

PUBLIC DISCLOSURE

July 10, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

VISIONBank
Certificate Number: 57892

3000 25th Street South
Fargo, North Dakota 58103

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.

VISIONBank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the institution's performance:

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

DESCRIPTION OF INSTITUTION

VISIONBank is headquartered in Fargo, North Dakota, and is controlled by Vision Bank Holdings, Inc., a one-bank holding company also located in Fargo. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated October 16, 2017, based on Interagency Small Institution Examination Procedures. In addition to its main office in Fargo, VISIONBank operates a branch in Fargo and one in West Fargo, North Dakota. It has not opened or closed any branches, and no merger or acquisition activities have occurred since the previous evaluation.

The bank offers a variety of closed-end loan products for commercial, agricultural, and consumer purposes, primarily focusing on commercial and home mortgage lending. The institution also offers several open-end loan products, including home equity, personal, and overdraft lines of credit. In addition, the bank has a number of arrangements in place to originate and sell home mortgage loans to secondary market investors.

VISIONBank also participates in various government-sponsored loan programs through the Small Business Administration (SBA), the Veterans Administration, the North Dakota Housing Finance Agency, and the Bureau of Indian Affairs. In 2020, the bank originated 255 loans totaling approximately \$28.6 million through the SBA Paycheck Protection Program, which assisted small businesses struggling with the impact of the Coronavirus pandemic. In 2021, the bank originated

150 Paycheck Protection Program loans totaling approximately \$10.6 million. VISIONBank provides a variety of deposit services such as checking, savings, money market deposit accounts, certificates of deposit, and Individual Retirement Accounts. Alternative banking services include internet and mobile banking; mobile check deposit; electronic bill pay and person-to person payments; and three bank-owned ATMs.

As of March 31, 2023, VISIONBank reported total assets of \$255.8 million, total loans of \$195.9 million, and total deposits of \$231.2 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 3/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	21,194	10.8
Secured by Farmland	3,978	2.0
Secured by 1-4 Family Residential Properties	45,275	23.1
Secured by Multifamily (5 or more) Residential Properties	13,248	6.8
Secured by Nonfarm Nonresidential Properties	64,023	32.7
Total Real Estate Loans	147,718	75.4
Commercial and Industrial Loans	38,974	19.9
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	8,934	4.6
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	295	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	195,921	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 assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

VISIONBank has designated a single assessment area. The assessment area is comprised of the Fargo, ND-MN Metropolitan Statistical Area (MSA), which includes Cass County, North Dakota, and Clay County, Minnesota. According to the 2020 U.S. Census, the assessment area consists of 5 low-income, 12 moderate-income, 28 middle-income, 15 upper-income geographies. There were no changes to the assessment area since the previous evaluation; however, there were numerous changes related to the 2020 U.S. Census. Based on 2015 ACS data, the assessment area consisted of 9 moderate-income, 17 middle-income, and 8 upper-income census tracts, along with 1 census tract that did not have an income designation.

Economic and Demographic Data

Despite the Coronavirus pandemic and other economic concerns that have affected other parts of the country since the last evaluation, bank management noted that the assessment area’s economy continues to be strong primarily due to its diversification. The assessment area is a regional hub with several medical and educational institutions, as well as numerous light manufacturing

businesses and financial institutions. The area’s population continues to grow. Correspondingly, there have been several new housing developments as well as many new service-type businesses. Management indicated that the area does struggle with a workforce shortage. The following table shows select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	60	8.3	20.0	46.7	25.0	0.0
Population by Geography	249,843	7.0	18.3	48.7	26.0	0.0
Housing Units by Geography	110,404	8.6	22.7	48.7	20.0	0.0
Owner-Occupied Units by Geography	56,879	2.2	14.5	55.2	28.1	0.0
Occupied Rental Units by Geography	44,843	14.8	32.0	41.4	11.9	0.0
Vacant Units by Geography	8,682	18.3	28.1	44.1	9.5	0.0
Businesses by Geography	28,115	10.5	24.1	42.2	23.2	0.0
Farms by Geography	1,143	2.4	8.7	69.6	19.2	0.0
Family Distribution by Income Level	58,291	18.8	18.4	23.4	39.4	0.0
Household Distribution by Income Level	101,722	23.6	15.9	18.9	41.6	0.0
Median Family Income MSA - 22020 Fargo, ND-MN MSA		\$90,450	Median Housing Value			\$224,364
			Median Gross Rent			\$838
			Families Below Poverty Level			6.2%
<i>Source: 2020 U.S. Census and 2022 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.</i>						

Competition

VISIONBank operates in a highly competitive market. Per 2022 FDIC Deposit Market Share data, 31 financial institutions operate 97 offices within the two counties that make up the bank’s assessment area. Of these institutions, VISIONBank ranked 11th with 2.0 percent of the deposit market.

Community Contacts

As part of the evaluation process, examiners contact third parties to assist in identifying the credit and community development needs of the assessment area. This information helps determine whether local financial institutions are responsive to these needs. Examiners conducted a community contact interview with an individual knowledgeable of commercial and housing activity

within the assessment area. The contact stated that affordable housing, housing assistance programs, and financial assistance for daycare facilities are the primary credit-related needs for the area. The contact added that the overall economy of the area continues to be very strong and is well diversified between agriculture, higher education, healthcare, energy, and finance. The population continues to grow, and the supply of available housing is low. Similar to businesses in other areas of the country, assessment area businesses are struggling with a workforce shortage.

Credit Needs

Considering information from the community contact, bank management, as well as demographic and economic data, examiners determined that commercial and home mortgage lending represent primary credit needs in the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated October 16, 2017, to the current evaluation dated July 10, 2023. Examiners used the Interagency Small Institution Examination Procedures to evaluate VISONBank's CRA performance.

Activities Reviewed

Bank records and discussions with bank management indicated that the lending focus and product mix remained consistent throughout the evaluation period despite the Coronavirus pandemic. As noted earlier, the bank's primary lending focus is commercial, followed by home mortgages. Therefore, examiners reviewed all small business loans originated, renewed, extended, or purchased in 2022. Management confirmed that this loan activity was representative of the bank's small business lending during the entire evaluation period. Specifically, examiners reviewed 258 small business loans totaling \$30.0 million for the Assessment Area Concentration criterion and 209 small business loans totaling \$25.4 million located inside the assessment area for the Geographic Distribution criterion. For the Borrower Profile criterion, examiners selected a sample of 55 small business loans in the assessment area totaling \$8.8 million, as revenue information to evaluate the entire universe was not readily available.

In addition, examiners analyzed home mortgage loans reported on the bank's 2021 and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For home mortgage lending, the bank reported 71 loans totaling \$35.5 million in 2021 and 91 loans totaling \$19.9 million in 2022. The significant decrease in the dollar volume of loans from 2021 to 2022 is due to one significantly large loan reported in 2021. No other abnormalities were identified and the bank's performance was similar in both years. Therefore, only home mortgage data for 2021 is presented in this evaluation for the Geographic Distribution and Borrower Profile criteria as this is the most recent year with available aggregate data.

D&B data for 2022 provided a standard of comparison for the small business loans reviewed. HMDA aggregate lending data for 2021, as well as 2015 American Community Survey (ACS) data provided a standard of comparison for the 2021 home mortgage loans reviewed. Examiners placed more weight on the comparisons to the aggregate lending data since it is typically a better indicator of market conditions and loan demand.

Other loan products, such as agricultural loans, do not represent major product lines; therefore, examiners did not review any other products. The bank’s small business lending performance was given more weight in the overall conclusions since this loan product represents the bank’s primary lending product. While both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individual borrowers served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

VISIONBank demonstrated satisfactory performance under the Lending Test. The Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s average net loan-to-deposit ratio has declined to 89.3 percent since the previous evaluation when it was 99.2 percent, primarily due to the large influx of deposits during the Coronavirus pandemic. The net loan-to-deposit ratio as of March 31, 2023 was 83.9 percent. The bank’s performance over the past 22 calendar quarters, along with that of comparable banks, is noted in the table below. Comparable institutions were selected based on their asset size, branching structure, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total assets 3/31/2023 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Northwestern Bank, National Association, Dilworth, Minnesota	165,282	83.8
VISIONBank, Fargo, North Dakota	255,799	89.3
Valley Premier Bank, Hawley, Minnesota	132,483	58.6
<i>Source: Reports of Condition and Income 12/31/17 – 3/31/23; Banks listed alphabetically by city</i>		

Assessment Area Concentration

As detailed in the following table, VISIONBank originated a majority of its small business and home mortgage loans within the assessment area.

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	209	81.0	49	19.0	258	25,400	84.7	4,587	15.3	29,987
Home Mortgage										
2021	47	66.2	24	33.8	71	25,136	70.8	10,342	29.2	35,477
2022	66	72.5	25	27.5	91	13,344	67.0	6,587	33.0	19,930
Subtotal	113	69.8	49	30.2	162	38,480	69.4	16,929	30.6	55,407

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

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion. This conclusion is supported by the reasonable performance in small business and home mortgage lending. Examiners focused on the bank’s lending in low- and moderate-income geographies.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As indicated in the following table, lending in the low-income census tracts exceeds the 2022 D&B data, while lending in the moderate-income census tracts slightly lags the 2022 D&B data. Nevertheless, the bank’s level of lending in moderate-income areas is considered comparable to the D&B data given the bank’s capacity and the amount of competition in the assessment area. As described earlier, 31 financial institutions operate 97 full-service branches within the assessment area. Based on this information, the geographic distribution of small business loans in the assessment area is reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	10.5	28	13.4	3,701	14.6
Moderate	24.1	33	15.8	2,426	9.6
Middle	42.2	75	35.9	6,358	25.0
Upper	23.2	73	34.9	12,915	50.8
Totals	100.0	209	100.0	25,400	100.0

Source: 2022 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area when compared to 2015 ACS data and 2021 HMDA Aggregate Data, which is depicted in the following table.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	14.8	11.2	6	12.8	558	2.2
Middle	50.9	38.5	17	36.2	19,409	77.3
Upper	33.7	49.6	22	46.8	4,830	19.2
Not Available	0.6	0.7	2	4.2	339	1.3
Totals	100.0	100.0	47	100.0	25,136	100.0

Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels. Examiners focused on the percentage by number of loans to businesses with gross annual revenues of \$1 million or less and the percentage by number of home mortgage loans to low- and moderate-income borrowers. This conclusion is supported by reasonable performance in small business and home mortgage lending.

Small Business Loans

As illustrated in the following table, the distribution of borrowers reflects reasonable penetration among businesses of different sizes when compared to D&B data, especially when considering the high level of competition for loans. It should also be noted that 8.8 percent of businesses in the assessment area did not report revenues to D&B, which can skew the comparable data. Given this information, the bank’s performance in lending to businesses of different sizes is considered reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	87.0	43	78.2	5,203	59.1
>\$1,000,000	4.2	12	21.8	3,602	40.9
Revenue Not Available	8.8	0	0.0	0	0.0
Total	100.0	55	100.0	8,805	100.0

Source: 2022 D&B Data, Bank Data; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. As shown in the following table, the bank's lending performance to low-income borrowers is less than ACS data, while lending performance to moderate-income borrowers exceeds ACS data. However, the bank's level of lending to low- and moderate-income borrowers exceeds 2021 aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	18.8	7.6	4	8.5	626	2.5
Moderate	19.0	20.3	10	21.3	1,961	7.8
Middle	23.0	20.5	12	25.5	1,628	6.5
Upper	39.2	27.4	15	31.9	2,629	10.4
Not Available	0.0	24.2	6	12.8	18,292	72.8
Totals	100.0	100.0	47	100.0	25,136	100.0

Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

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.