36,450 to <\$58,320	\$58,320 to <\$87,480	≥\$87,480
2023 (\$77,800)	<\$38,900	\$38,900 to <\$62,240	\$62,240 to <\$93,360	≥\$93,360
<i>Source: FFIEC</i>				

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by Gross Annual Revenue (GAR) level. According to 2023 D&B data, there were 4,281 non-farm businesses in the assessment area. The following details GARs for these businesses:

- 87.3 percent have GARs of \$1.0 million or less;
- 3.4 percent have GARs greater than \$1.0 million; and
- 9.3 percent have unknown revenues.

Service industries represent the largest portion of total businesses at 36.2 percent; followed by non-classifiable establishments (13.3 percent); retail trade (12.7 percent), and agriculture (7.7 percent). In addition, 71.4 percent of area businesses have four or fewer employees, and 91.7 percent operate from a single location.

Data obtained from the U.S Bureau of Labor and Statistics indicates that the November 2023 National unemployment rate was 3.7 percent and the PA unemployment rate was 3.4 percent. For November 2023, the unemployment rate for Bedford County was at 2.8 percent.

**Competition**

The PA Non-MSA assessment area is moderately competitive in the market for financial services. According to the FDIC's Summary of Deposits data, as of June 30, 2023, there were 9 financial institutions operating 19 branches within Bedford County. Of these institutions, Hometown Bank ranked 1<sup>st</sup> in the county with a 28.3 percent deposit market share.

There is a moderate level of competition for home mortgage loans among bank, credit unions and non-depository mortgage lenders in the assessment area. In 2022, 127 lenders reported 1,337

residential mortgage loans totaling \$171.5 million originated or purchased. Of these institutions, Hometown Bank ranked 1<sup>st</sup> with a 13.9 percent market share.

As previously mentioned, Hometown Bank is not required to report small business loan data and did not elect to do so. Therefore, analysis under the Lending Test does not include comparisons to aggregate data. The aggregate data; however, reflects the competition level for small business loans and is included for performance context. In 2022, 53 lenders reported 842 small business loans originated totaling \$27.6 million in this assessment area. The top five lenders originated 49.7 percent of the number of small business loans in this area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN PA NON-MSA ASSESSMENT AREA**

### **LENDING TEST**

Hometown Bank's lending performance in the PA Non-MSA assessment area is reasonable. The majority of lending, deposits, and branch network are located within this assessment area. Hometown Bank originated 138 home mortgage loans totaling \$16.0 million in 2021; 186 loans totaling \$21.1 million in 2022; and 156 loans totaling \$13.0 million in 2023, in the PA Non-MSA assessment area, accounting for 85.4 percent of all in-area lending during the evaluation period. The bank originated 49 small business loans totaling \$5.5 million in 2021; 54 loans totaling \$8.6 million in 2022; and 70 loans totaling \$7.8 million in 2023, accounting for 88.7 percent of all in-area lending during the evaluation period.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable penetration throughout the PA Non-MSA assessment area. The bank's reasonable distribution of home mortgage loans and small business loans supports this conclusion. Examiners focused on the number of loans in the one moderate-income census tract, as the area has no low-income tracts.

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

The geographic distribution of home mortgage loans reflects reasonable penetration throughout the PA Non-MSA assessment area. In 2022, the bank's lending slightly exceeded aggregate data and fell below, but was comparable to, demographic data. The bank's lending dropped in 2023 and again fell below demographic data in the moderate-income census tract. This assessment area only contains one moderate-income level tract, and only 6.9 percent of owner-occupied homes are located in this tract. Examiners consider the bank's performance in this area as reasonable.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>PA Non-MSA Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate						
2022	6.9	6.1	12	6.5	847	4.0
2023	6.9	--	6	3.8	320	2.5
Middle						
2022	93.1	93.9	174	93.5	20,291	96.0
2023	93.1	--	150	96.2	12,715	97.5
Upper						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>186</b>	<b>100.0</b>	<b>21,138</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>156</b>	<b>100.0</b>	<b>13,035</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

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

The geographic distribution of small business loans reflects reasonable dispersion throughout the PA Non-MSA assessment area. As stated previously, this assessment area only contains one moderate-income tract. In 2022, the bank made one loan in this area and fell below the demographic percentage by 3.4 percent. However, in 2023 the bank's lending increased to eight loans and exceeded the demographic percentage by 6.1 percent. In addition, 94.7 percent of businesses are located in middle-income census tracts. This level of lending reflects reasonable dispersion.

<b>Geographic Distribution of Small Business Loans PA Non-MSA Assessment Area</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate					
2022	5.3	1	1.9	31	0.4
2023	5.3	8	11.4	1,346	17.3
Middle					
2022	94.7	53	98.1	8,606	99.6
2023	94.7	62	88.6	6,449	82.7
Upper					
2022	0.0	0	0.0	0	0.0
2023	0.0	0	0.0	0	0.0
Not Available					
2022	0.0	0	0.0	0	0.0
2023	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>8,637</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>	<b>7,796</b>	<b>100.0</b>
<i>Source: 2022 &amp; 2023 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the PA Non-MSA assessment area. The bank's reasonable performance of home mortgage lending and small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners also focused on the percentage by number of small business loans to businesses with GARs of \$1.0 million or less.

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

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. As shown in the following table, the bank's performance of lending home mortgage loans to low-income borrowers was comparable to aggregate data in 2022, despite the bank trailing demographic data in 2022 and 2023. A low-income family in the assessment area is not likely to qualify for a mortgage under conventional underwriting standards considering the median housing value of \$139,447. Therefore, the opportunities to lend to low-income families are limited. The bank's lending to moderate-income borrowers exceeded demographic lending in 2022 and in 2023, while falling slightly below aggregate performance in 2022. Overall, the bank's performance reflects reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
PA Non-MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	18.1	9.8	18	9.7	1,011	4.8
2023	18.1	--	18	11.5	715	5.5
Moderate						
2022	20.7	24.2	40	21.5	3,716	17.6
2023	20.7	--	41	26.3	3,048	23.4
Middle						
2022	22.3	20.7	40	21.5	4,673	22.1
2023	22.3	--	35	22.4	2,516	19.3
Upper						
2022	38.9	35.3	71	38.2	9,324	44.1
2023	38.9	--	53	34.0	5,774	44.3
Not Available						
2022	0.0	10.0	17	9.1	2,414	11.4
2023	0.0	--	9	5.8	982	7.5
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>186</b>	<b>100.0</b>	<b>21,138</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>156</b>	<b>100.0</b>	<b>13,035</b>	<b>100.0</b>
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						



**Small Business Loans**

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. As shown in the following table, the bank’s penetration of loans to businesses with GARs of \$1.0 million or less in 2022 trailed demographic data. In 2023, the bank’s penetration of loans to businesses with GARs of \$1.0 million or less was again slightly below demographics, but showed an increasing trend and reflects reasonable performance.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category PA Non-MSA Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2022	87.0	41	75.9	5,151	59.6
2023	87.3	56	80.0	4,886	62.7
>\$1,000,000					
2022	3.5	11	20.4	3,372	39.0
2023	3.4	13	18.6	2,854	36.6
Revenue Not Available					
2022	9.5	0	0.0	0	0.0
2023	9.3	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>52</b>	<b>96.0</b>	<b>8,523</b>	<b>99.0</b>
<b>2023</b>	<b>100.0</b>	<b>69</b>	<b>99.0</b>	<b>7,741</b>	<b>99.0</b>
<i>Source: 2022 &amp; 2023 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0</i>					

# ALTOONA, PA METROPOLITAN STATISTICAL AREA– Full-Scope Review

## DESCRIPTION OF INSTITUTION’S OPERATIONS IN ALTOONA, PA MSA ASSESSMENT AREA

This assessment area includes all of Blair County, PA. The Altoona, PA MSA (#11020) includes 38 tracts.

### Economic and Demographic Data

The demographics of the census tracts in this assessment area include:

- 1 low-income census tract;
- 8 moderate-income census tracts;
- 22 middle-income census tracts;
- 7 upper-income census tracts.

The following table illustrates select demographic characteristics of the Altoona, PA MSA Assessment Area.

<b>Demographic Information of the Altoona, PA MSA Assessment Area</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	2.6	21.1	57.9	18.4	0.0
Population by Geography	122,822	1.9	20.1	58.0	20.0	0.0
Housing Units by Geography	56,960	1.9	20.7	57.4	20.0	0.0
Owner-Occupied Units by Geography	36,288	1.5	15.5	61.3	21.7	0.0
Occupied Rental Units by Geography	15,359	3.1	32.2	49.1	15.6	0.0
Vacant Units by Geography	5,313	1.1	23.4	54.5	21.0	0.0
Businesses by Geography	11,248	1.9	21.0	58.5	18.6	0.0
Farms by Geography	347	0.3	9.5	74.9	15.3	0.0
Family Distribution by Income Level	32,357	20.1	18.7	21.3	39.8	0.0
Household Distribution by Income Level	51,647	23.5	17.1	16.8	42.6	0.0
Median Family Income MSA - 11020 Altoona, PA MSA	\$67,495		Median Housing Value			\$128,133
			Median Gross Rent			\$750
			Families Below Poverty Level			9.8%
<p><i>Source: 2020 U.S. Census and 2023 D&amp;B Data</i>  <i>Due to rounding, totals may not equal 100.0%</i>  <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i></p>						

There are 56,960 housing units. Of these, 63.7 percent are owner-occupied, 30.0 percent are occupied rental units, and 9.3 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. As reflected in the table above, only 1.5 percent of owner-occupied housing units are located in the low-income census tract. This distribution reflects limited opportunities to originate home mortgage loans in the low-income census tracts in the assessment area. Furthermore, 15.5 percent of owner-occupied housing units are in moderate-income census tracts.

Examiners used the FFIEC-updated median family income data to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories in the assessment area.

<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>Altoona, PA MSA Median Family Income (11020)</b>				
2022 (\$72,400)	<\$36,200	\$36,200 to <\$57,920	\$57,920 to <\$86,880	≥\$86,880
2023 (\$81,100)	<\$40,550	\$40,550 to <\$64,880	\$64,880 to <\$97,320	≥\$97,320
<i>Source: FFIEC</i>				

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2023 D&B data, there were 11,248 non-farm businesses in the assessment area. The following details GARs for these businesses:

- 85.6 percent have GARs of \$1.0 million or less;
- 4.5 percent have GARs greater than \$1.0 million; and
- 9.9 percent have unknown revenues.

Service industries represent the largest portion of total businesses at 38.8 percent; followed by non-classifiable establishments (15.2 percent); retail trade (14.1 percent); finance, insurance and real estate (10.9 percent); and construction (6.8 percent). In addition, 65.3 percent of area businesses have four or fewer employees, and 89.5 percent operate from a single location.

Data obtained from the U.S Bureau of Labor and Statistics indicates that the November 2023 National unemployment rate was 3.7 percent and the PA unemployment rate was 3.4 percent. For November 2023, the unemployment rate for Blair County was at 2.7 percent.

### **Competition**

The Altoona, PA MSA assessment area is moderately competitive in the market for financial services. According to the FDIC’s Summary of Deposits data, as of June 30, 2023, there were 15 financial institutions operating 46 branches within this assessment area. Of these institutions, Hometown Bank ranked 12<sup>th</sup> with a 1.3 percent deposit market share.

There is a moderate level of competition for home mortgage loans among bank, credit unions, and non-depository mortgage lenders in the assessment area. In 2022, 162 lenders reported 3,178 residential mortgage loans totaling \$464.3 million originated or purchased. Of these institutions, Hometown Bank ranked 25<sup>th</sup> with a 0.9 percent market share. The top three most prominent lenders accounted for 25.2 percent of the total market share.

As previously mentioned, Hometown Bank is not required to report small business loan data and did not elect to do so. Therefore, analysis under the Lending Test does not include comparisons to aggregate data. The aggregate data; however, reflects the competitions level for small business loans and is included for performance context. In 2022, 70 lenders reported 1,767 small business loans originated totaling \$74.4 million in this assessment area. The top five lenders originated 56.7 percent of the number of small business loans in this area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN ALTOONA, PA MSA ASSESSMENT AREA**

### **LENDING TEST**

Hometown Bank's lending performance in the Altoona, PA MSA assessment area is reasonable. Hometown Bank originated 32 home mortgage loans totaling \$5.7 million in 2021; 27 loans totaling \$4.9 million in 2022; and 23 loans totaling \$2.8 million in 2023, accounting for 14.6 percent of all in-area lending during the evaluation period. The bank originated 5 small business loans totaling \$0.5 million in 2021; 9 loans totaling \$2.5 million in 2022; and 8 loans totaling \$0.9 million in 2023, accounting for 11.3 percent of all in-area lending during the evaluation period.

### **Geographic Distribution**

The geographic distribution of loans reflects poor penetration throughout the Altoona, PA MSA assessment area. The bank's poor distribution of home mortgage loans and small business loans supports this conclusion.

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

The geographic distribution of home mortgage loans reflects poor penetration throughout the Altoona, PA assessment area. As noted above, the bank's assessment area has one low-income census tract and eight moderate-income census tracts. The bank had no loans in its low-income tract during the review period. Only two loans were made in the moderate-income tracts in 2022, and three in 2023. This level of lending fell below both aggregate and demographic data in moderate-income census tracts. This level of lending reflects poor penetration.

Geographic Distribution of Home Mortgage Loans						
Altoona PA MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	1.5	1.0	0	0.0	0	0.0
2023	1.5	--	0	0.0	0	0.0
Moderate						
2022	15.5	15.3	2	7.4	296	6.1
2023	15.5	--	3	13.0	243	8.7
Middle						
2022	61.3	59.4	25	92.6	4,558	93.9
2023	61.3	--	19	82.6	2,460	88.0
Upper						
2022	21.7	24.3	0	0.0	0	0.0
2023	21.7	--	1	4.3	94	3.3
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>4,855</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>23</b>	<b>100.0</b>	<b>2,797</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available.            Due to rounding, totals may not equal 100.0%</i>						

***Small Business Loans***

The bank made no small business loans in the low- or moderate-income tracts in the assessment area in 2022 or 2023. Hometown originated a minimal number of small business loans within the Altoona, PA MSA assessment area; however, they were all originated in middle-income census tracts. This reflects poor performance in the geographic distribution of small business loans in the Altoona, PA MSA assessment area.

<b>Geographic Distribution of Small Business Loans Altoona PA MSA Assessment Area</b>						
<b>Tract Income Level</b>		<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
	2022	1.9	0	0.0	0	0.0
	2023	1.9	0	0.0	0	0.0
Moderate						
	2022	21.1	0	0.0	0	0.0
	2023	21.0	0	0.0	0	0.0
Middle						
	2022	58.5	9	100.0	2,479	100.0
	2023	58.5	8	100.0	896	100.0
Upper						
	2022	18.5	0	0.0	0	0.0
	2023	18.6	0	0.0	0	0.0
Not Available						
	2022	0.0	0	0.0	0	0.0
	2023	0.0	0	0.0	0	0.0
<b>Totals</b>						
	<b>2022</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>2,479</b>	<b>100.0</b>
	<b>2023</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>896</b>	<b>100.0</b>
<i>Source: 2022 &amp; 2023 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>						

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the Altoona, PA MSA assessment area. The bank's reasonable performance of home mortgage lending and small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners also focused on the percentage by number of small business loans to businesses with GARs of \$1.0 million or less.

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

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. As shown in the following table, the penetration of home mortgage loans to low-income borrowers in 2022 and 2023 trailed demographic data, and also trailed aggregate data in 2022. The bank's lending increased by one loan between 2022 and 2023. A low-income family in the assessment area is not likely to qualify for a mortgage under conventional underwriting standards considering the median housing value of \$128,133.

The bank’s lending to moderate-income borrowers trailed, but was comparable to, both aggregate lending and demographic lending in 2022. The bank’s lending to moderate income borrowers fell from five to three loans in 2023 and was below demographic data. The bank’s overall performance is reasonable, particularly when considering the low volume of loans made in the assessment area.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Altoona PA MSA Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2022	20.1	10.8	2	7.4	66	1.4
2023	20.1	--	3	13.0	295	10.5
<b>Moderate</b>						
2022	18.7	20.9	5	18.5	644	13.3
2023	18.7	--	3	13.0	264	9.4
<b>Middle</b>						
2022	21.3	22.7	5	18.5	392	8.1
2023	21.3	--	4	17.4	479	17.1
<b>Upper</b>						
2022	39.8	33.5	13	48.1	3,450	71.1
2023	39.8	--	8	34.8	1,288	46.1
<b>Not Available</b>						
2022	0.0	12.2	2	7.4	303	6.2
2023	0.0	--	5	21.7	471	16.8
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>4,855</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>23</b>	<b>100.0</b>	<b>2,797</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

***Small Business Loans***

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. As shown in the following table, the bank’s penetration of loans to businesses with GARs of \$1.0 million or less in 2022 exceeded demographic data. In 2023, the bank’s penetration of loans to businesses with GARs of \$1.0 million or less fell and significantly trailed demographic data. While the declining number of loans is not a positive trend, overall, the bank

made very few small business loans in the assessment area as a whole, and the overall performance is reasonable.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Altoona PA MSA Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2022	85.3	8	88.9	1,979	79.8
2023	85.6	2	25.0	109	12.1
<b>&gt;\$1,000,000</b>					
2022	4.4	1	11.1	500	20.2
2023	4.3	5	62.5	775	86.5
<b>Revenue Not Available</b>					
2022	10.3	0	0.0	0	0.0
2023	10.1	1	12.5	12	1.3
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>2,479</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>896</b>	<b>100.0</b>
<i>Source: 2022 &amp; 2023 D&amp;B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					



## 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.