

PUBLIC DISCLOSURE

February 6, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Clay County State Bank
Certificate Number: 10821

111 North Church Street
Louisville, Illinois 62858

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- The bank made a majority of its small business, small farm, and home mortgage loans in the AA.
- The AA contains all middle-income census tracts (CT). A review of geographic distribution would not result in any meaningful conclusions; therefore, examiners did not evaluate this criterion.
- The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Clay County State Bank (CCSB) is a \$103.8 million institution located in the village of Louisville, in Clay County, a primarily rural area in southeastern Illinois along the Little Wabash River. The bank is wholly owned by Clay County State Bancshares, Inc., a one-bank holding company, also located in Louisville, Illinois. The bank does not have any subsidiaries or affiliates. CCSB received a Satisfactory rating at its previous FDIC Performance Evaluation, dated April 23, 2018, based on Interagency Small Institution CRA Examination Procedures.

CCSB operates its sole full-service office in Louisville. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

CCSB continues to offer traditional loan and deposit products such as residential real estate, construction, commercial, agricultural, and consumer loans. The institution provides a variety of deposit services including checking and savings accounts, as well as certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, and ATMs.

As of the December 31, 2023 Consolidated Reports of Condition and Income (Call Report), CCSB reported total assets of \$103.8 million, total loans of \$49.3 million, and total deposits of \$94.5 million. The following table shows the loan portfolio distribution as of December 31, 2023. The following table shows the bank's loan portfolio and reflects the bank's focus of home mortgage, small business, and small farm lending.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	200	0.4
Secured by Farmland	5,125	10.4
Secured by 1-4 Family Residential Properties	13,466	27.3
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	8,549	17.3
Total Real Estate Loans	27,340	55.4
Commercial and Industrial	7,115	14.4
Agricultural Production and Other Loans to Farmers	7,974	16.2
Consumer Loans	6,736	13.6
Obligations of State and Political Subdivisions in the U.S.	137	0.3
Other Loans	51	0.1
Total Loans	49,353	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 AA credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. The bank's AA includes all four CTs in Clay County, Illinois, which is not part of a metropolitan statistical area. The bank did not make any changes to the AA since the previous evaluation. The AA conforms to the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income areas. The following sections discuss demographic and economic information for the AA.

Economic and Demographic Data

The economic profile of Clay County and the surrounding counties is rural in nature. According to the 2020 U.S. Census data, the AA is comprised of four middle-income CTs, which is consistent with the 2010 U.S. Census data. This represents little change from the 2015 American Community Survey (ACS) data when the AA was composed of one moderate- and three middle-income CTs; the city of Flora (CT 9721.00) was previously a moderate-income CT at the 2015 ACS, but is now classified as a middle-income CT. The table below illustrates the current demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	13,288	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	6,452	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,164	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,443	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	845	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	942	0.0	0.0	100.0	0.0	0.0
Farms by Geography	126	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,615	21.8	20.8	20.3	37.0	0.0
Household Distribution by Income Level	5,607	25.4	14.0	20.9	39.6	0.0
Median Family Income Non-MSAs - IL		\$68,958	Median Housing Value			\$87,805
			Median Gross Rent			\$625
			Families Below Poverty Level			11.7%
<i>Source: 2020 U.S. Census and 2022 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>						

According to D&B data, service industries represent the largest portion of businesses in the AA at 31.5 percent; followed by non-classifiable establishments at 17.6 percent; and agriculture, forestry and fishing at 11.6 percent.

The analysis of small business and small farm and loans under the borrower profile criterion compares the distribution of loans to the distribution of operations by revenue category. According to 2023 D&B data, the AA contained 1,006 businesses and 132 farms. D&B data suggests that the majority of businesses and farms are small as 65.2 percent have four or fewer employees and 86.6 percent operate from a single location. Gross annual revenues (GARs) for these businesses are below.

- 82.4 percent have GARs of \$1 million or less.
- 3.5 percent have GARs more than \$1 million.
- 14.1 percent have unknown revenues.

Further, GARs for farms are below.

- 98.5 percent have GARs of \$1 million or less.
- 0.8 percent have GARs more than \$1 million.
- 0.7 percent have unknown revenues.

Examiners used the Federal Financial Institutions Examination Council’s (FFIEC) median family income to analyze home mortgage loans under the borrower profile criterion. Examiners presented the low-, moderate-, middle-, and upper-income categories for the AA in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
IL NA Median Family Income (99999)				
2022 (\$76,100)	<\$38,050	\$38,050 to <\$60,880	\$60,880 to <\$91,320	≥\$91,320
<i>Source: FFIEC 2022</i>				

Data from the U.S. Bureau of Labor Statistics indicates the unemployment rate within the AA is slightly higher than the state of Illinois average and national average, as detailed in the following table.

Unemployment Rates	
County or Area	November 2023
	%
United States of America	3.7
State of Illinois	4.8
Clay County	5.1
<i>Source: Bureau of Labor Statistics</i>	

Competition

The AA is moderately competitive in the market for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, a total of six financial institutions operated 10 offices in the AA. Of these institutions, CCSB ranked third with a 22.5 percent deposit market share.

Community Contacts

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

Examiners contacted a representative from a small business development corporation representing an eight county area that included the AA. The contact opined that the overall economic conditions of the area are sustaining, but not keeping up with inflation nationwide. The contact stated that there are sufficient job opportunities within and surrounding Clay County. Finally, this contact stated that there is a need for small business and small farm literacy programs.

Examiners established a second contact with a representative active in the real estate market. This contact stated new housing stock is low and there continues to be a need for low- and moderate-income borrower financing options. In addition, Clay County has industry jobs for people that work locally and there are additional employment opportunities in local counties.

Both contacts stated that there is a need for small farm, small business, and home mortgage credit. They opined that the housing stock is getting older and there is a need for new housing. Neither contact was aware of any discriminatory practices by area financial institutions.

Credit Needs

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that small business, small farm, and home mortgage loans represent the primary credit needs for this AA. Opportunities exist for originating such loans throughout the AA.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 23, 2018, to the current evaluation dated February 6, 2024. Examiners used the Interagency Small Institution CRA Examination Procedures to evaluate CCSB's CRA performance. The bank's overall CRA rating is based on its performance in the AA, where a majority of its lending and deposit-taking activities took place.

Activities Reviewed

Examiners determined that the bank's major product lines continue to be commercial, agricultural, and residential loans based on the bank's business strategy and number and dollar volume of loans originated during the evaluation period. Examiners weighed the bank's record of originating all three loan products equally in determining the overall conclusions. Furthermore, no other loan types, such as consumer loans, represent a major product or provide material support for the conclusions or rating.

As of December 30, 2023, the loan portfolio was 31.7 percent commercial, 26.6 percent agricultural, 27.3 percent 1-4 family residential, and 13.6 percent consumer. The portfolio declined approximately 2.4 percent since the last evaluation. The current composition of the loan portfolio is largely similar to the last evaluation, although there has been a slight shift between the levels of commercial and residential, which were 38.2 and 22.1 percent, respectively as of December 31, 2017.

Bank records and Call Report data indicated the institution's lending focus and product offerings remained consistent throughout the evaluation period. Examiners analyzed all small business, small farm, and home mortgage loans originated since the prior evaluation and did not identify any trends that materially affect the conclusions.

This evaluation presents data from the universe of all three loan products originated from January 1, 2022, through December 31, 2022, which management confirmed is representative of the bank's performance during the evaluation period. In 2022, CCSB originated 52 small business loans totaling \$4.0 million and 56 small farm loans totaling \$4.5 million. Examiners used 2022 D&B data

as a comparative factor for small business and small farm lending performance. Additionally, the bank originated 31 home mortgage loans totaling \$3.3 million in 2022. The bank's performance is compared to the 2020 U.S. Census data.

Examiners reviewed and the evaluation tables depict the loan activity based upon the number and dollar volume of loans. This evaluation emphasizes performance by number of loans, because it is a better indicator of the number of borrowers served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CCSB demonstrated reasonable performance overall. Performance under the loan-to-deposit ratio, AA concentration, and borrower profile criteria support this conclusion. The following is a discussion of each performance criterion and support for the institution's overall rating.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. As of December 31, 2023, the bank's net LTD ratio was 51.7 percent and averaged 62.9 percent over the past 23 calendar quarters from June 30, 2018, through December 31, 2023. The ratio ranged from a low of 42.6 percent as of September 30, 2022, to a high of 80.6 percent as of December 31, 2019.

CCSB's net LTD ratio is in line with those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2023 (\$000s)	Average Net LTD Ratio (%)
Clay County State Bank	103,803	62.9
Similarly-Situated Institution #1	206,547	77.8
Similarly-Situated Institution #2	107,324	50.3
Similarly-Situated Institution #3	53,221	62.1
<i>Source: Reports of Condition and Income 06/30/2018 – 12/31/2023</i>		

Assessment Area Concentration

The bank originated a majority of its small business, small farm, and home mortgage loans, by number and dollar volume, within the AA as shown in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2022	43	82.7	9	17.3	52	3,227	81.2	746	18.8	3,973
Small Farm										
2022	48	85.7	8	14.3	56	3,764	83.8	726	16.2	4,490
Home Mortgage										
2022	26	83.9	5	16.1	31	2,525	77.5	733	22.5	3,258
Total	117	84.8	22	15.2	139	9,516	81.2	2,205	18.8	11,721
<i>Source: Evaluation Period: 01/01/2022 - 12/31/2022 Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

The AA does not contain any low- and moderate-income geographies and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, examiners did not evaluate this criterion.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and borrowers of different income levels (including low- and moderate-income) given the demographics of the assessment area. Performance across all three product lines supports this conclusion.

Small Business Loans

The distribution of small business loans reflects reasonable penetration of small businesses of different sizes. The following table shows the institution's lending performance and commitment to serving the credit needs of small businesses with revenues of \$1 million or less, is comparable to the demographic data of 81.7 percent. Further, four of the nine loans in the over \$1 million in revenue category were to the same borrower.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level		% of Businesses	#	%	\$(000s)	%
≤\$1,000,000						
	2022	81.7	34	79.0	2,124	65.8
>\$1,000,000						
	2022	3.2	9	21.0	1,103	34.2
Revenue Not Available						
	2022	15.1	--	--	--	--
Totals						
	2022	100.0	43	100.0	3,227	100.0
Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration of loans to small farms, as CCSB originated 91.7 percent of small farm loans to farms with less than \$1 million in GAR. This performance is reasonable when compared to the percentage of small farms in the AA with GARs of \$1 million or less.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Gross Revenue Level		% of Farms	#	%	\$(000s)	%
≤\$1,000,000						
	2022	98.4	44	91.7	2,486	66.0
>\$1,000,000						
	2022	0.8	4	8.3	1,278	34.0
Revenue Not Available						
	2022	0.8	--	--	--	--
Totals						
	2022	100.0	48	100.0	3,764	100.0
Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. Examiners focused on the comparison to the percent of families in the AA. Lending is slightly below demographic data, but reasonable for low-income borrowers when considering that 11.7 percent of families live below the poverty level. Due to their limited financial resources, families with incomes below the poverty level generally do not have the capacity to support a home mortgage loan, limiting the demand and opportunity for lending to low-income borrowers. Lending to moderate-income borrowers is excellent, with the concentration of

lending significantly outpacing the corresponding percentage of families. Given the considerations for low-income and the excellent performance for moderate-income, the bank's performance is excellent overall.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2022	21.8	2	7.7	90	3.6
Moderate					
2022	20.8	9	34.6	634	25.1
Middle					
2022	20.3	4	15.4	223	8.8
Upper					
2022	37.0	10	38.5	1,428	56.6
Not Available					
2022	0.0	1	3.8	150	5.9
Totals					
2022	100.0	26	100.0	2,525	100.
<i>Source: 2020 U.S. Census; Bank Data, "-" data not available. Due to rounding, totals may not equal 100.0%</i>					

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.

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 bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

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.

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.