

PUBLIC DISCLOSURE

May 16, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

1st Financial Bank USA
Certificate Number: 1673

331 North Dakota Dunes Boulevard
Dakota Dunes, South Dakota 57049

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

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

1st Financial Bank USA (1FBUSA) developed a four-year Strategic Plan (Plan), which was approved by the FDIC, covering calendar years 2019 through 2022. This evaluation covers the bank's performance with respect to the Community Reinvestment Act (CRA) under the first, second, and third years of the Plan, from January 1, 2019, through December 31, 2021; and covers 2022 through March 31, 2022.

The Plan established annual performance goals, which fit into two primary objectives, increasing lending penetration and expanding the bank's community development footprint. The bank's lending goals are reflected in Goals 1 through 11, and the bank's community development goals are reflected in Goals 12 through 14. The bank's assessment areas have not changed since the previous evaluation, so the Plan applies to the same geographic areas. The following supports the overall CRA rating.

LENDING

- Lending activities met or substantially met all the established goals for each Plan year.
- The bank offers a small dollar loan program (SDLP) that is similar to the FDIC's SDLP guidelines. These loans were considered under the bank's goals addressing consumer lending.

COMMUNITY DEVELOPMENT

- Community development services, loans, grants, and investment activities met or substantially met the established goals for each Plan year.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES

- Examiners identified a discriminatory violation of the Equal Credit Opportunity Act during the concurrent consumer compliance examination. The violations did not affect the CRA rating due to the limited impact on the bank's overall business and lending operations and the corrective measures taken by the institution, including management's commitment to enhance the compliance management system to prevent similar violations from occurring.

DESCRIPTION OF INSTITUTION

Background

1FBUSA is privately owned and chartered in Dakota Dunes, South Dakota. The bank has no affiliates or subsidiaries that were considered in evaluating lending performance. However, First Community Development Corporation, a subsidiary of the bank, assists with the bank's community development activities. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated May 28, 2019, based on Interagency Strategic Plan Examination Procedures.

Operations

1FBUSA operates from its main office in Dakota Dunes, South Dakota, and a branch office in Dupree, South Dakota. In addition, the bank maintains credit card collection facilities in Dakota Dunes and Sioux Falls, South Dakota. The bank did not open or close any branch offices, and no merger or acquisition activities have occurred since the previous evaluation.

The institution continues to offer a nationwide credit card program directed at college students. This program is the primary lending product of the bank and is an integral part of 1FBUSA's overall business strategy. On April 30, 2021, 1FBUSA acquired Premier Financial Services, LLC, a national auto leasing company, as a wholly-owned subsidiary. As a result of this acquisition, leases now account for approximately 33 percent of the bank's loan portfolio. Builder Finance Inc. is also a wholly-owned subsidiary of the bank that provides construction loans nationwide for builders and investors. The bank also offers traditional loan products, such as commercial, agricultural, and consumer loans. Furthermore, the bank continues to offer a SDLP and loan programs from the Bureau of Indian Affairs, Farm Service Agency, and Small Business Administration (SBA). In 2020 and 2021, the bank also originated 266 loans totaling \$6.7 million through the SBA's Paycheck Protection Program (PPP), which assisted small farm and business operators struggling with the impact of the COVID-19 pandemic. Deposit services include checking, savings, money market accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include online banking for loan and deposit account management and mobile banking for credit cards. The bank also operates six cash-dispensing automated teller machines (ATMs).

Ability and Capacity

According to the December 31, 2021 Consolidated Reports of Condition and Income, 1FBUSA reported total assets of \$940 million, total loans of \$720 million, and total deposits of \$691 million. Since the prior evaluation, total assets, deposits, and net loans increased by 44.3 percent, 53.6 percent, and 48.1 percent, respectively. Management attributed the increase in all three areas to the purchase of Premier Financial Services. The following table illustrates the bank's loan portfolio.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	47,873	6.6
Secured by Farmland	71	< 0.1
Secured by 1-4 Family Residential Properties	46,859	6.5
Secured by Multifamily (5 or more) Residential Properties	11,434	1.6
Secured by Nonfarm Nonresidential Properties	2,038	0.3
Total Real Estate Loans	108,275	15.0
Commercial and Industrial Loans	1,519	0.2
Agricultural Production and Other Loans to Farmers	3,588	0.5
Credit Cards	368,282	51.2
Other Consumer Loans	631	0.1
Obligations of State and Political Subdivisions in the U.S.	0	0
Other Loans	1,218	0.2
Lease Financing Receivable (net of unearned income)	236,262	32.8
Less: Unearned Income	0	0
Total Loans	719,775	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. 1FBUSA’s Plan designates two assessment areas, which are referred to as the Dakota Dunes Assessment Area and the Dupree Assessment Area. The following sections discuss relevant demographic and economic information for each area.

Dakota Dunes Assessment Area

The Dakota Dunes Assessment Area includes all of Union County in southeastern South Dakota, which comprises a portion of the Sioux City, IA-NE-SD Metropolitan Statistical Area (MSA). The assessment area has not changed since the prior evaluation. According to 2015 American Community Survey (ACS) data, the assessment area is comprised of two middle-income census tracts and one upper-income census tract. 1FBUSA operates its main office and three ATMs in this assessment area, all of which are located in the upper-income census tract.

Economic and Demographic Data

Bank management stated that the Dakota Dunes Assessment Area was not significantly impacted by the COVID-19 pandemic and major area employers did not have significant layoffs or closures. However, the impact of the pandemic was likely more realized in the Dakota Dunes Assessment Area than some of the other rural markets throughout the State. This is due to the larger population and higher number of hospitality- and manufacturing-based businesses in the Dakota Dunes

Assessment Area and surrounding counties. According to the Bureau of Labor Statistics, the area’s unemployment rate spiked to 10.0 percent in April 2020; a 7.0 percent increase from the month prior. The unemployment rate has since come back down. However, many businesses experienced a smaller pool of job applicants as economic impact payments and unemployment benefits distributed during the pandemic kept the pool of applicants down. Businesses have recently started to recover from those labor pool shortages as COVID-19 relief funds were exhausted; however, inflation has resulted in employees looking for jobs with higher wages to combat rising costs. In order to cover higher costs of labor and accommodate for supply chain issues, management stated that many businesses have raised prices on products and services. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Dakota Dunes						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0.0	0.0	66.7	33.3	0.0
Population by Geography	14,842	0.0	0.0	47.4	52.6	0.0
Housing Units by Geography	6,561	0.0	0.0	46.4	53.6	0.0
Owner-Occupied Units by Geography	4,432	0.0	0.0	48.7	51.3	0.0
Occupied Rental Units by Geography	1,507	0.0	0.0	37.2	62.8	0.0
Vacant Units by Geography	622	0.0	0.0	52.1	47.9	0.0
Businesses by Geography	2,141	0.0	0.0	31.4	68.6	0.0
Farms by Geography	199	0.0	0.0	66.8	33.2	0.0
Family Distribution by Income Level	3,897	8.9	15.3	19.9	55.9	0.0
Household Distribution by Income Level	5,939	15.7	14.2	16.7	53.3	0.0
Median Family Income MSA - 43580 Sioux City, IA-NE-SD MSA		\$59,402	Median Housing Value			\$174,699
			Median Gross Rent			\$734
			Families Below Poverty Level			3.0%

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

Competition

The Dakota Dunes Assessment Area is a highly competitive market for financial services. According to the June 30, 2021 FDIC Deposit Market Share data, 8 FDIC-insured institutions operate 11 offices within the assessment area. Of these institutions, 1FBUSA ranked 8th with a deposit market share of 2.6 percent. Management stated that the state has some tax advantages that make it ideal for institutions to open offices in South Dakota, as evidenced by the number of financial institutions in close proximity to the bank. Specifically, management noted that there are currently 5 other financial institutions operating within a one block radius of the bank with another institution expected to open a new branch office in the fall.

Furthermore, the bank's proximity to both Sioux City, Iowa, and Sioux City, Nebraska, creates additional competition from banks outside of the Dakota Dunes Assessment Area as most individuals commute in to Sioux City for work where they subsequently perform their banking activities. Management noted that this level of competition makes it difficult for 1FBUSA to attract new customers.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps to determine what credit opportunities are available and whether local financial institutions are responsive to those needs.

Examiners reviewed a community contact interview previously conducted with an individual familiar with commercial activity in the assessment area. The community contact provided comments on the local economy, indicating that manufacturing is one of the primary industries in the area. The biggest challenge for manufacturers in the area is getting enough qualified employees. The contact indicated that, as a result, more manufacturers were turning to robotics to help ease the challenge of finding enough employees. Housing and child care were also identified as needs, and it was noted that the housing supply, at all price points, was historically low. Finally, the contact stated that area banks were doing a good job of meeting the credit and deposit needs of the area, but identified small business start-ups, manufacturing, and housing as opportunities for bank involvement.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business lending and affordable housing represent the primary credit needs in the assessment area. However, bank management stated that the significant competition in the area poses a major challenge to expanding the bank's portfolio. Additionally, the high demand to purchase property combined with limited available land or lots is a challenge with respect to affordable housing opportunities.

Dupree Assessment Area

The Dupree Assessment Area includes all of Dewey and Ziebach counties in north central South Dakota. The assessment area has not changed since the prior evaluation. According to 2015 ACS data, the assessment area contains two moderate-income census tracts and one middle-income census tract. The middle-income census tract in Dewey County was designated as distressed and underserved from 2019 through 2021 (2022 information was not available at the time of the current evaluation). The geography was designated distressed for poverty, unemployment, and population loss, and underserved due to its remote and rural location. 1FBUSA operates its branch office and two ATMs in this assessment area, while another ATM is located in a census tract adjacent to the southwestern portion of the assessment area.

Economic and Demographic Data

The Dupree Assessment Area includes small, rural communities and comprises a majority of the Cheyenne River Indian Reservation. According to bank management, Dewey and Ziebach counties are some of the poorest counties in the nation and the population is aging with not many younger families moving in to or staying in the area. As evidenced by demographic data, 28.2 percent of families in the area are below the poverty level. Therefore, many individuals do not travel outside of where they reside and there are limited established businesses in the area in need of employees. Since the previous evaluation, management stated that Dupree's local restaurant closed while a t-shirt and knick-knack shop opened. The COVID-19 pandemic continues to have a large impact on the employment status in the area as government stimulus money along with PPP loans, government agricultural payments, and Tribal payments put excess money into the pockets of residents and limited the need for consumer credit. Bank management noted that the Cheyenne River Sioux Tribe created nearly 200 jobs during the COVID-19 pandemic. Although most of those jobs have since been terminated, some people have yet to return to work. In 2021, the assessment area experienced a severe drought that resulted in low yields in grain and feed production. As such, many area farmers and ranchers had to buy feed or sell cattle due to lack of feed and water. However, government payments due to the COVID-19 pandemic and drought combined with some recent rainfall have helped area producers. Cattle prices have remained fairly steady since 2019; however, feed prices continue to increase due to the drought and rising fuel prices. The primary crops grown in the area are wheat, corn, sunflowers, and forage for cattle. Crop yields remained relatively steady from prior years while crop production prices have increased, resulting in fairly even cash flow spreads. Finally, due to rising input costs, bank management noted that many producers have a spouse that works off the farm for employment-related benefits and supplemental income. Management also commented that farm operators are aging, but the area has retained a few younger farmers that are trying to get into the business or take over family operations.

Consumer lending is a major part of the bank's lending volume in the Dupree Assessment Area. In tracking consumer lending to low- and moderate-income individuals, the bank relied on the U.S. Department of Housing and Urban Development's published median family incomes for the state of South Dakota overall, which includes both metropolitan and nonmetropolitan areas. The median family incomes for 2019 through 2022 were \$75,300, \$77,800, and \$75,500, and \$85,400, respectively. The income threshold for low- and moderate-income individuals was set at less than 80 percent of the median family income. Therefore, the low- and moderate-income thresholds for 2019 through 2022 were \$60,240, \$62,240, \$ 60,400 and \$68,320, respectively. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Dupree						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0.0	66.7	33.3	0.0	0.0
Population by Geography	8,412	0.0	64.8	35.2	0.0	0.0
Housing Units by Geography	2,992	0.0	61.8	38.2	0.0	0.0
Owner-Occupied Units by Geography	1,390	0.0	55.6	44.4	0.0	0.0
Occupied Rental Units by Geography	1,060	0.0	72.7	27.3	0.0	0.0
Vacant Units by Geography	542	0.0	56.5	43.5	0.0	0.0
Businesses by Geography	422	0.0	39.8	60.2	0.0	0.0
Farms by Geography	79	0.0	24.1	75.9	0.0	0.0
Family Distribution by Income Level	1,756	40.4	17.7	18.5	23.4	0.0
Household Distribution by Income Level	2,450	35.1	15.5	18.5	30.9	0.0
Median Family Income Non-MSAs - SD		\$60,845	Median Housing Value			\$62,611
			Median Gross Rent			\$485
			Families Below Poverty Level			28.2%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Competition

The Dupree Assessment Area is a moderately competitive market for financial services. According to the June 30, 2021 FDIC Deposit Market Share data, 3 FDIC-insured institutions operate 5 offices within the assessment area. Of these institutions, 1FBUSA held the largest deposit market share at 81.2 percent. In addition to the FDIC-insured institutions, there is a credit union and two community development financial institutions (CDFIs) operating in the assessment area. Farm Credit Services of America, Farm Service Agency, and a local farmer's cooperative also increase competition for agricultural loans in the area.

Community Contact

Examiners conducted a community contact interview with a representative of an organization affiliated with the Cheyenne River Sioux Tribe that was knowledgeable of the assessment area. The contact stated that much of the area's agriculture is more related to ranching than small grains. Despite the drought in 2021, the area has been experiencing lots of recent rainfall. However, rising fuel costs are hurting area farmers. Recently, the contact noted that there has been more interest in sustainable food strategies with processing and selling meat locally. Since the COVID-19 pandemic, businesses in the Dupree Assessment Area have experienced an uptick in purchasing power due to the stimulus money and rising wages; however, the contact does not expect the additional purchasing power to last long. Nevertheless, business conditions in the area are stable with increasing interest for new business start-ups. On the housing side, there is a large population of people wanting to purchase homes and move out of rentals; however, there is limited available

housing. The contact stated that there is a need for all types of credit in the area and indicated that local financial institutions are helping to meet some of the credit needs but could be more involved in business and home mortgage lending.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that agricultural lending presents the primary credit need in the assessment area, followed by consumer lending. As evidenced by the poverty rate in the assessment area, there is a significant need for small dollar consumer loans to help individuals with short-term financing needs. Furthermore, the assessment area's community development needs are primarily related to affordable housing. However, bank management stated that one of the biggest challenges in getting a home is finding a place to put it as there are no available lots for sale. If an existing home becomes available for sale or rent, there is a waiting list of people looking to acquire the home.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 28, 2019, to the current evaluation dated May 16, 2022. Examiners used the Interagency Strategic Plan Examination Procedures to evaluate 1FBUSA's CRA performance. 1FBUSA operated under one FDIC-approved Strategic Plan during the evaluation period covering calendar years 2019 through 2022. The evaluation review period includes the three-year time period from the effective date of the Plan, January 1, 2019, through December 31, 2021, and for 2022, the review period is through March 31, 2022 (Q12022).

To evaluate the bank's performance in 2019 through Q12022, examiners compared the bank's lending penetration and community development goals to the bank's actual performance for each plan year. Goals were established for each of the bank's two assessment areas that were used to evaluate the bank's performance. Examiners reviewed the bank's records and reports, publicly available financial information, and demographic data in drawing conclusions.

Activities Reviewed

The bank's main product line, based on its business strategy and lending activities, is the nationwide credit card program followed by nationwide auto leases and home construction loans. In addition, the bank originated a limited level of agricultural, commercial, and other consumer loans during the review period. The bank's lending penetration goals focused on commercial, consumer, and agricultural lending within the assessment areas. Therefore, these loan products were reviewed as part of this evaluation. Loans originated under the SDLP were also considered as part of consumer lending activity in evaluating the bank's performance.

For purposes of evaluating the bank's community development goals, examiners reviewed data on community development services, loans, grants, and investments. Performance under all goals as well as performance in both assessment areas received equal weight in drawing overall conclusions.

CONCLUSIONS ON PERFORMANCE CRITERIA

1FBUSA's overall performance is satisfactory in meeting its Plan goals and helping to address the needs of its designated assessment areas in a manner consistent with its resources and capabilities. The CRA requires a bank formulating a Strategic Plan to establish measurable goals for helping to meet the credit needs of each assessment area covered by the Plan, particularly the needs of low- and moderate-income geographies and low- and moderate-income individuals, through lending, investments, and services, as appropriate.

The following summarizes 1FBUSA's performance compared to the measurable goals established under its Plan. The goals have two main objectives: lending penetration and community development.

Lending

Small Business Lending

The Plan established goals for small business lending, lending to small businesses, and small business lending in moderate-income census tracts for each assessment area. The small business lending goals demonstrate a commitment to providing loans, with a loan amount of \$1 million or less, to businesses, including those businesses located in moderate-income census tracts. The lending to small businesses goal demonstrates a commitment to providing business loans to small businesses with gross annual revenues of \$1 million or less. Goals 1 and 2 were established for the Dakota Dunes Assessment Area and Goals 3, 4, and 5 were established for the Dupree Assessment Area. The following sections summarize the bank's small business lending performance by goal. PPP loans are included in the tables below as a separate column and as part of the actual performance. These loans are listed separately as they specifically relate to the pandemic and will likely not be available in the future.

Goal 1: Achieve a predetermined total dollar volume of small business loans (originations \leq \$1 million) for each plan year in the Dakota Dunes Assessment Area.

As noted in the following table, 1FBUSA met the established small business lending goals for 2019 and 2020, substantially met the goal for 2021, and already exceeded the established goal for 2022. In 2021, bank management anticipated annual renewals totaling \$450,000 as well as a new term loan for approximately \$875,000 to the bank's largest loan customer at the Dakota Dunes office. However, the company experienced a financial setback due to fraudulent activities and none of the aforementioned loans materialized in 2021. Nevertheless, the bank worked with the customer and was able to approve additional loans in early 2022. Given this information, it was determined that the bank substantially met its goal in 2021.

Small Business Loans – Dakota Dunes Assessment Area			
Plan Year	Goal \$(000s)	*PPP Loans \$(000s)	Actual Performance \$(000s)
2019	1,375	0	1,572
2020	1,375	250	1,402
2021	1,400	74	417
2022	1,400	0	1,500

Source: Bank Records
**Does not include PPP loans made in a broader statewide or regional area*

Goal 2: Achieve a predetermined total dollar volume of lending to small businesses (gross annual revenues ≤ \$1 million) for each plan year in the Dakota Dunes Assessment Area.

The bank met its goal of lending to small businesses in the Dakota Dunes Assessment Area for 2019, 2020, and 2021, and is on track to meet the established goal for 2022. The bank exceeded its goal from 2019 through 2021, including a unique opportunity to finance a local start-up business in 2020, which notably elevated the bank’s lending activity that year.

Lending to Small Businesses – Dakota Dunes Assessment Area			
Plan Year	Goal \$(000s)	*PPP Loans \$(000s)	Actual Performance \$(000s)
2019	175	0	205
2020	175	164	716
2021	200	74	267
2022	200	0	69

Source: Bank Records
**Does not include PPP loans made in a broader statewide or regional area*

Goal 3: Achieve a predetermined total dollar volume of small business loans (originations ≤ \$1 million) for each plan year in the Dupree Assessment Area.

Goal 4: Achieve a predetermined total dollar volume of lending to small businesses (gross annual revenues ≤ \$1 million) for each plan year in the Dupree Assessment Area.

The bank substantially met its goals for small business lending and lending to small businesses in the Dupree Assessment Area in 2019, met its goals in 2020 and 2021, and should be on track to meet its goals in 2022.

The bank’s strategy for providing small business loans and lending to small businesses in 2019 was the same as in prior plan years and included promotions and personalized sales calls. Management stated that many businesses in the Dupree Assessment Area exist as a secondary or tertiary source of income for the business owner, which results in inconsistent loan demand. In 2019, bank staff made 50 sales calls or visits to business owners to discuss credit needs. This demonstrates that the bank made a considerable effort to reach local businesses considering that in 2019, there were only 52 businesses in Ziebach County, which is where the bank’s branch office is located. For the existing small business operations where the income derived from the business is the primary source of income for the business owner, loan demand is limited. This is primarily due to

longstanding and established relationships business owners have with lenders from other financial institutions. Furthermore, bank management noted that area business owners struggle to find enough employees. This, combined with a poverty rate of over 35 percent and a limited number of businesses in Ziebach County, makes it challenging to sustain a business in the area and, in turn, reduces the overall number of potential prospects for the bank. Finally, although not reflected in the tables below due to the timing of origination, the bank should be on track to meet its small business lending and lending to small businesses goals for 2022. Given this information, the bank’s efforts demonstrate a commitment to providing credit through small business lending and by lending to small businesses. Therefore, the bank substantially met these goals. The following tables summarize the bank’s performance under Goals 3 and 4, respectively.

Small Business Loans – Dupree Assessment Area			
Plan Year	Goal \$(000s)	PPP Loans \$(000s)	Actual Performance \$(000s)
2019	140	0	114
2020	140	63	155
2021	140	71	297
2022	140	0	0

Source: Bank Records

Lending to Small Businesses – Dupree Assessment Area			
Plan Year	Goal \$(000s)	PPP Loans \$(000s)	Actual Performance \$(000s)
2019	120	0	108
2020	120	63	155
2021	120	71	297
2022	120	0	0

Source: Bank Records

Goal 5: Achieve a predetermined total number volume of small business loans in moderate-income census tracts in the Dupree Assessment Area.

1FBUSA met the established goals of small business lending in moderate-income census tracts in the Dupree Assessment Area. As summarized in the following table, the bank exceeded its goal in 2019, 2020, and 2021 and should be on track to meet its goal in 2022 as some small business loans originated in moderate-income census tracts are not reflected in the table below due to the timing of origination.

Small Businesses Loans in Moderate-Income Census Tracts – Dupree Assessment Area			
Plan Year	Goal % by #	PPP Loans #	Actual Performance % by #
2019	25	0	50
2020	25	4	89
2021	25	4	75
2022	25	0	0

Source: Bank Records

Consumer Lending

The Plan established goals for consumer lending, lending to low- and moderate-income individuals, and lending in moderate-income census tracts in the Dupree Assessment Area. Goals 6 and 8 relate to overall consumer lending, including lending to consumers located in moderate-income census tracts in the Dupree Assessment Area, while Goal 7 covers lending specifically to low- and moderate-income individuals in the area.

Bank management determined there was a need in the assessment area for small dollar loans to individuals with poor or limited credit history. To meet this credit need, the bank continues to offer a SDLP with features similar to the FDIC’s small dollar loan guidelines. The program has no fees and provides up to \$1,500 with a maximum term of 24 months. These loans are included within the bank’s consumer lending goals. The following sections summarize the bank’s consumer lending performance by goal.

Goal 6: Achieve a predetermined total number volume of consumer loans for each plan year in the Dupree Assessment Area.

Goal 7: Achieve a predetermined total number volume of consumer loans to low- or moderate-income individuals for each plan year in the Dupree Assessment Area.

The bank met the established consumer lending and lending to low- and moderate-income individuals goals in 2019, substantially met its goals in 2020 and 2021, and is generally on track to meeting the 2022 goals.

The demand for consumer lending, including consumer lending to low- and moderate-income individuals, decreased in 2020 and 2021 due to consumer uncertainty relating to the COVID-19 pandemic coupled with government stimulus money and tribal government funds. Despite this, the bank attempted to reach consumers and provide credit by sending direct mailers relating to the bank’s unsecured SDLP and promotional campaigns highlighting special interest rates and terms on vehicle-title loans. These advertising strategies were generally consistent throughout the evaluation period. However, as a result of the pandemic, the bank also lowered the interest rate on its SDLP from May 2020 through November 2021, and sent direct mailers advertising a promotional 3 percent interest rate reduction on its unsecured loan product from November 2021 through year-end. Given this information, the bank’s efforts demonstrate a commitment to providing credit through consumer lending, including credit to low- or moderate-income individuals. Therefore, the bank substantially met these goals. The following tables summarize the bank’s performance.

Consumer Lending – Dupree Assessment Area		
Plan Year	Goal #	Actual Performance #
2019	100	116
2020	107	63
2021	114	96
2022	121	20

Source: Bank Records

Consumer Lending to Low- or Moderate-Income Individuals – Dupree Assessment Area		
Plan Year	Goal #	Actual Performance #
2019	80	94
2020	86	58
2021	92	81
2022	98	18

Source: Bank Records

Goal 8: Achieve a predetermined total number volume of consumer loans in moderate-income census tracts in the Dupree AA.

1FBUSA met the established goals for consumer lending in moderate-income census tracts in the Dupree Assessment Area. As summarized in the following table, the bank exceeded its goal for all Plan years.

Consumer Loans in Moderate-Income Census Tracts – Dupree Assessment Area		
Plan Year	Goal % by #	Actual Performance % by #
2019	50	93
2020	50	92
2021	50	79
2022	50	90

Source: Bank Records

Small Farm Lending

The Plan established goals for small farm lending, lending to small farms, and small farm lending in moderate-income census tracts for the Dupree Assessment Area. Goal 9 demonstrates a commitment to providing loans with a loan amount of \$500,000 or less to farms. Goal 10, the lending to small farms goal, reflects a commitment to providing farm loans to small farms with gross annual revenues of \$500,000 or less. Goal 11 demonstrates a commitment to lending to farms located in moderate-income census tracts. The following sections summarize the bank’s small farm lending performance by goal.

Goal 9: Achieve a predetermined total dollar volume of small farm loans (originations ≤ \$500,000) for each plan year in the Dupree Assessment Area.

The bank met the established small farm lending goal in 2019 and 2020, substantially met its goal in 2021, and is on track to meet the established goal for 2022.

Although the bank fell short of its 2020 small farm lending goal, this shortfall is primarily attributed to one large borrower not needing funding due to the influx of government payments in the agricultural sector during the COVID-19 pandemic. Further, due to the seasonality of farm-related lending, the timing of annual renewals can also have an impact on whether or not the bank meets its established goal for a particular year. Given this information, it was determined that the bank substantially met its goal in 2021.

Small Farm Loans – Dupree Assessment Area			
Plan Year	Goal \$(000s)	*PPP Loans \$(000s)	Actual Performance \$(000s)
2019	5,200	0	5,303
2020	5,200	3	5,329
2021	5,200	932	4,936
2022	5,200	0	1,573

Source: Bank Records
**Does not include PPP loans made in a broader statewide or regional area*

Goal 10: Achieve a predetermined total dollar volume of lending to small farms (gross annual revenues ≤ \$500,000) for each plan year in the Dupree Assessment Area.

As reflected in the following table, the bank met the established small farm lending goal for 2019, 2020, and 2021. Considering that a majority of farm-related lending is seasonal and booked later in the year, the bank is generally on track to meet the established goal for 2022.

Lending to Small Farms – Dupree Assessment Area			
Plan Year	Goal \$(000s)	*PPP Loans \$(000s)	Actual Performance \$(000s)
2019	4,300	0	4,554
2020	4,300	3	4,366
2021	4,300	891	4,616
2022	4,300	0	950

Source: Bank Records
**Does not include PPP loans made in a broader statewide or regional area*

Goal 11: Achieve a predetermined total number volume of small farm loans in moderate-income CTs in the Dupree AA.

1FBUSA exceeded the established goal of small farm lending in moderate-income census tracts in the Dupree Assessment. As summarized in the following table, the bank exceeded its goal for all Plan years.

Small Farm Loans in Moderate-Income CTs – Dupree Assessment Area			
Plan Year	Goal % by #	PPP Loans #	Actual Performance % by #
2019	20	0	71
2020	20	1	69
2021	20	51	63
2022	20	0	58

Source: Bank Records
**Does not include PPP loans made in a broader statewide or regional area*

Community Development

Goal 12 relates to community development service hours and demonstrates a commitment to employee service in the communities in which the bank operates. Goals 13 and 14 likewise demonstrate the bank’s commitment to lending and investing in local communities through loans, grants, and donations. The following sections summarize the bank’s community development performance.

Goal 12: Achieve a predetermined number of community development service hours per headcount of qualified employees for each plan year. Neither assessment area shall receive less than 25 percent of the total hours for the Bank

Overall, the bank substantially met the established community development service goals. The bank met its goal in 2019, fell short of its goals in 2020 and 2021, and is generally on track to meet the established goal for 2022. In addition, the bank met the provision that each assessment area receive at least 25 percent of the total hours for the bank. For all years in the Plan, bank personnel were instrumental in providing various community development services throughout both assessment areas. Notable activities are discussed below and include organizations that serve a greater statewide area, including the assessment areas.

- Serving as a Board member on various committees of a non-profit organization that provides affordable housing to low- and moderate-income individuals in the community.
- Coordinating a financial literacy program through a number of schools serving low- and moderate-income students.
- Serving as a Board member and on the Finance Committee of a non-profit organization that provides support services to low- and moderate-income families in the community.
- Serving as a Board member for a CDFI that helps small local businesses obtain financing to promote economic development.
- Serving as mentor of a local chapter of a national nonprofit organization dedicated to educating entrepreneurs and helping small businesses start, grow, and succeed.

As noted above, the bank fell short of its community development service hour goals in 2020 and 2021, which was attributed to the COVID-19 pandemic and the allocation of human resources dedicated to the implementation of the SBA’s PPP. Specifically, social distancing restrictions prevented in-person gatherings for the health and well-being of staff and community members. As a result, hours spent teaching in-class financial education curricula in schools primarily serving low-

and moderate-income students, which generally comprises a large percentage of the total community development service hours, were significantly reduced. As the virus began to subside in 2021, bank employees were once again able to teach in-class financial education curricula to low- and moderate-income students; however, the overall hours were still lower than prior years as bank staff were not able to resume in-person instruction until fall 2021. Finally, with respect to the PPP, it was estimated that bank employees spent approximately 885 hours in 2020 and 2,004 hours in 2021 implementing the PPP. Given this information, it was determined that the bank substantially met its goal in 2020 and 2021.

Community Development Service Hours by Headcount										
Plan Year	Goal	Dakota Dunes Assessment Area			Dupree Assessment Area			Combined Totals		Actual Total Performance
		Service Hours	Headcount	%	Service Hours	Headcount	%	Service Hours	Headcount	
2019	9.00	310	51	43.0	411	16	57.0	721	67	10.76
2020	9.25	190	52	66.7	95	16	33.3	285	68	4.19
2021	9.50	168	53	49.0	175	14	51.0	343	67	5.12
2022	9.75	56	49	46.7	64	17	53.3	120	66	1.82

*Source: Bank Records
Headcount is based on prior year-end*

Goal 13: Achieve a predetermined total dollar volume of community development loans for each plan year. At least 25% of the goal amount for each year will be attributable to each of the two AAs.

As summarized in the following table, 1FBUSA met the established community development loan goals for 2019, 2020, and 2021, and is on track to meet the established goal for 2022. Notable activities are discussed below.

- Originated five PPP loans totaling \$211,944 which promoted economic development or revitalized and stabilized a low- or moderate-income geography.
- Provided numerous lines of credit to a local housing and redevelopment commission for the purpose of constructing homes for low- and moderate-income individuals or families.
- Provided a line of credit to a CDFI for the purpose of promoting economic development in the Dakota Dunes Assessment Area.

Community Development Loans				
Plan Year	Goal \$(000s)	Dakota Dunes Assessment Area	Dupree Assessment Area	Actual Total Performance \$(000s)
		\$(000s)	\$(000s)	
2019	400	441	0	441
2020	400	258	468	726
2021	400	489	13	502
2022	400	250	0	250

Source: Bank Records

Goal 14: Achieve a predetermined total dollar volume of community development grants and investments for each plan year. At least 25% of the goal amount for each year will be attributable to each of the two AAs.

As shown in the following table, 1FBUSA met the established community development grants and investments goals for 2019, 2020, and 2021, and should be on track to meet the established goal for 2022 as most of the bank’s donations are made later in the year. Notable activities are discussed below and include organizations that serve a greater statewide area, including the assessment areas.

- Donated money to a local fire department for operating expenses, which revitalized and stabilized an underserved middle-income geography.
- Donated money to a local childcare facility and homeless shelter for operating expenses, both of which primarily serve low- and moderate-income individuals.
- Made an investment for the construction of an affordable housing apartment complex that makes use of Low-Income Housing Tax Credits.

In addition to the aforementioned activities, the bank maintains two equity equivalent investments (EIs) totaling \$500,000 for use in a capital investment fund that provides financing to other CDFIs in South Dakota. These EIs were originated prior to the term of the Plan but remained outstanding at the time of the current evaluation. As such, these prior period statewide activities are not reflected in the table below.

Community Development Grants and Investments				
Plan Year	Goal \$(000s)	Dakota Dunes Assessment Area	Dupree Assessment Area	Actual Total Performance
		\$(000s)	\$(000s)	\$(000s)
2019	1,100	18	1,417	1,435
2020	1,100	11	1,423	1,434
2021	1,100	48	1,411	1,459
2022	1,100	10	3	13

Source: Bank Records

As noted in Goals 13 and 14, at least 25 percent of the aggregate amounts of community development loans, grants, and investments in any given year will be attributable to either of the two assessment areas. Although the bank primarily achieved 25 percent of the aggregate amount per year in each assessment area and should be on track to achieve 25 percent for 2022; the bank did not achieve 25 percent of the aggregate amount for community development loans, grants, and investments in 2020 within the Dakota Dunes Assessment Area. However, this was attributed to a misunderstanding of the EIs and the amount of credit that could be received for these investments in each Plan year. Refer to the following table for more details.

Community Development Loans, Grants, and Investments					
Plan Year	*Goal \$(000s)	Dakota Dunes Assessment Area		Dupree Assessment Area	
		\$(000s)	% of Goal	\$(000s)	% of Goal
2019	1,400	459	32.8	1,417	101.2
2020	1,400	269	19.2	1,891	135.1
2021	1,400	537	38.4	1,424	101.7
2022	1,400	260	18.6	3	0.2
<i>Source: Bank Records</i> <i>*\$1,400,000 used in determination of satisfying the 25% requirement</i>					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The CRA requires the regulatory agencies to consider discriminatory violations or other illegal credit practices when evaluating a bank’s performance. The current consumer compliance examination identified a discriminatory violation of the Equal Credit Opportunity Act relating to the bank’s underwriting requirement to obtain a credit card in certain states. While policies, procedures, training, and monitoring efforts are generally in place to help prevent discriminatory or other illegal credit practices, the bank mistakenly believed the underwriting requirements were necessary to comply with complex and evolving state requirements and to mitigate safety and soundness risks. Although substantive in nature, the violations did not warrant a downgrade of the bank’s CRA rating due to its limited impact on the bank’s overall business and lending operations and the corrective measures taken by the institution, including enhancements to the compliance management system to prevent similar violations from occurring.

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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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.